# Annual Report Including Narrative Report and Statement of Accounts 2023/24

**Chris Ward**

**Director of Finance & Resources (Section 151 Officer)**

**Councillor Ian Holder**

**Chair of the Governance and Audit and Standards Committee**

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# Narrative Report to the Statement of Accounts 2023/24

# Narrative Report - Financial Year Ended 31st March 2024

The purpose of this narrative report is to provide context to the Statutory Statement of Accounts for Portsmouth City Council for the period from 1 April 2023 to 31 March 2024.

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, and operates a decision-making system of a Leader and Cabinet.

The Cabinet currently consists of the Leader of the Council and nine other Cabinet members. The Leader of the Council is elected at the first full council following May elections, and it is for the Leader to select the Cabinet. 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
- Climate Change & Greening the City
- Community Wellbeing, Health & Care
- Culture, Leisure & Economic Development
- Environmental Services
- Housing and Tackling Homelessness
- Planning Policy & City Development
- Resources
- Safety in the Community
- Transport

Roles, responsibilities and the way that we do the business of the City Council are set out in the Constitution of the City Council.

The City Council's staff are managed by the Chief Executive, Natalie Brahma-Pearl, who is the head of the paid service. The chief executive is supported by Directors who have oversight of a number of services, each of which deals with a broad portfolio of the functions of the City Council. The current Director team is:

- Director of Children Services and Education (and statutory Director of Children's Services) - Sarah Daly
- Director of Public Health (statutory post) - Helen Atkinson
- Director of Adult Services (and statutory Director of Adult Social Services) - Andrew Biddle
- Director of Finance and Revenues (and statutory s151 officer) - Chris Ward
- Director of Culture, Leisure and Regulatory Services - Stephen Baily

- Director of Economy, Transport and Planning - currently vacant
- Director of Housing, Neighbourhoods and Building Services - James Hill
- Director of Corporate Services - Natasha Edmunds
- Port Director - Michael Sellers

The monitoring officer is the City Solicitor, Peter Baulf.

## 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 local authorities in England (where one 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 of the various domains. 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. 16% 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. There is one further education college in the city, City of Portsmouth College, operating across multiple sites as a result of a recent merger of colleges, and 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. 59% 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 80.4% in the year to December 2023, above the UK average rate (75.7%). However, at 3.9% the unemployment rate in Portsmouth is also higher than the UK average, and that of the surrounding area (2.7% in Hampshire). The most recent statistics show that the proportion of young people not in education, employment or training has risen to 5.6%. 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; only 48.6% of residents against a rate of 70.2% in the south-east and 67.8% nationally. Portsmouth also has a higher proportion of residents with no qualifications (7.3%) compared to the average for the south-east (5.1%), and the national rate (6.5%). This poses a challenge for residents looking to obtain highly paid work. 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 2023, ONS annual survey of hours and earnings found that the median gross weekly pay for Portsmouth residents was £653.60, below the average for Great Britain (£682.60), and significantly lower than the Southeast (£723.50). However, Portsmouth jobs generated higher earnings (£726) than the wider south-east or national average.

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. We also have limited road capacity due to the "island" nature of the city, and 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, particularly around the city centre.

**Our context - our partners**

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

- the Hampshire and Isle of Wight Integrated Care Board (HIOW ICB)
- Solent NHS Trust
- Portsmouth Hospitals University Trust (PHUT)
- Police
- Probation Service
- Fire Service
- Royal Navy
- University of Portsmouth (UoP)
- Solent Transport
- Partnership for South Hampshire
- HIVE Portsmouth (co-ordinates and supports the voluntary and community sector within the city) and
- with business through Shaping Portsmouth.

For many years, the City Council had three key theme-based strategic partnerships - the Health and Wellbeing Board, Children's Trust, and the Safer Portsmouth Partnership. Following a review, these partnerships were folded into a single Health and Wellbeing Board, with a broadened remit and membership to improve efficiency and ensure that issues are being considered strategically when they affect people across the city. In 2022, the Health and Wellbeing Partnership agreed a new joint Health and Wellbeing Strategy to guide the work of the partnership with a focus on five themes:

- Air quality

- Educational attainment
- Positive relationships
- Housing
- Poverty

There are other partnership arrangements around the city's regeneration efforts such as Solent Transport, and the Partnership for South Hampshire. The functions previously undertaken by the Solent Local Enterprise Partnership (such as supporting business voice in decision-making, preparing an economic plan for the wider area and delivering some national programmes) passed in April 2024 to the upper tier authorities in the Solent region with Portsmouth, Southampton and the Isle of Wight working together to establish new arrangements for their areas. A successor body to the Solent LEP, Solent Partners, will continue to undertake some functions on behalf of government and the partner authorities. In addition, Portsmouth City and Gosport Borough Council have come together to form the 'Portsmouth Harbour Partnership' to bid in the central government's One Public Estate programme.

Other examples of working together include the sharing of key management posts with other authorities (such as Gosport, Southampton and the Isle of Wight) and developing shared services across authorities.

Partnerships with colleagues in the health sector have traditionally been strong in the city and we have developed successful integration of services by moving to a model for shared functions across adult services, children's services and public health. This has been critical in ensuring that services for Portsmouth's population are commissioned and delivered with a strong understanding of local communities and their needs, and our broad and deep integration meant that we adapted well in the local area to the pressures of the pandemic. As the NHS embeds the new Integrated Care System structure, with organisations operating at larger geographies, we need to ensure that we retain the strong local 'place-based' focus to heath service provision. Health and Care Portsmouth 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 Council has made £108m in savings (49% of controllable spend). Adult and Children's Social Care represent in excess of 50% of controllable spend, provide services to the most vulnerable, experience the greatest cost pressures and have historically received significant protection from savings. The rising costs of homelessness and supporting children with special educational needs and disabilities are also creating significant pressures. Funding levels (e.g. Government Funding, Council Tax and Business Rates) have not kept pace with the cost pressures arising from prolonged levels of inflation and the ensuing "cost of living crisis". The City Council continues to operate in a climate of uncertainty created by prolonged inflation and its volatility, cost of living related increases in demand for services and the forthcoming review of the Local Government Funding system. The City Council's Medium Term

Financial Strategy is the mechanism through which the organisation seeks to address these issues and has been developed to respond to these very challenging circumstances. The Strategy has a strong regeneration and value for money focus with a presumption that capital investment will be targeted towards cost savings, income generation and economic growth.

In February 2024, the Full Council considered budget and council tax proposals for 2024/25. The key proposals recommended a budget for 2024/25 that provides for:

- a "structurally balanced" Budget with General Reserves at £21.2m
- total increase in spending of £20.1m (including all cost and inflationary pressures)
- total savings of £2.0m necessary to offset the extraordinary costs of inflation and demand related budget pressures
- additional Spending in Children's Services of £5.1m (to cover existing overspendings and other unavoidable cost pressures)
- additional Spending in Adult Social Care of £9.4m (including the uplift in the National Living Wage of 9.8% that will be passed to care providers as well as all other inflationary pressures)
- an inflationary uplift for all Services at an average of 6.4% in order to maintain "steady state" services and amounting to £2.6m (excluding Adult & Children's Social Care above)
- additional Government Funding of £5.2m for 2024/25, with £6.0m provided for Social Care but a cut for all other services of £0.8m
- sums set aside within the City Council's Corporate Contingency for known risks including Temporary Accommodation, Port Health, Buildings Maintenance and all other known and potential liabilities.
- new capital investment of £33m, with key investments including school places across Secondary and Special School Sectors (£7.5); a new Leisure Centre including a swimming pool, sports facilities and GP Surgery (£6.6m), Port Shore Power facilities (£5m), critical Buildings Maintenance (£2.5m), Transport and Street Environment improvements, including active travel (£5.2m).

The City Council has a relatively low taxbase and a relatively low tax charge. That means that both the average Council Tax and the amount of Council Tax charged to residents is low compared with our statistical neighbours. By illustration, the City Council receives circa £9.0m per annum less in Council Tax than the average Unitary Authority within its statistical neighbour group, and therefore Portsmouth City Council has a 9.4% lower Council Tax. The 2024/25 budget is based on a Council Tax increase of 4.99%, of which:

- 2.99% is for general council services
- 2.0% (amounting to £1.9m) is to be passported directly to Adult Social Care.

Council Tax for the average Council Taxpayer in Portsmouth (Band B) currently amounts to £1,540.59, of which £1,282.45 (83%) is the City Council element. Not all residents are subject to the full amount of Council Tax with many benefitting from exemptions and discounts (such as the single person discount) and a significant number of residents receiving Local Council Tax Support bringing the level of Council Tax payable to an assessed affordable level. After discounts, exemptions and Local Council Tax Support is taken into account, circa. 57% of all properties are subject to the full level of Council Tax.

Working within a Local Government financial envelope set by the Government in their Comprehensive Spending Review 2021 for the period 2022/23 to 2024/25, which did not foresee the elevated and prolonged levels of inflation of the past 2 years, the Budget setting process over this period has been some of the most challenging that the City Council has experienced.

During this unprecedented period of uncertainty and financial risk, 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 the review of Local Government Funding scheduled for 2026/27. The City Council retains reserves to provide the necessary financial resilience to be able to respond in all reasonable circumstances. Currently, the City Council's financial health is sound and remains well placed to face future inflationary and demand volatility as well as the uncertainty arising from the review of Local Government Funding

Public consultation undertaken in 2023, to inform the budget setting, showed that the "Top Three" most important service areas for residents at present are, in order of popularity:

- Ensure people have access to the health and care services they need (68%)
- Making sure people feel safe and supported in their homes and communities (40%)
- Regenerate major sites to create homes, jobs and economic opportunities in the City (29%).
- The leading priorities for Capital Investment were:
    - Building new homes in the City, including flats offering special care for elderly residents (49%)
    - Invest in greening projects across the City (37%)
    - Create better facilities for sustainable transport such as cycling and walking (37%)
    - Build more classrooms and specialist provisions for children with additional needs (37%)

## Our Strategic Priorities and Direction

In 2019 and 2020, we embarked on an exercise with partners, "Imagine Portsmouth", to create a shared vision for the city: https://imagineportsmouth.co.uk/the-vision/.

We worked with 2,500 people, representing business and organisations, who live and work in Portsmouth to talk about our hopes and dreams for our city. We created big bold plans for what we want in the future; for ourselves, our families, our communities, our businesses and our co-workers.

People described the city they wanted to see in the future as:

'We believe in:

- equality
- innovation
- collaboration
- respect
- community

In Autumn 2024, the Council's Corporate Plan for 2024-26 was approved by Full Council, setting out the Council's mission and priorities for the next 2 years and to contribute to the city's vision for 2040.

By 2040, we want to see a:

- **happy and healthy city** - We do everything we can to enhance wellbeing for everyone in our city by offering the education, care and support that every individual needs for their physical and mental health. All our residents and communities live in good homes where they feel safe, feel like they belong, and can thrive.
- **city rich in culture and creativity** - People in Portsmouth enjoy a vibrant cultural scene that makes the most of our location, our heritage and our creative energy. We are full of things to do and places to be, welcoming locals and visitors with diverse events, attractions and venues that positively benefit our people and our city. We are known locally, regionally and internationally as a great waterfront and city destination that brings people together.
- **city with a thriving economy** - Portsmouth supercharges local businesses and entrepreneurs and attracts investment nationally and internationally from businesses of all sizes. We build strong partnerships between employers and people to develop an excellent skills base and offer brilliant career opportunities to young people, students and adults, growing a better future for us all.
- **city of lifelong learning** - Our young people are encouraged to develop high, positive aspirations, and are fully invested in to make the most of their talent and potential. Adults have a wide range of education opportunities to choose from at every stage of life that empower them and enrich their lives.
- **green city** - We have excellent air quality because of our green spaces and sustainable transport, and this means our people live healthy and active lives. We are carbon neutral, use renewable energy and actively work to address climate change. We protect and enhance both our land and maritime environment for future generations.
- **city with easy travel** - Fewer journeys are made by car because we have excellent public transport connections between bus, train, cycling and walking routes, making it easier and more enjoyable to be out and about. We encourage and support more walking and cycling, and we make it easy for people to travel regionally, nationally and internationally for work and pleasure.

## The priorities for Portsmouth City Council

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:

***"Our mission is to work together with partners and communities to be a champion for our city and improve the lives of our residents, and to protect and enhance our environment, tackling the causes of climate change and creating a green city."***

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 - 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 priorities underpinning the mission statement, and making sure that everything we do is in line with achieving the City Council's mission.

## Portsmouth City Council's priorities and performance

***Mission - We will improve lives***

**Priority: support individuals and families struggling to make ends meet**

PCC have 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 financial support, benefit advice, and 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. PCC 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 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: make sure people feel safe and supported in their homes and communities**

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: ensure people have access to the health and care services they need**

There has been extensive media coverage in the past year, highlighting some of the challenges around health provision in the city. 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 delivery over the winter, needing to declare critical incidents on a number of occasions. There have been closures of community pharmacies, as the business become unviable.

The City Council is working with partners to try and find some solutions to these issues. The Leader of the Council convened summit meetings with local GPs and colleagues to explore ideas and held a similar event with community pharmacists. 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.

The City Council is also working with partners to ensure support for mental health, and lobbies at a regional and national level for resource into our city. Local partnership arrangements through Health and Care Portsmouth and the Health and Wellbeing Board are critical to this work, as is developing an effective way of working with the Integrated Care Board and the community provider trust.

**Priority: work with partners, including Portsmouth's schools, to improve educational attainment and opportunities for children and young people in the city**

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. The city has been included in the national Priority Education Investment Area programme, which includes four strands of work:

- literacy
- maths
- attendance
- under-performing groups

A wider project has now started to take a deeper dive into the reasons for poor attainment in the city and develop some practical responses.

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). In 2023, the Wymering School opened, a Special Free School providing specialist education for children between 9 and 16 with social communication and interaction difficulties, associated Speech, Language and Communication Difficulties (neurodiverse profile) and high levels of anxiety and/or associated distressed behaviour.

**Priority: regenerate major sites to create homes, jobs and economic opportunities in 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, with an outline planning consent for development, covering areas between Hope Street, Charlotte Street, and Commercial Road to the east, approved at the end of 2023. The scheme will include residential development, a new public park and

10,000 sqm of commercial space. Roadworks to enable this development are underway and will complete in Summer 2024.

Work also continues to take forward development of the once in a generation opportunity at Tipner West and Horsea Island East. In 2013, Portsmouth was granted £48.75 million by the government through a City Deal to explore how this area could be regenerated to create new employment opportunities in the marine and maritime sector as well as new homes for people in the city. In October 2023, Full Council agreed a set of principles to guide the development that put nature and sustainability at its heart. These principles are:

- Develop options that have regard to the Conservation Objectives of the Special Protection Area (SPA)/Ramsar sites in respect of their bird populations and other qualifying features
- Deliver nature focused placemaking to contribute to Greening of the City, in line with the City Vision 2040, which achieves more than the statutory biodiversity requirement
- Provide a minimum of 814 homes and maximum of 1,250 homes (minimum affordable housing 30%) and a minimum of 58,000 sqm of marine focused employment space alongside enabling infrastructure to satisfy the terms of City Deal.
- Maximise local job creation
- Minimise costs and impact on City Council finances and services to the public
- Seen to continue to work in partnership with the Royal Society for the Protection of Birds (RSPB), Hampshire and Isle of Wight Wildlife Trust (HIWWT), Ministry of Defence and Historic England to develop proposals that are capable of satisfying the regulatory requirements of Natural England, the Marine Management Organisation (MMO) and the Environment Agency.
- Minimise land reclamation to meet the principles listed above.

Other significant regeneration projects that are underway include multi-million pound coastal defence schemes that will safeguard the environment, businesses and homes in the future; 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 2026. 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.

The city is also a key player in the Solent Freeport, including having 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 in the Solent area.

**Priority: make sure our residents have the housing they need**

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 continues with 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 continues with a scheme to buyback council homes including those which had previously been sold under Right to Buy.

In 2023, a new strategy to address homelessness in the city was agreed, with five key aims:

- ***Prevent Homelessness****:* prevent incidences of homelessness wherever possible and relieve more homelessness where prevention is not an option.
- ***End rough sleeping***: ensure rough sleeping is rare, brief, and not recurring.
- ***Provide the right housing to relieve homelessness*****:** ensure people are provided with accommodation that meets their needs and lets them feel safe and secure.
- ***Provide the right support:*** whatever accommodation a person has, ensure they can access the right support at the right time to help them sustain it.
- ***Strengthen collaborative working*****:** improve communication with people at risk of homelessness and strengthen local partnerships to prevent homelessness more often.

**Priority: put culture at the heart of our city's success**

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. In 2023, Arts Council England awarded £650,000 over three years to allow Portsmouth Creates to boost creativity and culture in the city. This investment is supported by £450,000 from the founding partners (including PCC).

The City Council has developed a vision for sport and leisure in the city, setting out how it will transform facilities and programming in the future to encourage more participation in sport and physical activity.

Working in partnership with the Football Foundation, PCC have developed the King George V Playing Field Football Complex, with two artificial grass pitches and facilities including changing rooms and a café. This is intended to support the game in the city, by providing better facilities particularly for youth football, and 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.

£7.75m of Levelling Up Round 1 funding has been allocated to support the further development of Hilsea Lines in the north of the city, including enhanced cycling and walking facilities.

At the heart of the park will be the redevelopment of the much-loved Hilsea Lido as a cornerstone attraction. The Lido refurbishment will include a refurbished pool and plant, good-quality changing facilities and 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 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 allow this scheme to proceed.

We are also working in partnership with Sport England in their new place-based model for investment, with a focus on the Landport area of the city and engaging with the Football Foundation on their new Playzones programme.

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 completed in 2023/24 to address issues with the building structure. 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 now completed a development programme, supported by £2m of funding from the National Lottery Heritage Fund, 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. Over the two-year programme, facilities have been completed at the D-Day museum car park and Norrish Library, Fratton Community Centre, King George V (KGV) Playing Fields, and Exploria at the Pyramids. A further facility at the City Museum is due for registration in May 2024.

***Mission - we will protect and enhance our environment, tackling the cause of climate change locally and creating a green city***

**Priority: we will reduce our own carbon emissions and put in place measures that mean people can reduce theirs too**

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 climate emergency, the City Council has taken significant steps to support carbon reduction objectives.

In July 2022, Portsmouth City Council approved the 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 solar panels and battery planning and installation has 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 the next 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 installing 2,660 solar panels supplying 1.2 MW of power, and a 1.5 MW battery. In 2023, 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 our in-house architects team have been gaining accreditation in whole building energy efficiency (Passivhaus) design.

Since September 2022, the Green and Clean teams have substituted diesel for the lower carbon fuel, Hydrotreated Vegetable Oil (HVO), in four non-road vehicles and nineteen road vehicles. This is a permanent substitution until these vehicles can be electrified.

The City Council continues to support the Green Partnership in the city, working with local partners with a greater potential to influence city carbon emissions through their large estates, significant workforce, or community outreach.

Since May 2022, Portsmouth City Council has been delivering, through the Switched On Portsmouth offer, a LAD 3 (Local Authority Delivery Phase 3 of the sustainable warmth scheme) and HUG 1 (Home Upgrade Grant) 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 $CO_2$ emissions per year.

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

In 2023, Portsmouth City Council worked with partners on Innovate UK's Net Zero Living Programme. As lead applicant, PCC collaborated with city partners to develop a study to understand the collective barriers to decarbonisation and identify city-wide solutions and have been awarded £150,000 to pump prime some projects that will progress the Net Zero journey.

**Priority: we will prioritise sustainable travel and improve transport systems in the city to reduce the environmental impact and improve journey time**

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: we will ensure that the city has a healthy and resilient natural environment**

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 utility companies to account for their actions in the city and challenge them to make improvements. A partnership event to focus on ocean literacy was held in July 2023, with another session planned for summer 2024.

Portsmouth, despite its predominately dense urban environment and industrial heritage, benefits from a rich diversity of flora and fauna in its coastal, harbour and chalk grassland environments. It is the UK's only 'island city' and some 30% is covered by statutory nature conservation designations in recognition of its value to international, national and local biodiversity. The intertidal areas around Portsmouth, particularly the mudflats, shingle and saltmarsh provide ideal feeding and roosting grounds for overwintering bird species which are especially adapted to feeding in such habitats. However, we also have relatively low levels of tree canopy cover in the city, and some areas of low access to green space. We are developing projects to improve the green environment and also link them to how we respond to issues such as hotter and wetter weather as the climate changes.

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, but this has not fully addressed the issue of harmful levels of emissions in the area, so in 2024 we will be focusing on what measures will be required to tackle this problem. 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 2023, PCC took the decision to switch off all on-street charging points in the city in late November, following safety concerns raised by Scottish and Southern Electricity Networks (SSEN), but most have now been reinstated and are available to use, and soon an additional 62 on-street residential electric vehicle charge points will be added. The City Council has been awarded an indicative capital funding allocation of £3,682,000 under the UK Government's Local Electric Vehicle Infrastructure (LEVI) scheme, which will allow the continued roll out and growth of Portsmouth's electric vehicle infrastructure.

**Priority: we will reduce the waste generated by the city, and make sure we dispose of our waste responsibly**

PCC is responsible for rubbish collections and for enabling recycling. We have expanded our recycling to include food waste collections and added bring banks for plastic packaging and cartons and kerbside battery collection. We estimate that the kerbside food waste collection saves approximately sixty tonnes of $CO_2$ emissions per year from incineration.

We have taken steps to make our waste collection vehicles more sustainable by using HVO fuel, and we also work with local residents and businesses to encourage positive behaviour change, reducing our overall waste, and ensuring a greater percentage is recycled.

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.

From April 2024, the City Council brought the waste collection contract back in-house from a private contractor. This will provide opportunities in the long term to consider how we engage around waste with residents. We will also be working to prepare to meet new responsibilities for councils under the Environment Act 2021 and continue to work with partners to prepare for twin stream recycling collections which will expand the range of materials collected at the kerbside to include glass, plastic pots, tubs and trays and cartons (subject to confirmation from Government of legislative requirements and funding).

***Mission - we will be champions for Portsmouth***

**Priority: we will ensure Portsmouth is a city equipped for the future and that residents have the skills they need**

The world around us is changing rapidly, from new and emerging technologies to social and environmental change, we are already working to ensure the city adapts and our residents are prepared. We are already making homes more energy efficient, equipping the city for electric vehicles, and encouraging sustainable travel. Our coastal defences schemes are preparing the city for the environmental changes associated with climate change. We have ensured the city has access to high-speed internet through a Local Full Fibre Network, and we are working to ensure our young people have the right skills to succeed in a technology driven future through initiatives like the University Technical College.

We are continuing to improve city infrastructure through the continued roll out of the Local Full Fibre Network, we are working with employers and delivery partners to further implement the Skills Strategy 2020 and ensure that the Local Skills Improvement Plan (LSIP) impacts positively on Portsmouth, its residents and businesses.

**Priority: we will get the best possible deal for our residents by lobbying and lead at a regional and national level to make sure the city's voice is heard**

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 our 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 remains open to 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 the 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 and provide clarity on the future requirements of the border control.

The City Council continues to be a supportive partner to the wider Integrated Care System, sharing best practice and learning from others, and ensuring the city's needs are represented so we get a fair share of resources.

**Priority: we will innovate and be at the forefront of new developments so that we are learning and delivering the best possible services**

We want to keep making improvements and finding better ways to deliver our services, and that means trying new things and constantly learning. For example, we are working with the Department for Transport on some new technologies around real time transport information, increasing our use of technology to keep people safe in their homes, and reduce hospital admissions.

In 2023, we were successful in a joint bid with the University of Portsmouth and other partners to create a research alliance, ensuring our work is evidence-based, and to provide funding for research that supports our activity. Portsmouth has been recognised for pioneering work on the Portsmouth Neurodiversity Model for children and young people, including the screening tool and resource bank.

We are always looking to see how we can work differently to make tangible improvements in efficiency and effectiveness and to improve the lives of our residents.

## Our shared values

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 vacate 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.

Recent years have seen unprecedented pressures nationally and globally, including a once in a generation pandemic, a challenging financial context and global instability that echoes into local communities. This all means that the organisation has had to change and respond swiftly, and in some cases, 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.

## 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 demand-led services, supply chain issues and inflationary pressures which create challenges on the revenue budget and for new developments.

There is also an increasing dependency on key staff, and the capacity of those staff 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. 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.

# Statement of Accounts 2023/24 - Commentary

## Statement of Accounts

The City Council is required to produce a set of Statement of Accounts 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 Statement of Accounts can be found on page 29 of this Annual Report.

The Primary Statement of Accounts 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 32 and shows that the City Council's general reserves increased by £24.2m, resulting in a £22.9m increase in earmarked reserves and £1.3m increase in schools' balances in year to help fund future 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 33 of the Statement of Accounts. The adjustments needed to get from the movement in the general reserve balances to the total comprehensive income and expenditure position are detailed in the Expenditure and Funding Analysis. The overall net cost of services has increased by £71.7m compared to 2022/23 primarily due to a change in HRA council dwellings asset valuations and the purchase of additional council housing.

- **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 2024. The balance sheet can be found on page 35 of the Statement of Accounts. Overall net assets have increased by £100m primarily due to increases in asset valuations and purchase and construction of new assets.

- **Cashflow Statement -** This statement shows how the City Council generates and uses cash as well as changes in cash and cash equivalents during the reporting period. The cashflow statement can be found on page 36 of the Statement of Accounts. Overall cash balances are up by £9.2m in year to £27.6m due to availability of secure investment opportunities and the need for liquidity.

**Alongside the key statements there are various notes which** provide supporting information and analysis of the figures in the key Statement of Accounts 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 Statement of Accounts and determining what disclosures or lines to include/exclude, except where qualitative factors justify a lower materiality being applied.

## Our Portfolio Net Revenue Expenditure

Where the City Council has costs related to the day-to-day provision of services, for example salaries, supplies and services, and utility costs, this expenditure is 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 (rising inflation, high energy costs, lower income etc), the City Council has ended the 2023/24 financial year with a surplus of £2.5m against budget (1.7% of the net revenue budget). This required a drawdown from general reserves to cover the deficit.

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

The most significant variances occurred in the following portfolios and are similar to other Councils, with growing pressures on Adult Social Care and housing and homelessness services:

- Community Wellbeing Health & Care - The £1.3m overspend is mainly due to higher client volumes, higher client placement and package costs and the use of agency staff to cover vacancies.
- Housing and Tackling Homelessness - The £2.3m overspend is primarily due to higher costs of housing the homeless along with higher costs of landlord's maintenance due to inflationary cost pressures, more repairs than anticipated and lower expected income due to staff recruitment issues.
- These overspends were offset by minor savings across other portfolios resulting from, for example energy savings

| | Revised Cash Limit £000 | Actual Net Expenditure £000 | Variance £000 | Variance % |
|---|---|---|---|---|
| Children Families & Education | 49,070 | 49,619 | 549 | 1.1 |
| Climate Change & Greening the City | (13) | (9) | 4 | (30.8) |
| Community Wellbeing Health & Care | 55,788 | 57,118 | 1,330 | 2.4 |
| Culture Leisure & Economic Development | 8,518 | 7,847 | (671) | (7.9) |
| Environmental Services | 15,274 | 15,173 | (101) | (0.7) |
| Housing and Tackling Homelessness | 2,981 | 5,278 | 2,297 | 77.1 |
| Leader | (25,824) | (26,070) | (246) | 1.0 |
| Licensing Committee | (168) | (184) | (16) | 9.5 |
| Planning Policy & City Development | 1,679 | 1,943 | 264 | 15.7 |
| Port | (8,667) | (8,856) | (189) | 2.2 |
| Resources | 23,372 | 23,121 | (251) | (1.1) |
| Safety in the Community | 3,366 | 3,366 | - | - |
| Transport | 19,235 | 18,733 | (502) | (2.6) |
| **Portfolio Net Expenditure Charged to General Fund Balances** | **144,611** | **147,079** | **2,468** | **2** |
| Non-portfolio - Housing Revenue Account (HRA) | | (8,119) | | |
| Non-portfolio - Other | | 31,184 | | |
| **Net Cost of Services Charged to General Fund & HRA Balances** | | **170,144** | | |
| Other Operating Income | | (205) | | |
| Financing & Investment Income & Expenditure | | 4,539 | | |
| Taxation & Non-specific Grant Income | | (200,713) | | |
| **Deficit on Provision of Services Charged to General Fund & HRA Balances** | | **(26,235)** | | |
| 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 | | - | | |
| | | - | | |
| Pension adjustments, ie. the extent to which the acturial cost of providing pensions exceeds employers contributions to the pension fund | | - | | |
| | | - | | |
| Other differences including timing difference on Business rates | | - | | |
| **(Surplus)/Deficit on Provision of Services** | | **(26,235)** | | |

**Note 1:** Brackets represent surpluses/underspends

**Note 2:** Actual Net Expenditure figures are taken from the Expenditure & Funding Analysis.

## 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 City 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 | 5,863 |
| Climate Change & Greening the City | 4,734 |
| Community Wellbeing, Health & Care | 8 |
| Culture, Leisure & Economic Development | 41,684 |
| Environmental Services | 5,295 |
| Leader | 12,863 |
| Commercial Port | 8,495 |
| Planning Policy & City Development | 1,295 |
| Resources | 4,364 |
| Safety in the Community | 46 |
| Transport | 41,076 |
| Housing & Tackling Homelessness | 21,803 |
| HRA | 113,480 |
| **Total Expenditure** | **261,006** |
| | |
| **Funded from** | |
| Borrowing | 102,552 |
| Corporate Resources incl Capital Receipts | 10,042 |
| Reserves | 34,453 |
| Grants | 113,959 |
| **Total Funding** | **261,006** |

The City Council spent £261.0m on capital projects during 2023/24. In year capital spend included: £30m on the modernisation of buses and improvement of bus journey times within the city; £113m on Housing initiatives for both Council stock and private homes; £25m on Coastal & Flood Protection; £15m on enabling schemes for economic growth, and £5m on green initiatives to support environmental enhancements.

The City Council has budgeted a further £798m over the next 5 years to be invested in statutory obligations; improving the City Economy; enhancing the Environment; public service transformation; investing in leisure facilities across the city, and continued investment in local transport infrastructure to ensure transport networks are reliable and efficient. This £798m investment split across the Portfolios can be found in Note 14.

## 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 City 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 (£27.8m) General Fund Balance, (£6.4m) are schools' balances. This represents a £1.2m increase on the previous year although this is due to an increase in schools' balances.

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

From March 2024, the current minimum level of general fund usable reserves is set at £10m and is annually reviewed as part of the budget setting process. Any excess over and above this can be used to fund Council Services. However, reserves are primarily held to plan for the future and deal with known risks.

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 0.03% of gross expenditure
- The increasing susceptibility to budget pressures given the magnitude of savings that have been made in the past - £108m (49% of controllable expenditure)
- 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

| | Schools (General Fund) £m | Rest of Council (General Fund) £m | **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 2022** | **(4.5)** | **(21.4)** | **(25.9)** | **(200.6)** | **(24.6)** | **(0.4)** | **(251.5)** |
| (Inc) / Dec in 2022/23 | (0.6) | (0.1) | **(0.7)** | 9.8 | 0.9 | 0.3 | **10.3** |
| **Balance at 31st March 2023** | **(5.1)** | **(21.5)** | **(26.6)** | **(190.8)** | **(23.7)** | **(0.1)** | **(241.2)** |
| (Inc) / Dec in 2023/24 | (1.3) | 0.1 | **(1.2)** | (23.0) | (1.9) | (0.1) | **(26.2)** |
| **Balance at 31st March 2024** | **(6.4)** | **(21.4)** | **(27.8)** | **(213.8)** | **(25.6)** | **(0.2)** | **(267.4)** |

## 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 2023/24 the City Council's general reserves (excluding schools) reduced by £0.1m to £21.4m This was in line with the City Council's revised budget which was for a decrease of £0.1m.

The surplus on the Collection Fund in respect of Council Tax of £3.2m is £0.4m more than the anticipated surplus of £2.8m reflected within the budget. The surplus on the Collection Fund in respect of Business Rates of £10.9m is £0.7m more than the anticipated surplus of £10.2m reflected within the budget. More on this can be found on pages 136-139.

The £1.9m surplus on the HRA after statutory adjustments compares to a forecast deficit of £0.1m. Therefore, the HRA underspent by £2.0m in 2023/24 due to additional rental and other income.

The City Council has maintained its robust financial position during the course of the year despite cost of living, inflationary and demand led pressures, primarily through improvement in Treasury Management returns on the investment of surplus cash.

**Natalie Brahma-Pearl**

**Chief Executive**

**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 2024.

**Chris Ward**

**Director of Finance and Resources (Section 151 Officer)**

Portsmouth CITY COUNCIL

# Statement of Accounts 2023/24

# Expenditure & Funding Analysis

While the Expenditure and Funding Analysis (EFA) is not a financial statement in its own right, 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 (GAAP). The EFA also shows how this expenditure is allocated for decision making purposes between the City Council's service portfolios. Income and expenditure accounted for under Generally Accepted Accounting Practices is presented more fully in the Comprehensive Income and Expenditure Statement (page 33).

| 2022/23 (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 | 44,155 | - | 44,155 | 8,977 | 53,132 |
| Climate Change & Greening the City | 75 | - | 75 | 10 | 85 |
| Community Wellbeing, Health & Care | 54,967 | - | 54,967 | 6,026 | 60,993 |
| Culture, Leisure and Economic Development | 10,091 | - | 10,091 | 3,525 | 13,616 |
| Environmental Services | 14,217 | - | 14,217 | 1,089 | 15,306 |
| Housing and Tackling 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 |
| Resources | 24,834 | - | 24,834 | 8,095 | 32,929 |
| Safety in the Community | 3,350 | - | 3,350 | 675 | 4,025 |
| Transport | 17,362 | - | 17,362 | 7,756 | 25,118 |
| | 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 2023/24 (the Code) to be included in the Financing and Investment Income and Expenditure line.
Note 2 - The 2022/23 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:

| 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) |

| 2023/24 | 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 | 49,619 | - | 49,619 | 1,992 | 51,611 |
| Climate Change & Greening the City | (9) | - | (9) | 1 | (8) |
| Community Wellbeing, Health & Care | 57,118 | - | 57,118 | (2,471) | 54,647 |
| Culture, Leisure and Economic Development | 7,847 | - | 7,847 | 6,108 | 13,955 |
| Environmental Services | 15,173 | - | 15,173 | 1,116 | 16,289 |
| Housing and Tackling Homelessness | 5,278 | 122 | 5,400 | 1,916 | 7,316 |
| Leader | (26,070) | 5,363 | (20,707) | 19,529 | (1,178) |
| Licensing | (184) | - | (184) | 1 | (183) |
| Planning Policy & City Development | 1,943 | - | 1,943 | 880 | 2,823 |
| Port | (8,856) | - | (8,856) | 3,078 | (5,778) |
| Resources | 23,121 | - | 23,121 | (2,730) | 20,391 |
| Safety in the Community | 3,366 | - | 3,366 | 364 | 3,730 |
| Transport | 18,733 | - | 18,733 | 11,579 | 30,312 |
| | 147,079 | 5,485 | 152,564 | 41,363 | 193,927 |
| Non-portfolio - HRA | (8,119) | - | (8,119) | 59,295 | 51,176 |
| Non-portfolio - Other | 31,184 | - | 31,184 | (22,446) | 8,738 |
| **Net Cost of Services** | **170,144** | **5,485** | **175,629** | **78,212** | **253,841** |
| Other Income & Expenditure Not Charged to Services but is Chargeable to the General Fund/HRA: | | | | | |
| Other Operating Expenditure | (205) | - | (205) | (890) | (1,095) |
| Financing & Investment Income & Expenditure | 4,539 | (5,485) | (946) | 18,010 | 17,064 |
| Taxation & Non-specific Grant Income & Expenditure | (200,713) | - | (200,713) | (74,486) | (275,199) |
| | (196,379) | (5,485) | (201,864) | (57,366) | (259,230) |
| **(Surplus)/Deficit on Provision of Services** | **(26,235)** | **-** | **(26,235)** | **20,846** | **(5,389)** |

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 2023/24 (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:

| 2023/24 | General Fund and Earmarked Reserves | HRA Reserves | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| Opening balances at 1st April | (217,345) | (23,785) | (241,130) |
| Plus net surplus on in year balance | (24,246) | (1,987) | (26,233) |
| Closing balances at 31st March | (241,591) | (25,772) | (267,363) |

# 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) £000 | Earmarked General Fund Reserves £000 | Housing Revenue Account Balance £000 | Housing Revenue Account Capital Reserve £000 | Major Repairs Reserve £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | **Total Usable Reserves £000** | **Unusable Reserves £000** | **Total Authority Reserve £000** |
|---|---|---|---|---|---|---|---|---|---|---|
| **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 Income and Expenditure | - | - | - | - | - | - | - | - | (333,004) | (333,004) |
| **Total Comprehensive Income and Expenditure** | **(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)** |
| **Movement in reserves during 2023/24** | | | | | | | | | | |
| Opening Adjustment | - | - | - | - | - | 1 | - | 1 | 1 | 2 |
| Deficit or (Surplus) on the provision of services | (62,294) | - | 56,906 | - | - | - | - | (5,388) | - | (5,388) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | - | (94,721) | (94,721) |
| **Total Comprehensive Income and Expenditure** | **(62,294)** | **-** | **56,906** | **-** | **-** | **1** | **-** | **(5,387)** | **(94,720)** | **(100,107)** |
| Adjustments between accounting basis & funding basis under regulations (see note 9) | 38,049 | - | (58,892) | - | (2,482) | 5,662 | 6,934 | (10,728) | 10,549 | (178) |
| **Net Increase / Decrease before Transfers to Earmarked Reserves** | **(24,245)** | **-** | **(1,986)** | **-** | **(2,482)** | **5,663** | **6,934** | **(16,115)** | **(84,171)** | **(100,285)** |
| Transfers (to) / from Earmarked Reserves (See Note 10) | 23,021 | (23,021) | 72 | (72) | - | - | - | - | - | - |
| **Increase / Decrease in Year** | **(1,224)** | **(23,021)** | **(1,914)** | **(72)** | **(2,482)** | **5,663** | **6,934** | **(16,115)** | **(84,171)** | **(100,285)** |
| **Balance at 31 March 2024 carried forward** | **(27,807)** | **(213,783)** | **(25,606)** | **(167)** | **(15,370)** | **(20,584)** | **(34,073)** | **(337,391)** | **(1,336,672)** | **(1,674,063)** |

**Note -** £6.4m of the General Fund Balance at the 31st March 2024 (£5.1m at the 31st March 2023) 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.

| 2022/23 (Restated) | | | | | 2023/24 | | |
|---|---|---|---|---|---|---|---|
| **Gross Expenditure** | **Gross Income** | **Net Expenditure** | | Notes | **Gross Expenditure** | **Gross Income** | **Net Expenditure** |
| **£000** | **£000** | **£000** | | | **£000** | **£000** | **£000** |
| 163,158 | (110,026) | 53,132 | Children, Families & Education | | 166,779 | (115,168) | 51,611 |
| 100 | (15) | 85 | Climate Change & Greening the City | | 181 | (189) | (8) |
| 121,945 | (60,952) | 60,993 | Community Wellbeing, Health & Care | | 119,608 | (64,961) | 54,647 |
| 21,773 | (8,157) | 13,616 | Culture, Leisure & Economic Development | | 21,726 | (7,771) | 13,955 |
| 16,941 | (1,635) | 15,306 | Environmental Services | | 18,285 | (1,996) | 16,289 |
| 33,150 | (28,753) | 4,397 | Housing and Tackling Homelessness | | 42,280 | (34,964) | 7,316 |
| 415 | (628) | (213) | Leader | | 2,965 | (4,143) | (1,178) |
| 777 | (793) | (16) | Licensing | | 748 | (931) | (183) |
| 2,870 | (1,380) | 1,490 | Planning Policy & City Development | | 4,259 | (1,436) | 2,823 |
| 20,371 | (17,449) | 2,922 | Port | | 14,594 | (20,372) | (5,778) |
| 109,302 | (76,373) | 32,929 | Resources | | 97,423 | (77,032) | 20,391 |
| 6,940 | (2,915) | 4,025 | Safety in the Community | | 6,365 | (2,635) | 3,730 |
| 42,978 | (17,860) | 25,118 | Transport | | 60,941 | (30,629) | 30,312 |
| 540,720 | (326,936) | 213,784 | | | 556,154 | (362,227) | 193,927 |
| 42,930 | (91,727) | (48,797) | Non-portfolio - HRA | | 152,619 | (101,443) | 51,176 |
| 13,145 | (7,371) | 5,774 | Non-portfolio - Other | | 8,862 | (124) | 8,738 |
| **596,795** | **(426,034)** | **170,761** | **Cost of Services** | | **717,635** | **(463,794)** | **253,841** |
| 249 | (6,620) | (6,371) | Other Operating Expenditure | 11a | (6) | (1,089) | (1,095) |
| 81,728 | (41,030) | 40,698 | Financing & Investment Income & Expenditure | 11b | 73,524 | (56,460) | 17,064 |
| - | (259,426) | (259,426) | Taxation & Non-specific Grant Income & Expenditure | 11c | - | (275,199) | (275,199) |
| **678,772** | **(733,110)** | **(54,338)** | **(Surplus)/Deficit on Provision of Services** | | **791,153** | **(796,542)** | **(5,389)** |
| | | | ***Items that will not be reclassified to the (Surplus)/Deficit on Provision of Services*** | | | | |
| | | (22,067) | (Surplus)/Deficit on Revaluation of PPE Assets | 25 | | | (35,053) |
| | | (313,648) | Remeasurement of Net Defined Benefit Liability | 39 | | | (59,531) |
| | | 2,707 | Surplus or Deficit from Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income | | | | (313) |
| | | **(333,008)** | **Other Comprehensive Income and Expenditure** | | | | **(94,897)** |
| | | **(387,346)** | **Total Comprehensive Income and Expenditure** | | | | **(100,286)** |

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 2023/24 (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 2022/23 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 at the 31st March of the current and previous year. 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 2023 £000 | | Notes | 31 March 2024 £000 |
|---|---|---|---|
| 1,877,137 | Property, Plant & Equipment | 12 | 2,002,524 |
| 107,896 | Heritage Assets | 15 | 117,909 |
| 168,165 | Investment Property | 16 | 149,503 |
| 1,567 | Intangible Assets | | 878 |
| 31,461 | Long Term Investments | | 17,715 |
| 37,233 | Long Term Debtors | 19 | 36,104 |
| **2,223,459** | **Long Term Assets** | | **2,324,633** |
| 352,625 | Short Term Investments | | 260,939 |
| 541 | Assets Held for Sale | | 593 |
| 598 | Inventories | | 660 |
| 73,871 | Short Term Debtors | 20 | 75,289 |
| 18,465 | Cash & Cash Equivalents | 21 | 27,645 |
| **446,100** | **Current Assets** | | **365,126** |
| (14,498) | Short Term Borrowing | | (14,064) |
| (126,012) | Short Term Creditors | 22 | (116,372) |
| (3,538) | Other Short Term Liabilities | | (4,128) |
| (122,759) | Capital Grant Receipts in Advance | 33 | (114,513) |
| (2,878) | Provisions | 23 | (5,342) |
| **(269,685)** | **Current Liabilities** | | **(254,419)** |
| (67,674) | Other Long Term Liabilities | 24 | (63,831) |
| (3,796) | Provisions | 23 | (1,927) |
| (691,215) | Long Term Borrowing | | (681,570) |
| (63,173) | Pension Liability | 39 | (6,640) |
| (239) | Capital Grant Receipts in Advance | 33 | (7,309) |
| **(826,097)** | **Long Term Liabilities** | | **(761,277)** |
| **1,573,777** | **Net Assets** | | **1,674,063** |
| (321,276) | Usable Reserves | | (337,391) |
| (1,252,501) | Unusable Reserves | 25 | (1,336,672) |
| **(1,573,777)** | | | **(1,674,063)** |

**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.

| 2022/23 £000 | | Notes | 2023/24 £000 |
|---|---|---|---|
| 54,338 | Net surplus or (deficit) on the provision of services | | 5,389 |
| 41,729 | Adjustment to surplus or (deficit) on the provision of services for noncash movements | 26a | 129,940 |
| (104,355) | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 26a | (105,212) |
| (8,288) | Net Cash flows from operating activities | | 30,117 |
| (18,569) | Net Cash flows from Investing Activities | 26b | 361 |
| 6,828 | Net Cash flows from Financing Activities | 26b | (21,298) |
| (20,029) | Net increase or (decrease) in cash and cash equivalents | | 9,180 |
| 38,494 | Cash and cash equivalents at the beginning of the reporting period | | 18,465 |
| **18,465** | **Cash and cash equivalents at the end of the reporting period** | **21** | **27,645** |

# Notes to the Statement of Accounts

# 1. Accounting Policies

## 1.1 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 2023/24 financial year and its financial position as at the 31st March 2024.

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.

## 1.2 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 £129m at the 31st March 2026. 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 2025, with positive cash balances throughout. The City Council's borrowings at the 31st March 2024 amounted to £696m leaving a headroom of £333m 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 2025, but there is no intent to borrow externally to fund the capital programme before the end of March 2025. 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 2025. Therefore, it is anticipated that borrowing for the part of the programme financed by borrowing will be deferred until at least April 2025. 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 2024 was £21.4m. The City Council’s prudent minimum balance on the General Fund is £10.0m. In addition, the City Council has Earmarked General Fund Reserves of £214.0m.

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 City Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

## 1.3 Accruals of Income & Expenditure

Statement of Accounts 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 Statement of Accounts therefore record the date when the obligation arises rather than when it is settled by a cash transaction.

## 1.4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature within 24 hours from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the balance sheet and cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the City Council's cash management.

## 1.5 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 material in value or 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.

## 1.6 Accounting for Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and business rates (non-domestic rates) on behalf of the major preceptors (including government for business rates) and, as principals, collecting council tax and business rates for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and business rates. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionally the risks and rewards so that the amount of council tax and business rates collected could be less or more than predicted.

The council tax and business rate income included in the Comprehensive Income and Expenditure Statement (CIES) is the City Council's share of accrued income for the year. However, regulations determine the amount of council tax and business rates that must be included in the City Council's general fund. Therefore, the difference between the income included in the comprehensive income and expenditure statement and the amount required by regulation to be credited to the general fund is taken to the collection fund adjustment account and included as a reconciling item in the movement in reserves statement.

The balance sheet includes the City Council's share of the end of year balances in respect of council tax and business rates relating to arrears, impairment allowances for doubtful debts, overpayments, prepayment and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable amounts), the asset is written down and a charge made to the collection fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## 1.7 Employee Benefits

### (a) 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 rate applicable in the current accounting year (2023/24), being the period in which the employee earned the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement In Reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### (b) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the City Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the City Council can no longer withdraw the offer of those benefits or when the City Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the City Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### (c) Post Employment 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 CIES 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.

## 1.8 Events after the reporting period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events can be identified:

• those that provide evidence of conditions that existed at the end of the reporting period – the statement of accounts is adjusted to reflect such events

• those that are indicative of conditions that arose after the reporting period – the statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the event and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

## 1.9 Financial Instruments

### (a) Financial Liabilities

Financial liabilities are recognised on the balance sheet when the City Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the City Council has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the comprehensive income and expenditure statement is the amount payable for the year according to the loan agreement.

Where premiums have been charged to the CIES, regulations allow the impact on the General Fund balance to be spread over future years. The City Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund balance is managed by a transfer to or from the financial instrument adjustment account in the Movement in Reserves Statement.

### (b) 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. The City Council has 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)

### (c) Financial Assets Measured at Amortised Cost

Loans and receivables are initially measured on the Balance Sheet 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 for the year concerned of 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.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line within the CIES.

### (d) Expected Credit Loss Model

The City Council recognises expected losses on all its financial assets held at amortised cost (or where these are accounted for through 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 City Council.

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.

As the accountable body to the Solent LEP, the City Council has a number of loans with local businesses. These loans are assessed, and loan debt is calculated relying on past due information and losses are calculated based on lifetime credit losses for all loans.

Where the City Council provides a loan to a company which subsequently suffers financial difficulties, the City Council will consider credit risk and the likelihood of default on loans made.

The annual impairment gain or loss will be the change in lifetime expected credit losses over the year.

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

The City Council holds equity instruments in Portico Shipping Limited and Ravelin Housing Limited at FVOCI. 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.

### (f) 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 City Council 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 are professionally determined throughout the year.

### (g) Fair Value Measurements of Financial Assets

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 which would be received if the asset were sold, or the amount 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.

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the City Council 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.

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.

## 1.10 Apportionment of Interest Costs to the Housing Revenue Account

The City Council maintains two loans pools.

The first loans pool consists of all the City 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.

## 1.11 Foreign currency transactions

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 or the exchange rate pre-agreed as part of the contract concerned. Resulting gains or losses are recognised in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

## 1.12 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 on 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. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

### (a) Community Infrastructure Levy

The City Council has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds with appropriate planning consents. The City Council charges for and collects the levy, which is a planning charge. The income from the levy is used to fund various infrastructure projects and support development of the area. These include transport, flood defences, schools, recreational facilities and green infrastructure as set out in the Infrastructure Funding Statement on our website.

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 on Government Grants and Contributions set out above. CIL charges will largely be used to fund capital expenditure. However, a portion of the charges can be used to fund revenue expenditure.

## 1.13 Inventories

Inventories are included on the Balance Sheet at the lower of cost and net realisable value.

## 1.14 Long-Term Contracts

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

## 1.15 Joint Arrangements

Under IFRS11 Joint arrangements consist of either joint operations or joint ventures. A joint operation is 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 operations. In relation to its interest in a joint operation, the City Council 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.

## 1.16 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 the Financing & Investment Income & Expenditure line within 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.

## 1.17 Overheads and Support Services

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

## 1.18 Non-current Assets

Non-current assets are assets that are not expected to be realised within a year. The City Council classifies its non-current assets into the following groupings as defined in the Code of Practice on Local Authority Accounting:

**Property, plant and equipment** are used for service provision, or for rental to others, or for administrative purposes during at least one financial year.

**Infrastructure assets** (e.g. highways and coastal defences) are included on the balance sheet at historic cost, net of depreciation.

The Code of practice on Local Authority Accounting includes a temporary relief until 2025 (based on the Local Authorities (Capital Finance and Accounting) (England) Regulations 2023 (Regulation 30M), in accounting for the replacement of derecognised parts of 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. This statutory override covers the periods from 1 April 2010 to 31 March 2025. The impact of the override is that the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is considered to be a 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 that component parts are only replaced once fully consumed and depreciated at the date of replacement.

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

**Community assets** (e.g., Parks) and assets under construction are included on 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 on 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** - see separate section below

**Heritage assets** - see separate section below

## Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the City Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

## Measurement

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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The City Council does not capitalise borrowing costs incurred whilst the assets are under construction.

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 instead 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 cost of assets acquired other than by purchase is deemed to be its fair value unless the acquisition does not have a commercial substance (i.e. will not lead to a variation in the cash flows of the City Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the City Council.

### Measurement bases

The City Council ensures that PPE is measured at current value through revaluing each asset over a five-year rolling period, with the exception of council dwellings and surplus assets which are revalued annually. The table below sets out the valuation bases used:

| Asset Category | Valuation Basis |
|---|---|
| Council dwellings (HRA Council Housing Stock) | Existing use value – social housing |
| 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 |

Council dwellings have been valued using the beacon principle following guidance issued by DLUHC. 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.

Existing Use Value - This is the valuation basis used for most operational properties and involves valuing the property based on its current use rather than best use.

Depreciated Historic Cost - Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Depreciated Replacement Cost - This is used as an alternative to Existing Use Value where there is insufficient evidence to establish market or comparable value, such as for specialist operational assets, for example schools.

Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the comprehensive income and expenditure statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

• where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

• where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the comprehensive income and expenditure statement.

The Revaluation Reserve only includes gains since its inception from 1 April 2007, prior gains being incorporated into the Capital Adjustment Account.

## 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

Assets are assessed each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

• where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

• where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

All impairment losses incurred on non-revalued assets are charged to the relevant service within the Comprehensive Income and Expenditure Statement.

## Depreciation

Depreciation is provided for on all property, plant and equipment assets (other than land, certain community assets and assets under construction) by the systematic allocation of their depreciable amounts over their useful lives.

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.

The City Council does not undertake componentised depreciation of assets with the exception of Council Housing.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Depreciation charges to the General Fund and HRA are mainly reversed out in the Movement in Reserves Statement through an appropriation from the Capital Adjustment Account. The exception to this is for Council Housing stock where the depreciation concerned is not reversed out.

Depreciation is charged from the year following the year of acquisition to the year of disposal.

## Disposal of Non-current Assets

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued at the point of reclassification and then carried at fair value. Where there is a subsequent decrease to fair value, the loss is posted to the other operating expenditure line in the comprehensive income and expenditure statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on provision of services. Depreciation is not charged to assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the previous valuation basis before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the net book value of the asset in the balance sheet (whether property, plant, equipment, or assets held for sale) is written off to the other operating expenditure line in the comprehensive income and expenditure statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the comprehensive income and expenditure statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the capital receipts reserve and can then only be used for new capital investment or set aside to reduce the City Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the general fund balance in the movement in reserves statement.

The written-off value of disposals is not a charge to council taxpayers, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the general fund balance in the movement in reserves statement.

## 1.19 Heritage Assets

The City Council's heritage assets are held principally for their contribution to knowledge and culture and include historic buildings, sculptures, memorials, museum collections, archives and the Civic Plate. 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 less stringently applied to heritage assets, for example there is no requirement to:

- obtain valuations from a qualified valuer and where appropriate, heritage assets are carried at their insurance valuations.
- depreciate heritage assets that have indefinite lives and high residual values.

For more information see sections below.

### a) Historic Buildings

This includes extensive fortifications dating from 15th Century onwards at various locations around the city, and industrial architecture from the Victorian period. There is insufficient evidence of what the market value would be for assets such as 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. The City Council's valuers periodically review these valuations.

### b) Museum Collections

The City Council has six museums across the city, including D-Day Story, Portsmouth Museum, Southsea Castle, Charles Dickens Birthplace, Eastney Beam Engine House and Cumberland House, and further information is available on the City Council's website (Collections Development Policy).

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

This comprises the official records of Portsmouth City Council from the 14th Century onwards. 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.

## 1.20 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. As a non-financial asset, investment properties are measured at highest and best use. Investment properties are not depreciated but are carried at values that reflect market conditions at year end. 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. The same treatment is applied to gains or losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment income line and result in a gain to the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MiRS and posted to the Capital Adjustment Account (CAA) and (for any sale proceeds greater than £10,000) the Useable Capital Receipts Reserve.

## 1.21 Public Finance Initiatives and Service Concession Arrangements

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

## 1.22 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.

Provisions are analysed between short and long term for the purpose of balance sheet categorisation.

## 1.23 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 non-current assets, financial instruments, local taxation and retirement benefits and these do not represent useable resources to the City Council.

## 1.24 Revenue Expenditure Funded from Capital under Statute

Any expenditure incurred during the year that may be capitalised under statutory provisions but results in a non-current asset for a third party rather than for the City Council, 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.

## 1.25 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, voluntary 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 of our maintained schools have applied to convert to academy schools. In this situation, the City Council leases the land and buildings relating to the particular school to the specific 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 ownership and thus disposal. The assets of schools converting to academies continue to provide services until the transfer date and are not impaired.

### 1.26 Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue & Customs. VAT receivable is excluded from income.

### 1.27 Solent Local Enterprise Partnership (LEP) / Maritime UK Solent Limited/ Freeport Limited / Solent Cluster Limited

The City Council is the accountable body for nearly all the funding of the above organisations. These organisations will either grant or loan funds to third party bodies in the private and public sectors to generate economic growth in south Hampshire and the Isle of Wight. As the accountable body for these organisations, the City Council has a veto on all funding and bears any credit risk associated with lending by them. As the City Council bears significant risks it regards itself as the principal and accordingly includes the income, expenditure, assets and liabilities of these organisations in the City Council's accounts.

## 2. Accounting Standards Issued but not yet Adopted

The City Council has considered the guidance in the 2023/24 CIPFA Code of Practice on Local Authority Accounting, and hasn't identified any new or significantly amended accounting standards that have been issued but not yet adopted by the City Council apart from IFRS 16 Leases.

> IFRS16 Leases - The City Council will adopt IFRS 16 Leases from the 1st April 2024, which will therefore impact the 2024/25 Statement of Accounts. The aim of the accounting standard is to recognise all leased in assets (known as Right of Use Assets) on the balance sheet unless an exemption can be applied (for example, short life, low value).
>
> During the 2023/24 financial year, the City Council has undertaken an exercise to identify any lease type arrangements containing Right of Use Assets, and this has concluded that there is no material impact of adopting IFRS16. Based on information obtained and assessments undertaken, it is estimated that adopting IFRS16 will result in circa thirty-four additional leased in assets being recognised on the balance sheet with associated initial asset values and liabilities of approximately £2.52m. Additionally, there are about five further lease arrangements existing at the transition date of the 1st April 2024 for leases at nil rent which will result in the recognition of five assets for which the initial asset and liability is £0.

The Code for 2024/25 has further introduced changes in accounting policies which will need to be adopted by the City Council in the 2024/25 financial statements. The Code requires implementation from 1 April 2024 and there is therefore no impact on the 2023/24 Statement of Accounts.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years. Accounting changes that are introduced by the 2024/25 Code are to be confirmed in June 2024.

These changes, where applicable, are not expected to have a material impact on the City Council’s Statement of Accounts.

# 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 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 2024 was £93.3m (£87.4 m at the 31st March 2023). 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 £7.9m as at the 31st March 2024 (£8.8m at the 31st March 2023)) 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 Statement of Accounts 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.<br><br>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 City Council has financial instrument liabilities with a fair value of £764.3m and financial instrument assets of £391.2m. (Note 17d). Lakeside North Harbour Business Park was valued at £106.9m at the 31st March 2024, and the investment property portfolio was valued at £149.5m. (Note 16)<br><br>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 incl. management assumptions regarding rent growth, vacancy levels and discount rates (adjusted for regional variations).<br><br>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. Actuaries are engaged by the respective pension funds administrators to provide the City Council with expert advice about the assumptions to be applied. | The City Council's net pension liability is £6.6m (£63.2m in 22/23). 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 £25.1m, of which £4.4m (17%) was beyond 60 days past its due date. The recent high inflation rates and the consequent reduction in real incomes due to cost of living pressures, 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 £34.6m to set aside as an allowance for sundry debtors alone. |
| **Non-Domestic Rates** | In 2023/24 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.<br>Owing to the 2023 revaluation, a new set of appeals are expected across the rating list, with the 2017 list now closed for new appeals.<br>For the remaining 2017 list appeals, PCC has based its final 23/24 provision balance on the information provided by Analyse Local (a specific provider of this service).<br>For the 2023 list element, owing to 23/24 being the first financial year of a new rating list, there is minimal quality evidence at present around what the ultimate loss will be to PCC through appeals. As such PCC has utilised the Central Government national assumption of a 3.2% loss on appeals on the 2023 Rating List. We have then added an additional 1% to this figure to cover our high-risk properties. A number of our largest hereditaments had significant increases via the revaluation. As such should | While the effects on non-domestic rate income of changes in individual assumptions can be measured, these assumptions interact with each other. |

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| | they appeal, this will result in an atypically high impact on PCC's rating list<br>On the basis of the information above, the City Council has made a provision of £5.5m in 2023/24 for its share of the Collection Fund provision of £11.2m. | |
| **Inseparable Service Concessions Including Private Finance Initiative (PFI) Schemes** | The City Council has two inseparable service concession arrangements to provide highways maintenance and waste disposal services. Under these arrangements the City Council was due to pay £26.8m in 2023/24 for highways maintenance and £7.8m waste disposal. These arrangements gave rise to estimated liabilities at the 31st March 2024 of £29.6m for highways maintenance and £0.8m 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

## 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 2023, the City Council's members made a number of changes to the portfolio structure of the City Council in terms of which portfolios would continue going forward. The combined effect of this is that one portfolio was split into two portfolios, Climate Change & Environment has been split into Climate Change & Greening the City and Environmental Services, and a number of services (ant their associated cost centres) were moved from Resources to Culture Leisure and Economic Development portfolio. These changes mean that under the new portfolio structure a few of the portfolio income and expenditure lines for 2022/23 have changed, 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 Statement of Accounts 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 2022/23 Expenditure & Funding Analysis:

| | Original Net Expenditure chargeable to the General Fund and HRA | Revised Net Expenditure chargeable to the General Fund and HRA | Movement Net Expenditure chargeable to the General Fund and HRA | Original Other Movements | Revised Other Movements | Movement Other Movements | Original Adjusted Net Expenditure chargeable to the General Fund and HRA | Revised Adjusted Net Expenditure chargeable to the General Fund and HRA | Movement Adjusted Net Expenditure chargeable to the General Fund and HRA | Original Adjustments between Accounting & Funding Basis (Note 7) | Revised Adjustments between Accounting & Funding Basis (Note 7) | Movement Adjustments between Accounting & Funding Basis (Note 7) | Original Net (Income) or Expenditure in the Comprehensive Income & Expenditure Statement | Revised Net (Income) or Expenditure in the Comprehensive Income & Expenditure Statement | Movement 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 | 44,155 | 44,155 | - | - | - | - | 44,155 | 44,155 | - | 8,977 | 8,977 | - | 53,132 | 53,132 | - |
| Climate Change & Greening the City | 14,293 | 75 | (14,218) | - | - | - | 14,293 | 75 | (14,218) | 1,099 | 10 | (1,089) | 15,392 | 85 | (15,307) |
| Communtiy Wellbeing, Health & Care | 54,967 | 54,967 | - | - | - | - | 54,967 | 54,967 | - | 6,026 | 6,026 | - | 60,993 | 60,993 | - |
| Culture, Leisure and Economic Development | 9,327 | 10,091 | 764 | - | - | - | 9,327 | 10,091 | 764 | 3,487 | 3,525 | 38 | 12,814 | 13,616 | 802 |
| Environmental Services | - | 14,217 | 14,217 | - | - | - | - | 14,217 | 14,217 | | 1,089 | 1,089 | 0 | 15,306 | 15,306 |
| Housing and Tackling Homelessness | 3,040 | 3,040 | - | 116 | 116 | - | 3,156 | 3,156 | - | 1,241 | 1,241 | - | 4,397 | 4,397 | - |
| Leader | (25,124) | (25,124) | - | 6,997 | 6,997 | - | (18,127) | (18,127) | - | 17,914 | 17,914 | - | (213) | (213) | - |
| Licensing | (116) | (116) | - | - | - | - | (116) | (116) | - | 100 | 100 | - | (16) | (16) | - |
| Planning Policy & City Development | 1,267 | 1,267 | - | - | - | - | 1,267 | 1,267 | - | 223 | 223 | - | 1,490 | 1,490 | - |
| Port | (5,339) | (5,339) | - | 230 | 230 | - | (5,109) | (5,109) | - | 8,031 | 8,031 | - | 2,922 | 2,922 | - |
| Resources | 25,623 | 24,834 | (789) | - | - | - | 25,623 | 24,834 | (789) | 8,133 | 8,095 | (38) | 33,756 | 32,929 | (827) |
| Safety in the Community | 3,350 | 3,350 | - | - | - | - | 3,350 | 3,350 | - | 675 | 675 | - | 4,025 | 4,025 | - |
| Transport | 17,336 | 17,362 | 26 | - | - | - | 17,336 | 17,362 | 26 | 7,756 | 7,756 | - | 25,092 | 25,118 | 26 |
| | 142,779 | 142,779 | - | 7,343 | 7,343 | - | 150,122 | 150,122 | - | 63,662 | 63,662 | - | 213,784 | 213,784 | - |
| | | | | | | - | | | - | | | - | | | - |
| Non-portfolio - HRA | (4,319) | (4,319) | - | - | - | - | (4,319) | (4,319) | - | (44,478) | (44,478) | - | (48,797) | (48,797) | - |
| Non-portfolio - Other | 51,011 | 51,011 | - | - | - | - | 51,011 | 51,011 | - | (45,237) | (45,237) | - | 5,774 | 5,774 | - |
| | | | | | | - | | | - | | | - | | | - |
| Net Cost of Services | 189,471 | 189,471 | - | 7,343 | 7,343 | - | 196,814 | 196,814 | - | (26,053) | (26,053) | - | 170,761 | 170,761 | - |

# (b) Restatement of 2022/23 Comprehensive Income & Expenditure Statement:

| | Original Gross Expenditure £000 | Revised Gross Expenditure £000 | Movement Gross Expenditure £000 | Original Gross Income £000 | Revised Gross Income £000 | Movement Gross Income £000 | Original Net Expenditure £000 | Revised Net Expenditure £000 | Movement Net Expenditure £000 |
|---|---|---|---|---|---|---|---|---|---|
| Children, Families & Education | 162,650 | 163,158 | 508 | (109,518) | (110,026) | (508) | 53,132 | 53,132 | - |
| Climate Change & Greening the City | 17,041 | 100 | (16,941) | (1,649) | (15) | 1,634 | 15,392 | 85 | (15,307) |
| Communtiy Wellbeing, Health & Care | 121,945 | 121,945 | - | (60,952) | (60,952) | - | 60,993 | 60,993 | - |
| Culture, Leisure and Economic Development | 20,932 | 21,773 | 841 | (8,118) | (8,157) | (39) | 12,814 | 13,616 | 802 |
| Environmental Services | - | 16,941 | 16,941 | - | (1,635) | (1,635) | - | 15,306 | 15,306 |
| Housing and Tackling Homelessness | 33,658 | 33,150 | (508) | (29,261) | (28,753) | 508 | 4,397 | 4,397 | - |
| Leader | 415 | 415 | - | (628) | (628) | - | (213) | (213) | - |
| Licensing | 777 | 777 | - | (793) | (793) | - | (16) | (16) | - |
| Planning Policy & City Development | 2,910 | 2,870 | (40) | (1,420) | (1,380) | 40 | 1,490 | 1,490 | - |
| Port | 20,371 | 20,371 | - | (17,449) | (17,449) | - | 2,922 | 2,922 | - |
| Resources | 110,129 | 109,302 | (827) | (76,373) | (76,373) | - | 33,756 | 32,929 | (827) |
| Safety in the Community | 6,940 | 6,940 | - | (2,915) | (2,915) | - | 4,025 | 4,025 | - |
| Transport | 42,952 | 42,978 | 26 | (17,860) | (17,860) | - | 25,092 | 25,118 | 26 |
| | 540,720 | 540,720 | - | (326,936) | (326,936) | - | 213,784 | 213,784 | - |
| Non-Portfolio - HRA | 42,930 | 42,930 | - | (91,727) | (91,727) | - | (48,797) | (48,797) | - |
| Non-Portfolio - Other | 13,145 | 13,145 | - | (7,371) | (7,371) | - | 5,774 | 5,774 | - |
| Cost of Services | 596,795 | 596,795 | - | (426,034) | (426,034) | - | 170,761 | 170,761 | - |

# (c) Restatement of 2022/23 Note 7 (a) - Adjustments from General Fund/HRA to arrive at CIES amounts:

| | Original Adjustments for Capital Purposes £000 | Revised Adjustments for Capital Purposes £000 | Movement Adjustments for Capital Purposes £000 | Original Net Changes for Pension Adjustments £000 | Revised Net Changes for Pension Adjustments £000 | Movement Net Changes for Pension Adjustments £000 | Original Other Differences £000 | Revised Other Differences £000 | Movement Other Differences £000 | Original Total Adjustments £000 | Revised Total Adjustments £000 | Movement Total Adjustments £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Children, Families & Education | (194) | (194) | - | 9,086 | 9,086 | - | 85 | 85 | - | 8,977 | 8,977 | - |
| Climate Change & Greening the City | 991 | - | (991) | 109 | 11 | (98) | (1) | (1) | - | 1,099 | 10 | (1,089) |
| Community Wellbeing, Health & Care | 1,345 | 1,345 | - | 4,811 | 4,811 | - | (130) | (130) | - | 6,026 | 6,026 | - |
| Culture, Leisure and Economic Development | 1,986 | 1,986 | - | 1,534 | 1,574 | 40 | (33) | (35) | (2) | 3,487 | 3,525 | 38 |
| Environmental Services | - | 991 | 991 | - | 99 | 99 | - | (1) | (1) | - | 1,089 | 1,089 |
| Housing and Tackling Homelessness | 651 | 651 | - | 616 | 616 | - | (26) | (26) | - | 1,241 | 1,241 | - |
| Leader | 17,397 | 17,397 | - | 539 | 539 | - | (22) | (22) | - | 17,914 | 17,914 | - |
| Licensing | - | - | - | 100 | 100 | - | - | - | - | 100 | 100 | - |
| Planning Policy & City Development | - | - | - | 218 | 218 | - | 5 | 5 | - | 223 | 223 | - |
| Port | 6,972 | 6,972 | - | 969 | 969 | - | 90 | 90 | - | 8,031 | 8,031 | - |
| Resources | 2,678 | 2,678 | - | 5,662 | 5,621 | (41) | (207) | (204) | 3 | 8,133 | 8,095 | (38) |
| Safety in the Community | 89 | 89 | - | 605 | 605 | - | (19) | (19) | - | 675 | 675 | - |
| Transport | 6,395 | 6,395 | - | 1,383 | 1,383 | - | (22) | (22) | - | 7,756 | 7,756 | - |
| | | | - | | | - | | | - | | | - |
| | 38,310 | 38,310 | - | 25,632 | 25,632 | - | (280) | (280) | - | 63,662 | 63,662 | - |
| Non-portfolio - HRA | (49,165) | (49,165) | - | 4,877 | 4,877 | - | (190) | (190) | - | (44,478) | (44,478) | - |
| Non-portfolio - Other | (24,995) | (24,995) | - | (849) | (849) | - | (19,392) | (19,392) | - | (45,236) | (45,236) | - |
| | | | - | | | | | | | | | |
| **Net Cost of Services** | **(35,850)** | **(35,850)** | **-** | **29,660** | **29,660** | **-** | **(19,862)** | **(19,862)** | **-** | **(26,052)** | **(26,052)** | **-** |
| Other Income & Expenditure from the Funding Analy | (47,613) | (47,613) | - | 8,987 | 8,987 | - | (1) | (1) | - | (38,627) | (38,627) | - |
| **Difference between GF/HRA (surplus)/deficit and CIES (surplus)/deficit** | **(83,463)** | **(83,463)** | **-** | **38,647** | **38,647** | **-** | **(19,863)** | **(19,863)** | **-** | **(64,679)** | **(64,679)** | **-** |

### (d) Restatement of 2022/23 Note 7 (b) - Segmental (Portfolio) Income:

| | Original | Revised | Movement |
|---|---|---|---|
| | Income from Services £000 | Income from Services £000 | Income from Services £000 |
| Children, Families & Education | (11,175) | (11,682) | (507) |
| Climate Change & Greening the City | (1,648) | (14) | 1,634 |
| Community Wellbeing, Health & Care | (30,709) | (30,709) | - |
| Culture, Leisure & Economic Development | (7,486) | (7,486) | - |
| Environmental Services | - | (1,635) | (1,635) |
| Housing and Preventing Homelessness | (6,707) | (6,199) | 508 |
| Leader | (33,074) | (33,074) | - |
| Licensing | (793) | (793) | - |
| Planning Policy & City Development | (1,352) | (1,352) | - |
| Port | (17,556) | (17,556) | - |
| Resources | (9,395) | (9,395) | - |
| Safety in the Community | (2,094) | (2,094) | - |
| Transport | (16,614) | (16,614) | - |
| | (138,603) | (138,603) | - |
| Non-Portfolio: | | | |
| Housing Revenue Account | (91,730) | (91,730) | - |
| Other | (873) | (873) | - |
| | (231,206) | (231,206) | - |

# 6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director of Finance & Resources (Section 151 Officer) on the 26th February 2025. Events taking place after this date are not reflected in the Statement of Accounts or notes. Where events taking place before this date provided information about conditions existing at the 31st March 2024, the figures in the Statement of Accounts 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**

| **2022/23 (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 | (194) | 9,086 | 85 | 8,977 |
| Climate Change & Greening the City | - | 11 | (1) | 10 |
| Community Wellbeing, Health & Care | 1,345 | 4,811 | (130) | 6,026 |
| Culture, Leisure and Economic Development | 1,986 | 1,574 | (35) | 3,525 |
| Environmental Services | 991 | 99 | (1) | 1,089 |
| Housing and Tackling Homelessness | 651 | 616 | (26) | 1,241 |
| Leader | 17,397 | 539 | (22) | 17,914 |
| Licensing | - | 100 | - | 100 |
| Planning Policy & City Development | - | 218 | 5 | 223 |
| Port | 6,972 | 969 | 90 | 8,031 |
| Resources | 2,678 | 5,621 | (204) | 8,095 |
| Safety in the Community | 89 | 605 | (19) | 675 |
| Transport | 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)** |

**Adjustments from GF/HRA to arrive at CIES amounts**

| **2023/24** | **Adjustments for Capital Purposes (1)** | **Net Changes for Pension Adjustments (2)** | **Other Differences (3)** | **Total Adjustments** |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| Portfolios: | | | | |
| Children, Families & Education | 1,822 | 446 | (276) | 1,992 |
| Climate Change & Greening the City | - | 1 | - | 1 |
| Community Wellbeing, Health & Care | (2,698) | 233 | (6) | (2,471) |
| Culture, Leisure and Economic Development | 6,037 | 81 | (10) | 6,108 |
| Environmental Services | 1,107 | 5 | 4 | 1,116 |
| Housing and Tackling Homelessness | 1,853 | 43 | 20 | 1,916 |
| Leader | 19,503 | 26 | - | 19,529 |
| Licensing | - | 5 | (4) | 1 |
| Planning Policy & City Development | 864 | 13 | 3 | 880 |
| Port | 3,063 | 10 | 5 | 3,078 |
| Resources | (2,932) | 269 | (67) | (2,730) |
| Safety in the Community | 366 | 25 | (27) | 364 |
| Transport | 11,499 | 74 | 6 | 11,579 |
| | 40,484 | 1,231 | (352) | 41,363 |
| Non-portfolio - HRA | 59,156 | 244 | (105) | 59,295 |
| Non-portfolio - Other | (23,619) | (824) | 1,997 | (22,446) |
| **Net Cost of Services** | **76,021** | **651** | **1,540** | **78,212** |
| Other Income & Expenditure from the Funding Analysis | (59,714) | 2,347 | 1 | (57,366) |
| **Difference between GF/HRA (surplus)/deficit and CIES (surplus)/deficit** | **16,307** | **2,998** | **1,541** | **20,846** |

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

## (b). Segmental Income

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

| 2022/23 (Restated) Income from Services £000 | Portfolios: | 2023/24 Income from Services £000 |
|---|---|---|
| (11,682) | Children, Families & Education | (10,970) |
| (14) | Climate Change & Greening the City | (189) |
| (30,709) | Community Wellbeing, Health & Care | (30,118) |
| (7,486) | Culture, Leisure & Economic Development | (7,023) |
| (1,635) | Environmental Services | (1,963) |
| (6,199) | Housing and Tackling Homelessness | (7,902) |
| (33,074) | Leader | (34,785) |
| (793) | Licensing | (924) |
| (1,352) | Planning Policy & City Development | (1,437) |
| (17,556) | Port | (20,351) |
| (9,395) | Resources | (10,167) |
| (2,094) | Safety in the Community | (2,017) |
| (16,614) | Transport | (15,868) |
| (138,603) | | (143,714) |
| (91,730) | Housing Revenue Account | (101,399) |
| (873) | Other | (936) |
| (231,206) | | (246,049) |

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 and CIES.

# 8. Expenditure and Income Analysed by Nature

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

| | 2022/23<br>£000 | 2023/24<br>£000 |
|---|---|---|
| **Expenditure** | | |
| Employee benefits expenses | 245,291 | 219,277 |
| Other services expenses | 346,276 | 395,326 |
| Depreciation, amortisation, impairment, revaluations | 14,244 | 105,073 |
| Interest payments | 26,334 | 26,189 |
| Precepts and levies | 88 | 164 |
| Loss on the disposal of assets | 132 | 135 |
| Investment property expenditure and decreases in fair value | 22,173 | 16,998 |
| Trading expenses | 24,234 | 27,991 |
| **Total expenditure** | **678,772** | **791,153** |
| | | |
| **Income** | | |
| Fees, charges and other service income | (199,528) | (210,725) |
| Interest and investment income | (7,797) | (21,651) |
| Income from council tax and non-domestic rates | (153,946) | (155,568) |
| Government grants and contributions | (336,669) | (372,827) |
| Gain on disposal of assets | (1,937) | (961) |
| Investment property income and changes in fair value | (10,257) | (9,922) |
| Trading income | (22,976) | (24,888) |
| **Total Income** | **(733,110)** | **(796,542)** |
| | | |
| **(Surplus) or Deficit on the Provision of Services** | **(54,338)** | **(5,389)** |

Note - Following the reporting requirements stipulated by the Code on accounting for schools, the City Council's single entity Statement of Accounts 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. As the City Council is a housing authority, we are unable to use General Fund monies to fund Housing Revenue Account (HRA) services.

## 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. This balance is ring-fenced and cannot be used to fund General Fund services.

## 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:

| 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 | 190 | - | - | - |
| **Total Adjustment to Revenue Resources** | **(73,378)** | **39,863** | **(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** |
| **Adjustments between accounting basis & funding basis under regulations** | **16,939** | **47,740** | **9,862** | **(8,570)** | **6,820** |

| 2023/24 | 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) | (2,407) | (591) | - | - | - |
| - 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) | (56,402) | (60,541) | (26,638) | (101) | (32,538) |
| - Other Adjustments to Revenue Resources | (1,534) | (152) | - | - | - |
| **Total Adjustment to Revenue Resources** | **(60,343)** | **(61,284)** | **(26,638)** | **(101)** | **(32,538)** |
| **Adjustments between Revenue and Capital Resources** | | | | | |
| Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve | 150 | 2,417 | - | (2,567) | - |
| 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 | 74,697 | (210) | - | - | (74,487) |
| Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account) | 9,921 | - | - | 1,913 | - |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 13,733 | 185 | - | - | - |
| **Total Adjustments between Revenue and Capital Resources** | **98,501** | **2,392** | **-** | **(655)** | **(74,487)** |
| **Adjustments to Capital Resources** | | | | | |
| Use of Major Repairs Reserve to finance capital expenditure | - | - | 24,156 | - | - |
| Application of capital receipts to finance capital expenditure | - | - | - | 10,349 | - |
| Application of capital grants to finance capital expenditure | - | - | - | - | 113,959 |
| Application of City Deal Grant to finance capital expenditure | - | - | - | - | - |
| Other adjustments to capital resources | (110) | - | - | (3,932) | - |
| **Total Adjustments to Capital Resources** | **(110)** | **-** | **24,156** | **6,418** | **113,959** |
| **Adjustments between accounting basis & funding basis under regulations** | **38,048** | **(58,892)** | **(2,482)** | **5,662** | **6,934** |

# 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 2023/24 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 2022 £000 | Restated* Transfers (to) / from 2022/23 £000 | Restated* Balance at 31 March 2023 £000 | Transfers (to) / from 2023/24 £000 | Balance at 31 March 2024 £000 |
|---|---|---|---|---|---|
| **General Fund** | | | | | |
| Earmarked for Capital Purposes | (50,172) | (177) | (50,349) | (7,243) | (57,592) |
| Medium Term Resource Strategy Reserve | (20,276) | 1,856 | (18,420) | (4,438) | (22,858) |
| City Deal Reserves | (20,902) | (396) | (21,298) | 1,674 | (19,624) |
| Combined Highways Maintenance Reserve** | (15,850) | (2,767) | (18,617) | (17,887) | (36,504) |
| Portfolio Reserves | (4,875) | 835 | (4,040) | (103) | (4,143) |
| Other* | (88,537) | 10,499 | (78,037) | 4,976 | (73,061) |
| | **(200,612)** | **9,850** | **(190,761)** | **(23,021)** | **(213,782)** |
| **Housing Revenue Account Capital Reserve** | (406) | 311 | (95) | (72) | (167) |
| **Total** | **(201,017)** | **10,162** | **(190,856)** | **(23,093)** | **(213,949)** |

* The "Other" reserve now includes the residual balance of the Covid-19 Reserve which previously was shown separately (now the balance is below our preparer materiality). The balance on the "Other" reserve has been restated for this amalgamation back to the 31st March 2023.

** The balances of PFI Highways Inflation Reserve, Highways maintenance Reserve or Highways PFI Reserve have been amalgamated into Combined Highways Maintenance Reserve.

**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 any shortfall arising from the ongoing maintenance costs of improvements to the highways network and to cover inflationary price rises under the PFI contract.

**Portfolio Reserves -** These reserves provide a mechanism to allow underspending by portfolios in 2023/24 and previous years to be carried forward into 2024/25.

**HRA Capital Reserve -** This reserve is used to finance capital investment in social housing.

# 11. Notes to the Comprehensive Income & Expenditure Statement

## (a) Other Operating Expenditure

| 2022/23 £000 | | 2023/24 £000 |
|---|---|---|
| (1,805) | (Gain)/Loss on the disposal of Non-Current Assets | (826) |
| (4,566) | Miscellaneous Operating Income and Expenditure | (269) |
| **(6,371)** | | **(1,095)** |

## (b) Financing & Investment Income and Expenditure

| 2022/23 £000 | | | 2023/24 £000 |
|---|---|---|---|
| 26,334 | Interest payable and similar charges | | 26,189 |
| (7,797) | Interest & investment income | | (21,650) |
| 8,987 | Net pension interest on defined benefit (asset)/liability | 39 | 2,347 |
| 1,258 | (Surplus)/deficit on trading undertakings & other operations | | 3,103 |
| 11,916 | Income, expenditure and changes in the fair value of investment properties | 16 | 7,075 |
| **40,698** | | | **17,064** |

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

| 2022/23 £000 | | | 2023/24 £000 |
|---|---|---|---|
| (92,473) | Income from council tax | 33 | (94,990) |
| (41,756) | Non Ring Fenced government grants | 33 | (45,144) |
| (63,724) | Capital grants & contributions | 33 | (74,487) |
| (61,473) | Retained non-domestic rates | 33 | (60,578) |
| **(259,426)** | | | **(275,199)** |

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

## 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 | - | 14,895 | (14,633) | 262 |
| 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 (£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 Statement of Accounts 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

| | 2021/22<br>£000 | 2022/23<br>£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<br>£000 | 2022/23<br>£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 |

# Movements on Balances: Comparative Movements in 2023/24

| | 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 2023** | **780,719** | **575,455** | **74,078** | | **3,235** | **8,335** | **268,533** | **1,710,355** | **284,314** | **1,994,669** |
| Opening adjustment | - | - | - | | - | - | - | - | - | - |
| **Revised as at 1st April 2023** | **780,719** | **575,455** | **74,078** | | **3,235** | **8,335** | **268,533** | **1,710,355** | **284,314** | **1,994,669** |
| Additions | 85,518 | 8,902 | 5,934 | | - | - | 114,128 | 214,482 | 70 | 214,552 |
| | | | | | | | | - | | |
| Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve | (80,852) | 1,792 | (2,395) | | - | 115 | - | (81,340) | (5,899) | (87,239) |
| Disposals | (1,581) | (142) | (213) | | - | - | - | (1,936) | - | (1,936) |
| Reclassifications from Assets Under Construction | 25,750 | 47,035 | 4,822 | | 118 | 11 | (87,007) | (9,271) | 301 | (8,970) |
| Reclassifications between categories | - | 2,900 | - | | 100 | - | - | 3,000 | (3,000) | - |
| **At 31st March 2024** | **809,554** | **635,942** | **82,226** | | **3,453** | **8,461** | **295,654** | **1,835,290** | **275,786** | **2,111,076** |
| **Accumulated Depreciation and Impairment** | | | | | | | | | | |
| **At 1st April 2023** | **-** | **(11,014)** | **(45,073)** | | **(54)** | **-** | **-** | **(56,141)** | **(6,144)** | **(62,285)** |
| Opening adjustment | - | - | - | | - | - | - | - | - | - |
| **Revised as at 1st April 2023** | **-** | **(11,014)** | **(45,073)** | | **(54)** | **-** | **-** | **(56,141)** | **(6,144)** | **(62,285)** |
| Depreciation Charge in Year | (26,683) | (14,720) | (3,963) | | (11) | (75) | - | (45,452) | (831) | (46,283) |
| Depreciation written out on revaluation | 26,628 | 14,389 | 3,959 | | - | 75 | - | 45,051 | 70 | 45,121 |
| Impairment losses/(reversals) to SDPS and/or Revaluation Reserve | - | - | - | | - | - | - | - | - | - |
| Disposals | 55 | 7 | 213 | | - | - | - | 275 | - | 275 |
| Reclassifications from Assets Under Construction | - | - | - | | - | - | - | - | - | - |
| Reclassifications between categories | - | - | - | | - | - | - | - | - | - |
| **At 31st March 2024** | **-** | **(11,338)** | **(44,864)** | | **(65)** | **-** | **-** | **(56,267)** | **(6,905)** | **(63,172)** |
| **Net Book Value** | | | | | | | | | | |
| **At 1st April 2023** | **780,719** | **564,441** | **29,005** | | **3,181** | **8,335** | **268,533** | **1,654,214** | **278,170** | **1,932,384** |
| | | | | | | | | | | - |
| **At 31st March 2024** | **809,554** | **624,604** | **37,362** | | **3,388** | **8,461** | **295,654** | **1,779,023** | **268,881** | **2,047,904** |

Note 1 - The Other Asset Category column includes investment properties (see also note 16), heritage assets (see also note 15) and intangible assets (£0.9 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 Statement of Accounts 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

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| Net Book Value (Modified Historic Cost) | | |
| **At 1st April** | **222,386** | **222,923** |
| Additions | 7,918 | 8,183 |
| Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve | (1,349) | (10,629) |
| Disposals | - | - |
| Reclassifications from Assets Under Construction | 1,200 | 8,971 |
| Reclassifications between categories | (17) | - |
| Depreciation Charge in Year | (7,876) | (8,609) |
| Depreciation written out on revaluation | 661 | 2,663 |
| **At 31st March** | **222,923** | **223,502** |

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

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| Infrastructure Assets | 222,923 | 223,502 |
| Other PPE Assets | 1,654,214 | 1,779,023 |
| PPE Assets per Balance Sheet | 1,877,137 | 2,002,525 |
| Non-PPE Assets | 278,170 | 268,882 |
| | 2,155,307 | 2,271,407 |

## 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 2024, Mayfield School with a net book value of £46.5m has applied to become an academy school during the 2024/25 financial year.

## Capital Commitments

For information on these please see Note 14 of these Statement of Accounts.

# 13. Revaluations of Tangible Non-Current Assets

The City Council carries out a rolling programme that ensures that all Property, Plant & Equipment required to be measured at current value is revalued at least every five years, with the exception of council dwellings and surplus assets 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, Avison Young or Wilks Head & Eve LLP in accordance with the latest practice statements and guidance notes published by RICS. The assets are valued as at the 31st March 2024.

The significant assumptions applied in estimating the values are:

- Where there is no active market for land and buildings assets are valued on a depreciated replacement cost basis
- Investment properties, assets held for sale and surplus assets are valued at highest and best use to determine fair value
- Assets held for sale are valued at the lower of carrying value or net sale proceeds at reclassification
- Vehicles, plant and equipment, community assets, infrastructure assets and assets under construction are valued on acquisition value referred to as historic cost
- Council dwellings have been valued using the beacon principle as detailed in the accounting policies
- All other assets are valued on existing use value basis

Fair value for investment properties, surplus properties and assets held for sale have been measured using significant observable inputs, being level 2 on the fair value hierarchy.

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 |
| 2023/24 | 809,554 | 401,996 | 5,447 | - | - | 8,461 | 149,503 | 593 | - | 1,375,554 |
| 2022/23 | - | 118,642 | - | - | - | - | - | - | - | 118,642 |
| 2021/22 | - | 44,856 | - | - | - | - | - | - | - | 44,856 |
| 2020/21 | - | 59,106 | - | - | - | - | - | - | - | 59,106 |
| 2019/20 | - | 4 | - | - | - | - | - | - | - | 4 |
| Valued at Historic Cost | - | - | 31,915 | 223,502 | 3,387 | - | - | - | 295,654 | 554,459 |
| | **809,554** | **624,604** | **37,362** | **223,502** | **3,387** | **8,461** | **149,503** | **593** | **295,654** | **2,152,621** |

Note - Within Other Land & Buildings there are three assets which were due to be valued in 2023/24 but where we are still awaiting the valuations. These are currently showing in the historic cost line.

# 14. Significant commitments for future capital expenditure

## a) Future Approved Capital Programme

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

| Capital Programme | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 | 2027/28 £000 | 2028/29 £000 | Later £000 |
|---|---|---|---|---|---|---|
| Children, Families & Education | 14,325 | 490 | - | - | - | - |
| Climate Change & Greening the City | 17,760 | - | - | - | - | - |
| Community Wellbeing, Health & Care | 1,864 | 11,712 | - | - | - | - |
| Culture, Leisure & Economic Development | 55,143 | 32,146 | 25,763 | 25,531 | - | - |
| Environmental Services | 3,055 | 26,579 | 16,776 | - | - | - |
| Leader | 74,392 | 31,716 | - | - | - | - |
| Commercial Port | 44,952 | 26,809 | - | - | - | - |
| Planning, Policy & City Development | 113 | - | - | - | - | - |
| Resources | 1,289 | 481 | | | | |
| Safety in the Community | 47 | - | - | - | - | - |
| Transport | 42,464 | 7,140 | 5,935 | 2,172 | - | - |
| Housing Investment Programme | 53,271 | 97,712 | 93,276 | 42,724 | 42,709 | - |
| Total Capital Programme | 308,675 | 234,785 | 141,750 | 70,427 | 42,709 | - |

## b) Contractual Commitments

As at the 31 March 2024, the City Council had entered a number of contracts for the construction or enhancement of property, plant & equipment in 2024/25 and in future years. The significant capital contracts identified as at the 31st March 2024 and the committed amounts outstanding on these are set out in the table below:

| **Capital Contracts** | **£000** |
|---|---|
| Southsea Coastal Defence Scheme | 18,900 |
| Shorepower Project - design, procurement and installation of electrical equipment | 15,203 |
| Shorepower Project - electricity connection | 2,539 |
| High Rise Building Investigations to inform Building Safety Cases | 1,903 |
| Cliffdale Academy - Demolition of existing swimming pool and construction of new classroom extension. | 1,652 |
| Real time bus information units - supply and installation | 1,017 |
| Landport courts - external improvements | 868 |

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

# 15. Heritage Assets

## Movements on Balances: Comparative Movements in 2022/23

The City Council's heritage assets comprise historic buildings, museum collections across six museums and archives. Movements in the values of these are set out in the table below.

| 2022/23 | Heritage Categories | | | | |
|---|---|---|---|---|---|
| | Museum Collections £000 | Historic Buildings £000 | Archives £000 | Others £000 | Total £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** |

# Movements on Balances in 2023/24

| 2023/24 | Heritage Categories | | | | |
|---|---|---|---|---|---|
| | Museum Collections £000 | Historic Buildings £000 | Archives £000 | Others £000 | Total £000 |
| **Cost or Valuation** | | | | | |
| **Cost or Valuation as at 1st April 2023** | 20,728 | 67,054 | 11,843 | 8,271 | 107,896 |
| Opening Adjustment(s) | - | - | - | - | - |
| **Revised Cost or Valuation as at 1st April 2023** | 20,728 | 67,054 | 11,843 | 8,271 | 107,896 |
| Additions / Donations | - | - | - | - | - |
| Revaluation increases/(decreases) to CIES: | - | (301) | - | (95) | (396) |
| Revaluation increases/(decreases) to Revaluation Reserve: | 213 | 9,566 | - | 329 | 10,108 |
| Disposals | - | - | - | - | - |
| Reclassifications: | - | 301 | - | - | 301 |
| **Cost or Valuation as at 31st March 2024** | **20,941** | **76,620** | **11,843** | **8,505** | **117,909** |
| **Accumulated Depreciation and Impairment** | | | | | |
| **Depreciation and Impairment as at 1st April 2023** | - | 2 | - | (2) | - |
| Opening adjustment | - | - | - | - | - |
| **Revised Depreciation and Impairment as at 1st April 2023** | - | 2 | - | (2) | - |
| Depreciation Charge in Year: | - | (70) | - | - | (70) |
| Depreciation written out on revaluation: | - | 70 | - | - | 70 |
| Disposals | - | - | - | - | - |
| Impairment losses/(reversals) to CIES: | - | - | - | - | - |
| Impairment losses/(reversals) to Revaluation Reserve: | - | - | - | - | - |
| **Depreciation and Impairment as at 31st March 2024** | **-** | **2** | **-** | **(2)** | **-** |
| **Net Book Value** | | | | | |
| **At 1st April 2023** | **20,728** | **67,056** | **11,843** | **8,269** | **107,896** |
| **At 31st March 2024** | **20,941** | **76,622** | **11,843** | **8,503** | **117,909** |

# 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** | **2022/23 £000** | **2023/24 £000** |
|---|---|---|
| Gross Income from Investment Property | (10,257) | (9,922) |
| Gross Expenditure relating to Investment Property | 1,656 | 1,335 |
| Net Income from Investment Property | (8,601) | (8,587) |

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 Statement of Accounts.

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.

| Movement in the Fair Value of Investment Properties | | |
|---|---|---|
| | **2022/23** | **2023/24** |
| | **£000** | **£000** |
| **Cost or Valuation** | | |
| Balance at 1st April | 197,228 | 168,165 |
| Opening Adjustments | - | - |
| Revised Balance at 1st April | 197,228 | 168,165 |
| | | |
| Additions - Purchases | - | - |
| Revaluation increases/(decreases) to I&E and/or Revaluation Reserve | (20,502) | (15,662) |
| Disposals | - | - |
| Reclassifications from Investment Property Assets under Construction | (15) | - |
| Reclassifications from/(to) other asset categories | (8,546) | (3,000) |
| | | |
| **Balance at 31st March** | **168,165** | **149,503** |
| | | |
| **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** | **197,228** | **168,165** |
| | | |
| **Net Book Value at end of year** | **168,165** | **149,503** |

| Reconciliation with CIES | | |
|---|---|---|
| | **2022/23** | **2023/24** |
| | **£000** | **£000** |
| Net income from Investment Property | (8,601) | (8,587) |
| Revaluation increases/(decreases) to I&E and/or Revaluation Reserve | 20,502 | 15,662 |
| | 11,901 | 7,075 |
| Less Revaluation increases/(decreases) through Revaluation Reserve | 15 | 0 |
| Entry in CIES | 11,916 | 7,075 |

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

The City Council's investment properties are all held at level 2 under the fair value hierarchy; namely based on other significant observable inputs. There are no investment properties held at either level 1 (quoted prices in active markets for identical assets) or level 3 (significant unobservable inputs).

## 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 2023/24.

## Changes in Valuation Techniques

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

# 17. Financial Instruments

## 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 2023 £000** | **31 March 2024 £000** | **31 March 2023 £000** | **31 March 2024 £000** | **31 March 2024 £000** |
| Financial Assets | | | | | |
| Amortised Cost - Investments | 16,863 | 12,500 | 342,682 | 250,998 | 263,498 |
| Amortised Cost - Debtors | 37,233 | 36,104 | 51,110 | 55,245 | 91,349 |
| Amortised Cost - Cash Equivalents | | | 17,532 | 26,375 | 26,375 |
| Total financial assets carried at amortised cost | 54,096 | 48,604 | 411,324 | 332,618 | 381,222 |
| Fair value through profit and loss - Investments | 9,700 | - | 9,943 | 9,941 | 9,941 |
| Fair value through other comprehensive income - Designated equity instruments | 4,898 | 5,214 | - | - | 5,214 |
| **Total Financial Assets** | **68,694** | **53,818** | **421,267** | **342,559** | **396,377** |
| Financial Liabilities | | | | | |
| Amortised Cost - Borrowings | (746,074) | (733,035) | (18,036) | (18,192) | (751,227) |
| Amortised Cost - Creditors | - | - | (120,993) | (110,096) | (110,096) |
| **Total Financial Liabilities** | **(746,074)** | **(733,035)** | **(139,029)** | **(128,288)** | **(861,323)** |

At the 31st March 2024, the City Council held equity shares in Portico, Ravelin Housing, Hampshire Community Bnk and the UK Municipal Bonds Agency Plc. These investments are held to meet the service objectives of the City Council and none of the above investments paid a dividend in 2023/24. For more detail see table below:

| Description | Nominal | Fair Value | Change in fair value during 2023/24 |
|---|---|---|---|
| | £000 | £000 | £000 |
| Portico Ltd | 2,027 | 5,378 | 52 |
| Hampshire Community Bnk | 3,750 | - | (3,750) |
| UK Municipal Bonds Agency Plc | 150 | 150 | - |
| Ravelin Housing Ltd | - | (314) | 4,014 |

Since 1 April 2018, as enabled by the Code of Practice for Local Authority Accounting, the City Council has opted to irrevocably classify these instruments 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:

| | **2022/23 Surplus or Deficit on the Provision of Services £000** | **2022/23 Other Comprehensive Income and Expenditure £000** | **2023/24 Surplus or Deficit on the Provision of Services £000** | **2023/24 Other Comprehensive Income and Expenditure £000** |
|---|---|---|---|---|
| Net (gains) / losses on: | | | | |
| Financial assets measured at fair value through profit or loss | 1,190 | - | (378) | - |
| Investments in equity instruments designated at fair value through other comprehensive income | - | 2,831 | - | (136) |
| Financial assets measured at amortised cost | (713) | - | 847 | - |
| **Total net (gains) / losses** | **477** | **2,831** | **469** | **(136)** |
| Financial assets measured at amortised cost | (7,415) | - | (21,800) | - |
| Financial assets measured at fair value through profit or loss | (544) | - | (379) | - |
| **Total Interest Revenue** | **(7,959)** | **-** | **(22,179)** | **-** |
| **Interest Expense** | **25,792** | **-** | **26,017** | **-** |

## 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 31/3/23 £000** | **As at 31/3/24 £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 | 19,643 | 9,941 |
| **Fair Value through Other Comprehensive Income** | | | | |
| Equity shareholding in Portico Ltd | Level 2 (Other significant observable inputs) | Net Worth | 5,326 | 5,378 |
| Equity shareholding in Hampshire Community Bnk Ltd | Level 2 (Other significant observable inputs) | Net Worth | 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) | Net Worth | (4,328) | (314) |
| **Total** | | | **4,898** | **5,214** |

The equity holdings shown above are not held for trading and have 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 2023 | | 31 March 2024 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | £000 | £000 | £000 | £000 |
| Borrowing | (705,713) | (640,065) | (695,634) | (602,455) |
| Service Concessions and Finance Lease | (58,397) | (58,232) | (55,593) | (51,721) |
| Other Creditors | (120,993) | (120,993) | (110,096) | (110,096) |
| **Total** | **(885,103)** | **(819,290)** | **(861,323)** | **(764,272)** |

The fair value shown above represents the cost of settling the City Council's liabilities. To settle just over two-thirds of the City 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 2023 | | 31 March 2024 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | £000 | £000 | £000 | £000 |
| Investments | 377,077 | 402,444 | 289,873 | 289,305 |
| Debtors | 88,343 | 97,131 | 91,349 | 101,861 |
| **Total** | **465,420** | **499,575** | **381,222** | **391,166** |

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.

The financial liabilities and assets that are held at amortised cost above have all been measured using 'Other significant observable inputs' (Level 2). This is the same basis as used in 2022/23.

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

£522.3m of the fair value of borrowing at the 31st March 2024 (£575.8m at the 31st March 2023) represents loans from the Public Works Loans Board (PWLB). The fair value of PWLB loans of £522.3m 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 £618.5m at the 31st March 2024 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 £618.5m would be valued at £442.9m. 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 £96.2m, based on the redemption interest rates. The exit price for the PWLB loans including the discount would be £522.3m.

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<br>- estimated ranges of interest rates at 31 March 2024 of 4.40% to 5.25% for loans receivable, based on new lending rates for equivalent loans at that date<br>- the fair value of trade and other receivables is taken to be invested at the billed amount | - no early repayment is recognised<br>- estimated ranges of interest rates at 31 March 2024 of 3.68% to 5.22% 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 31st March 2024 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. 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 2024 (Net of bad debt provision) £000 A** | **Historical Experience of Default % B** | **Historical Experience Adjusted for Market Conditions at 31 March 2024 % C** | **Estimated Maximum Exposure to Default & Uncollectability at 31 March 2024 £000 (A x C)** | **Estimated Maximum Exposure to Default & Uncollectability at 31 March 2023 £000** |
|---|---|---|---|---|---|
| Advances to commercial companies | 22,689 | 0.0 | 1.6 | 363 | 101 |
| Customers | 37,988 | 4.6 | 5.7 | 2,165 | 3,208 |
| Housing rents | 1,412 | 0.4 | 3.0 | 42 | 21 |
| Housing loans | 3,088 | 0.0 | 0.0 | 0 | 0 |
| | | | | **2,570** | **3,329** |

The City Council does not generally allow credit for customers. However, there is a balance of £9.6m that is past its due date for payment. This can be analysed by age as follows:

| | **£000** |
|---|---|
| Less than three months | 5,519 |
| Three to six months | 1,518 |
| Six months to one year | 907 |
| More than one year | 1,632 |
| | **9,576** |

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 £61.3m of the City Council's borrowing is through an arrangement which takes the legal form of leases but is in substance borrowing. Under this arrangement the City Council leased the site of the Wightlink Ferry Terminal to Canada Life in return for a lump sum premium. The City 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 28.6 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 2023 £000 | % of Total Portfolio % | Total Financial Liabilities | Outstanding 31 March 2024 £000 | % of Total Portfolio % |
|---|---|---|---|---|
| 626,108 | 78 | Public Works Loans Board | 618,487 | 79 |
| 75,122 | 10 | Other Institutions (borrowing) | 72,712 | 9 |
| 97,859 | 12 | Trade Payables | 95,050 | 12 |
| **799,089** | **100** | | **786,249** | **100** |
| | | **Analysis of Loans by Maturity** | | |
| 107,891 | 14 | Within 1 year | 104,695 | 13 |
| 9,645 | 1 | Between 1 and 2 years | 9,286 | 1 |
| 27,912 | 3 | Between 2 and 5 years | 27,969 | 4 |
| 89,930 | 11 | Between 5 and 10 years | 90,041 | 11 |
| 55,501 | 7 | Between 10 and 15 years | 55,620 | 7 |
| 55,329 | 7 | Between 15 and 20 years | 49,386 | 6 |
| 15,496 | 2 | Between 20 and 25 years | 14,713 | 2 |
| 51,016 | 6 | Between 25 and 30 years | 68,659 | 9 |
| 93,750 | 12 | Between 30 and 35 years | 93,261 | 12 |
| 111,619 | 14 | Between 35 and 40 years | 91,619 | 12 |
| 68,000 | 9 | Between 40 and 45 years | 108,000 | 14 |
| 113,000 | 14 | Between 45 and 50 years | 73,000 | 9 |
| **799,089** | **100** | | **786,249** | **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 2024, 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 £1.4m. The impact of a 0.5% fall in interest rates would have been a reduction in investment income of £1.4m.

## 19. Long-term Debtors

| **2022/23 £000** | | **2023/24 £000** |
|---|---|---|
| 11,667 | Finance Lease Debtors | 11,600 |
| 14,189 | Portico Shipping Limited | 14,696 |
| 11,377 | Other | 9,808 |
| **37,233** | | **36,104** |

# 20. Short-term Debtors

| 2022/23 £000 | Outstanding Debtors at 31st March (Net of Bad Debt Provision) | 2023/24 £000 |
|---|---|---|
| 1,325 | Council Tax debtor (between preceptor/billing authority) | 964 |
| - | NNDR retained income debtor (between preceptor/billing authority) | - |
| - | NNDR (debtor for prior overpayments due back from DLUHC) | 32 |
| 27,083 | Council Tax receivable from taxpayers | 28,084 |
| 3,441 | Non domestic rates receivable from taxpayers | 3,598 |
| 36,761 | Trade debtors | 42,504 |
| 14,371 | Government Departments | 11,962 |
| 5,698 | Housing Benefits | 4,851 |
| 3,207 | Housing Rents | 3,887 |
| 5,305 | Other debtors | 4,610 |
| 11,200 | Prepayments & accrued income | 9,441 |
| (34,520) | Provision for bad debts | (34,644) |
| 73,871 | | 75,289 |

# 21. Cash and Cash Equivalents

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

| 31 March 2023 £000 | | 31 March 2024 £000 |
|---|---|---|
| 933 | Cash held by the Authority | 1,270 |
| (11,306) | Bank current accounts | (9,315) |
| 28,838 | Investments in money market funds and instant access deposit accounts | 35,690 |
| **18,465** | | **27,645** |

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

# 22. Short-term Creditors

| 2022/23 £000 | Outstanding Creditors at 31st March | 2023/24 £000 |
|---|---|---|
| (35,465) | Trade Creditors | (42,297) |
| (19,402) | NDR taxpayer receipts not yet paid to Government | (13,753) |
| (1,391) | Council Tax refundable to taxpayers | (1,433) |
| (1,259) | Non domestic rates refundable to taxpayers | (2,389) |
| (6,102) | Government Departments | (3,747) |
| (19,966) | Other creditors | (11,674) |
| (42,427) | Receipts in Advance | (41,079) |
| **(126,012)** | | **(116,372)** |

# 23. Provisions

| | Short Term £000 | Long Term £000 | Total £000 |
|---|---|---|---|
| **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)** |
| Additional provisions made in 2023/24 | (3,851) | (8,082) | (11,933) |
| Amounts used in 2023/24 | 1,543 | 7,184 | 8,727 |
| Provisons not required written back in 2023/24 | (156) | 488 | 332 |
| Transfers to/from Long Term in 23/24 | - | 2,279 | 2,279 |
| **Balance at 31 March 2024** | **(5,342)** | **(1,927)** | **(7,269)** |

The bulk of both the short term and long-term provisions is the Provision for Appeals by Non-Domestic Rate Payers - £5.5m (£5.0m in 2022/23). This provision represents the City Council's share of both lodged appeals and potential appeals not yet lodged against the rateable values of non-domestic properties.

# 24. Other Long-term liabilities

| 2022/23 £000 | | 2023/24 £000 |
|---|---|---|
| (12,815) | Assets transferred from Hampshire County Council | (12,366) |
| (41,740) | Service Concessions (including PFIs) | (37,612) |
| (9,106) | Lease holder contributions | (9,952) |
| (4,013) | Other | (3,901) |
| **(67,674)** | | **(63,831)** |

# 25. Unusable Reserves

| 2022/23 £000 | | 2023/24 £000 |
|---|---|---|
| (288,602) | Revaluation Reserve | (317,377) |
| 1,272 | Financial Instruments Revaluation Reserve | 1,195 |
| (1,014,149) | Capital Adjustment Account | (1,014,413) |
| 3,731 | Financial Instruments Adjustment Account | 3,554 |
| 63,173 | Pensions Reserve | 6,642 |
| (9,911) | Collection Fund Adjustment Account | (7,980) |
| 3,766 | Accumulating Compensated Absences Adjustment Account | 3,376 |
| (11,781) | Deferred Capital Receipts | (11,669) |
| **(1,252,501)** | **Total Unusable Reserves** | **(1,336,672)** |

## 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.

| 2022/23 £000 | 2022/23 £000 | | 2023/24 £000 | 2023/24 £000 |
|---|---|---|---|---|
| **(272,722)** | | **Balance at 1 April** | | **(288,602)** |
| (22,066) | | Revaluations | | (35,054) |
| | 5,889 | Difference between fair value depreciation and historic cost depreciation | 6,233 | |
| | 297 | Accumulated gains on assets sold or scrapped | 46 | |
| 6,186 | | Amount written off the Capital Adjustment Account | | 6,279 |
| **(288,602)** | | **Balance at 31 March** | | **(317,377)** |

## 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 9 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

| 2022/23 | | | 2023/24 | |
|---|---|---|---|---|
| £000 | £000 | | £000 | £000 |
| | **(916,389)** | **Balance at 1 April** | | **(1,014,149)** |
| | | Reversal of items relating to capital expenditure | | |
| 14,244 | | - Charges for depreciation, amortisation, revaluations up/down in CIES and impairment of non current assets | 124,359 | |
| 28,289 | | - Revenue expenditure funded from capital under statute | 34,457 | |
| 4,792 | | - (Gain) / loss on disposal | 1,663 | |
| 3,410 | | Loan Repayments | 4,081 | |
| | 50,735 | | | 164,560 |
| | (6,186) | Adjusting amounts written out of Revaluation Reserve | | (6,279) |
| | (871,840) | Net written out amount of the cost of non current assets consumed in the year | | (855,868) |
| | | Capital financing applied in the year: | | |
| (2,445) | | - Use of Capital Receipts Reserve to finance new capital expenditure | (10,349) | |
| (34,848) | | - Use of Major Repairs Reserve to finance new capital expenditure | (24,156) | |
| (98,562) | | - Application of grants and contributions to finance new capital expenditure | (113,959) | |
| (10,458) | | - Statutory provision for the financing of capital investment charges against the General Fund and HRA balances | (9,921) | |
| (1,594) | | - Capital receipts set aside for the repayment of debt | (1,913) | |
| (14,919) | | - Capital expenditure charged against the General Fund and HRA balances | (13,918) | |
| | (162,826) | | | (174,216) |
| | 20,517 | Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement | | 15,671 |
| | **(1,014,149)** | **Balance at 31 March** | | **(1,014,413)** |

## 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. Statutory arrangements ensure that funding will have been set aside by the time the benefits come due to be paid.

| 2022/23 £000 | | 2023/24 £000 |
|---|---|---|
| **338,178** | **Balance at 1 April** | **63,173** |
| 84,430 | Return on plan assets | (39,901) |
| (398,079) | Actuarial (gains) and losses on pensions assets and liabilities | (19,629) |
| 62,262 | 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 | 27,495 |
| (23,618) | Employer's pensions contributions and direct payments to pensioners payable in the year | (24,496) |
| **63,173** | **Balance at 31 March** | **6,642** |

## 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.

| 2022/23 £000 | | 2023/24 £000 |
|---|---|---|
| **9,491** | **Balance at 1 April** | **(9,911)** |
| (19,402) | 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 | 1,931 |
| **(9,911)** | **Balance at 31 March** | **(7,980)** |

## 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.

| 2022/23 £000 | | 2023/24 £000 |
|---|---|---|
| **(11,884)** | **Balance at 1 April** | **(11,781)** |
| - | Transfer to Capital Receipts Reserve upon receipt of cash | - |
| 103 | Transfer to Comprehensive Income and Expenditure Statement to mitigate the effect of leases being reclassified under IFRSs | 112 |
| **(11,781)** | **Balance at 31 March** | **(11,669)** |

# 26. Notes to the Cash Flow Statement

## (a) Operating Activities

The cash flows for operating activities include the following items:

| 2022/23 £000 | | 2023/24 £000 |
|---|---|---|
| 5,904 | Interest received | 17,844 |
| (26,393) | Interest paid | (26,249) |

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

| 2022/23 £000 | | 2023/24 £000 |
|---|---|---|
| 51,809 | Depreciation | 54,859 |
| (36,501) | Impairment and downward valuations | 69,474 |
| 88 | Amortisation | 33 |
| - | Increase/(decrease) in impairment for bad debts | - |
| (38,921) | Increase/(decrease) in creditors | (9,702) |
| 10,251 | (Increase)/decrease in debtors | (4,283) |
| (116) | (Increase)/decrease in inventories | (62) |
| 38,645 | Movement in pension liability | 3,883 |
| 4,792 | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 1,662 |
| 11,681 | Other non-cash items charged to the net surplus or deficit on the provision of services | 14,076 |
| **41,728** | | **129,940** |

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

| 2022/23 £000 | | 2023/24 £000 |
|---|---|---|
| (6,632) | Proceeds from sale of property, plant and equipment, investment property and intangible assets. | (2,488) |
| (97,723) | Any other items for which the cash effects are investing or financing cash flows | (102,724) |
| **(104,355)** | | **(105,212)** |

## (b) Investing & Financing Activities

| 2022/23 £000 | Investing Activities | 2023/24 £000 |
|---|---|---|
| (171,041) | Purchases of property, plant and equipment, investment property and intangible assets | (226,341) |
| (1,080,942) | Purchase of short-term and long-term investments | (1,029,597) |
| (1,052) | Other payments for investing activities | (2,798) |
| 6,571 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 2,416 |
| 1,114,982 | Proceeds from short-term and long-term investments | 1,138,797 |
| 112,913 | Other receipts from investing activities | 117,884 |
| **(18,569)** | **Net cash flows from investing activities** | **361** |

| 2022/23 £000 | Financing Activities | 2023/24 £000 |
|---|---|---|
| (264) | Cash receipts of short and long term borrowing | (7) |
| (5,308) | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | (3,538) |
| (10,251) | Repayments of short and long term borrowing | (10,361) |
| 22,651 | Other payments for financing activities | (7,392) |
| **6,828** | **Net cash flows from financing activities** | **(21,298)** |

# (c) Reconciliation of Liabilities Arising from Financing Activities

| | 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)** |

| | 2023/24 01-Apr | Financing Cashflows | Non-cash Changes Acquisition | Changes in Fair Value | Other Non-cash Changes | 2023/24 31-Mar |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Long Term | | | | | | |
| - Borrowings | (691,215) | 9,657 | - | - | (12) | (681,570) |
| - Lease Liabilities | (869) | - | - | - | - | (869) |
| - On Balance Sheet PFI Liabilities | (41,740) | 3,538 | - | - | 590 | (37,612) |
| - Other | (25,065) | 329 | - | - | (616) | (25,352) |
| | (758,889) | 13,524 | - | - | (38) | (745,403) |
| Short Term | | | | | | |
| - Borrowings | (14,498) | 375 | - | - | 59 | (14,064) |
| - Lease Liabilities | - | - | - | - | - | - |
| - On Balance Sheet PFI Liabilities | (3,538) | - | - | - | (590) | (4,128) |
| - Other | - | - | - | - | - | - |
| | (18,036) | 375 | - | - | (531) | (18,192) |
| **Total Liabilties from Financing Activities** | **(776,925)** | **13,899** | **-** | **-** | **(569)** | **(763,595)** |

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

Note 2 - The net cash flows from financing activities in table 26(b) additionally includes £7.4m (£22.7m in 2022/23) 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 Extra Contractual Referrals on behalf of NHS Hampshire & Isle of Wight Integrated Commissioning Board. The associated income and expenditure relating to Extra Contractual Referrals fully funded by NHS Hampshire & Isle of Wight Integrated Commissioning Board was £12.97m (100% ICB funded) and £4.33m (part ICB funded); however, in line with agency accounting these entries have been removed from both income and expenditure. There are no separately identifiable management or administrative costs associated with processing these transactions, instead existing resources were reprioritised.

There are no other significant agency arrangements, 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) (previously NHS Portsmouth Clinical Commissioning Group) and Solent NHS Trust. These are accounted for as joint operations under IFRS11.

## (a) 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 2022/23 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.

| | **2022/23** | | **2023/24** | |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| Gross Income | | | | |
| Portsmouth City Council | (52,624) | | (62,713) | |
| NHS Hampshire & Isle of White ICB | (20,989) | | (21,098) | |
| | | (73,613) | | (83,811) |
| Expenditure | | 73,722 | | 83,738 |
| **(Surplus)/Deficit** | | **109** | | **(73)** |
| Council's share of the (surplus)/deficit | | - | | - |

## (b) 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.

| | 2022/23 | | 2023/24 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Gross Income | | | | |
| Portsmouth City Council | (6,801) | | (6,862) | |
| Solent NHS Trust | (440) | | (504) | |
| | | (7,241) | | (7,366) |
| Expenditure | | 7,241 | | 7,374 |
| **(Surplus)/Deficit*** | | **-** | | **8** |
| Council's share of the (surplus)/deficit | | - | | 8 |

# 29. Members' allowances

The total amount of members' allowances paid in 2023/24 was £0.78m (£0.73m in 2022/23). These amounts include both basic, special and mayoral allowances plus expenses. Information on the members allowance scheme can be found on the City Council's website, including more information on amounts paid to individual members.

# 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.

| 2022/23 Number of employees | | 2023/24 Number of employees |
|---:|:---:|---:|
| 127 | £50,000 to £54,999 | 148 |
| 61 | £55,000 to £59,999 | 66 |
| 65 | £60,000 to £64,999 | 66 |
| 36 | £65,000 to £69,999 | 39 |
| 21 | £70,000 to £74,999 | 29 |
| 14 | £75,000 to £79,999 | 17 |
| 11 | £80,000 to £84,999 | 19 |
| 5 | £85,000 to £89,999 | 8 |
| 1 | £90,000 to £94,999 | 1 |
| 5 | £95,000 to £99,999 | 4 |
| 3 | £100,000 to £104,999 | 4 |
| 4 | £105,000 to £109,999 | 3 |
| - | £110,000 to £114,999 | 5 |
| 2 | £115,000 to £119,999 | 1 |
| 2 | £120,000 to £124,999 | 2 |
| - | £125,000 to £129,999 | 3 |
| - | £130,000 to £134,999 | - |
| 1 | £135,000 to £139,999 | - |
| - | £140,000 to £144,999 | - |
| 1 | £145,000 to £149,999 | - |
| - | £150,000 to £154,999 | 1 |
| - | £155,000 to £159,999 | - |
| - | £160,000 to £164,999 | - |
| 1 | £165,00 to £169,999 | - |
| - | £170,000 to £174,999 | - |
| - | £175,000 to £179,999 | - |
| - | £180,000 to £184,999 | - |
| - | £185,000 to £189,999 | - |
| - | £190,000 to £194,999 | - |
| 1 | £195,000 to £199,999 | - |
| - | £200,000 to £204,999 | - |
| 361 | | 416 |

## b) Senior Officer Emoluments

The following tables set out the remuneration paid to Senior Officers; whose salary in 2022/23 and 2023/24 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.

| 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.

| 2023/24 | 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) (until 30th September 2023) | 51,310 | - | 51,310 | 18,010 | 69,320 |
| Natalie Brahma-Pearl - Chief Executive (Head of Paid Service) (from 25th September 2023) | 96,255 | - | 96,255 | 17,133 | 113,388 |
| City Solicitor (Monitoring Officer) (Note 1) | 126,453 | - | 126,453 | 22,502 | 148,955 |
| Director of Adult Social Care | 122,580 | - | 122,580 | 21,819 | 144,399 |
| Director of Children, Families and Education | 124,966 | - | 124,966 | 22,244 | 147,210 |
| Director of Corporate Services | 111,597 | - | 111,597 | 19,864 | 131,461 |
| Director of Culture, Leisure & Regulatory Services | 111,597 | - | 111,597 | 19,864 | 131,461 |
| Director of Economy, Transport & Planning (until16th April 2023) | 13,331 | - | 13,331 | 1,152 | 14,483 |
| Director of Economy, Transport & Planning (from 1st January 2024) (Note 4) | 27,354 | - | 27,354 | 4,869 | 32,224 |
| Director of Economy, Transport & Planning (from 1st January 2024) (Note 4) | 25,685 | - | 25,685 | 4,572 | 30,257 |
| Director of Economy, Transport & Planning (from 1st January 2024) (Note 4) | 18,315 | - | 18,315 | 3,260 | 21,576 |
| Director of Economy, Transport & Planning (from 1st January 2024) (Note 4) | 22,765 | - | 22,765 | 4,052 | 26,817 |
| Director of Economy, Transport & Planning (from 1st January 2024) (Note 4) | 22,359 | - | 22,359 | 3,980 | 26,339 |
| Chris Ward - Director of Finance & Resources (s151 Officer) (Notes 1 & 2) | 153,081 | - | 153,081 | 27,268 | 180,348 |
| Director of Housing, Neighbourhood & Building Services (Note 1) | 122,580 | - | 122,580 | 20,930 | 143,510 |
| Director of Public Health (Statutory Role) | 127,355 | - | 127,355 | 18,314 | 145,669 |
| Portsmouth International Port Director | 127,355 | 27 | 127,382 | 22,669 | 150,051 |
| Solent Freeport Chief Executive (from 1st Jun 2023) | 110,190 | - | 110,190 | 19,614 | 129,804 |
| Anne-Marie Mountifield - Solent Local Enterprise Partnership Chief Executive (until 14th August 2023) | 64,497 | - | 64,497 | 10,697 | 75,194 |
| Solent Local Enterprise Partnership Chief Executive (from 1st July 2023) (Note 3) | 84,914 | 49 | 84,963 | 15,115 | 100,078 |
| Solent Local Enterprise Partnership Chief Executive (from 1st July 2023) (Note 3) | 84,914 | 87 | 85,001 | 15,115 | 100,116 |
| Corporate Strategy Manager | 82,457 | - | 82,457 | 14,677 | 97,134 |

**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.

**Note 3:** From July 2023, the Solent LEP Chief Executive post has been part covered by two individuals.

**Note 4:** From January 2024, the Director of Regeneration post has been part covered by the five Assistant Directors for Regeneration. Only their remuneration along with any acting up allowances from that point has been included in the disclosure.

## c) Exit Packages

The numbers of exit packages committed during 2023/24, 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 (£) | |
|---|---|---|---|---|---|---|---|---|
| | 2022/23 | 2023/24 | 2022/23 | 2023/24 | 2022/23 | 2023/24 | 2022/23 | 2023/24 |
| £0-£20,000 | 2 | 8 | 14 | 15 | 16 | 23 | 101,267 | 128,824 |
| £20,001 - £40,000 | 2 | 4 | 2 | 7 | 4 | 11 | 94,776 | 336,211 |
| £40,001 - £60,000 | - | 1 | 1 | 2 | 1 | 3 | 23,177 | 132,747 |
| £60,001 - £80,000 | 1 | 1 | 1 | - | 2 | 1 | 135,670 | 68,373 |
| £80,001 - £100,000 | - | 1 | - | - | - | 1 | - | 82,431 |
| £100,001 - £150,000 | - | 1 | - | - | - | 1 | - | 121,087 |
| £150,001 - £200,000 | 1 | - | - | - | 1 | - | 159,722 | - |
| £200,001 - £250,000 | - | - | - | - | - | - | - | - |
| £250,001 - £300,000 | - | - | - | - | - | - | - | - |
| **Total** | **6** | **16** | **18** | **24** | **24** | **40** | **514,613** | **869,673** |

**Note** - One exit package in the above figures only includes the redundancy element of their exit package and does not include the associated pension strain due as they have not yet started taking their pension.

The total cost of £869,673 in the table above is included in the City Council's Comprehensive Income and Expenditure Statement for 2023/24.

# 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 2020, in 2023/24. The fees shown exclude VAT.

| 2022/23 £000 | | 2023/24 £000 |
|---|---|---|
| 138 | External Audit Services | 392 |
| - | Other | - |
| 138 | Total payable to EY | 392 |

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

**Note 1 -** This disclosure includes the auditors new scale fee of £392,000 (as advised by Public Sector Audit Appointments (PSAA)). The figures do not include; any additional rebasing of the scale fee, any unagreed additional audit fees, any additional fees charged in respect of prior year audits paid in this 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 our auditors EY, so this is not included in the figures above. Instead, these services are 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:**

| | Restated 2022/23 | | | 2023/24 | | |
|---|---|---|---|---|---|---|
| | Central Exp £000 | Schools Budget £000 | Total £000 | Central Exp £000 | Schools Budget £000 | Total £000 |
| Final DSG for current year before academy recoupment | 24,858 | 160,310 | 185,168 | 29,840 | 169,311 | 199,151 |
| Academy figure recouped for current year | - | (106,641) | (106,641) | - | (114,936) | (114,936) |
| Total DSG after Academy recoupment for current year | **24,858** | **53,669** | **78,527** | **29,840** | **54,375** | **84,215** |
| Brought forward from prior year | 8,319 | 135 | 8,454 | 9,408 | 504 | 9,912 |
| Carry forward to next year agreed in advance | - | - | - | - | - | - |
| Agreed initial budgeted distribution in current year | **33,177** | **53,804** | **86,981** | **39,248** | **54,879** | **94,127** |
| In year adjustments | - | 228 | 228 | - | 198 | 198 |
| **Final budget distribution for current year** | **33,177** | **54,032** | **87,209** | **39,248** | **55,077** | **94,325** |
| Less actual central expenditure | 23,769 | - | 23,769 | 27,566 | - | 27,566 |
| Less Actual ISB deployed to schools | - | 53,528 | 53,528 | - | 55,279 | 55,279 |
| Plus Local authority contribution for current year | - | - | - | - | - | - |
| **Carry forward to next year** | **9,408** | **504** | **9,912** | **11,682** | **(202)** | **11,480** |

Note - Since the publication of the 22/23 financial statements, DFE have clarified a few points on how the information is presented in the disclosure including in relation to the split between central expenditure and schools' budgets as regards high needs top-up funding, and on how additional business rates paid to academy schools are treated. This has resulted in the central expenditure and schools budget figures for 22/23 being restated compared to the published 22/23 figures.

# 33. Taxation and Grant Income

The City Council credited the following tax, grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24:

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| **Credited to Services** | | |
| Rent Allowance Subsidy | (33,931) | (33,254) |
| HRA Rent Rebates Subsidy | (31,701) | (32,744) |
| Public Health Grant | (18,605) | (19,212) |
| Dedicated Schools Grant | (76,627) | (82,024) |
| Other grants | (42,178) | (53,452) |
| | (203,042) | (220,686) |
| **Credited to Taxation and Non Specific Grant Income** | | |
| Revenue Support Grant | (12,097) | (13,571) |
| Retained Non Domestic Rates | (54,521) | (54,156) |
| Retained Non Domestic Rates (Top Up Grant)/Tariff | (6,952) | (6,422) |
| PFI Grant | (11,521) | (11,521) |
| Other Grants | (18,138) | (20,052) |
| Income from Council Tax | (92,473) | (94,990) |
| Capital Grants and Contributions | (63,724) | (74,487) |
| | (259,426) | (275,199) |

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:

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| **Capital Grants Receipts in Advance** | | |
| Government Grants | (98,234) | (119,589) |
| Other Grants & Contributions | (24,764) | (2,233) |
| | (122,998) | (121,822) |

Revenue grants receipts in advance for 2023/24 were £24.6m (2022/23 £20.5m).

# 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 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 £15,248,949 to organisations and received £2,034,8307 from organisations where council members had been appointed by the City Council to positions on the respective governing bodies of those organisations. (These figures paid and received figures include precepts to and from Hampshire Police and Fire Services).

During 2023/24 £31,009 was paid to companies/organisations in which Council Members had an interest. This includes the following related parties:

| Organisation | Amount £ | Purpose |
|---|---|---|
| Buckland Community Centre Committee | 20,037 | Room hire |
| Highbury Area Community Association | 6,572 | Contribution to staff costs |
| Diocese of Portsmouth (Anglican) | 2,030 | Room hire and refunded council tax |
| Eastney Community Centre | 1,500 | Contribution to community toilet scheme |
| Moneyfields Allotments and Garden Association | 870 | Contribution to cleaning of toilets and provision of sanitary items |
| | 31,009 | |

During 2023/24 £52,777 was received from companies/organisations in which Council Members had an interest. This includes the following related parties:

| Organisation | Amount £ | Purpose |
|---|---|---|
| Highbury Area Community Association | 21,736 | Largely recharges for staff time |
| Portsmouth Sailing Club | 18,504 | Licensing fees |
| Ultimate Care Agency Ltd | 6,140 | Rent and charges |
| Portchester Sailing Club | 5,467 | Mooring fees |
| Portsmouth Central Mosque | 500 | Licensing fees |
| St Thomas' Cathedral | 250 | Licensing fees |
| Kadirs Indian Street Kitchen | 180 | Licensing fees |
| | 52,777 | |

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" Statement of Accounts 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 Statement of Accounts 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 £69.6m 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 2023/24 £4,615 was paid to the National Oceanography Centre. £3,504 was received from Maritime UK and £1,500 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 City Council which manages the operations of Portchester Crematorium. The PCJC has representatives from the following four constituent authorities: Fareham Borough Council, Gosport Borough Council, Havant Borough Council and Portsmouth City Council. In 2023/24, PCJC paid a contribution of £100,000 to the City Council (£170,000 in 2022/23). £18,680 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 | 73,212 | (1,939,992) | (1,866,780) |
| Isle of Wight Council | 40,381 | (200,333) | (159,952) |

Payments were made to Gosport Borough Council for reprographic and printing services. Payments were received from Gosport Borough Council for several shared services including senior management, housing services, energy services, payroll and HR, and internal agency.

Payments were made to the Isle of Wight Council for special education services, marketing and safer streets schemes. Payments were received from the Isle of Wight Council for 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 up until 30th Sept 2023, 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 is 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 City 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 and 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 Council invested a further £5m in Portico in 2023/24.

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.

Fourteen loans with an outstanding balance of £16.7m have been advanced to Portico by the City Council. These loans carry interest between 3.09% and 4.90% per annum and mature by 2038.

The City Council's exposure to losses arising from its ownership of Portico is limited to £22.7m, 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 £3.2m* of income from Portico during 2023/24 (£2.7m in 2022/23); 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:

| 2022/23 | | 2023/24 |
|---|---|---|
| £000 | | £000 |
| 18,210 | Gross Expenditure | 18,356 |
| (18,374) | Gross Income | (18,494) |
| **(164)** | **Net (Income)/ Loss** | **(138)** |

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

Portico does not provide any of the City Council's statutory services and the City 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 Bnk Limited. The share application and subscription agreement requires the take up and payment for the £5m of ordinary shares in four instalments but only after a Letter of Assurance is received from the Investor's Assurance Advisors that confirms that contractual milestones have been achieved. The first three instalments each of £1.25m were paid in March 2016, October 2017, and April 2019, giving a total of £3.75m. Payment of the remaining instalment is due when Hampshire Community Bnk obtains a Letter of Assurance from the Investors' Assurance Advisors that states that Hampshire Community Bnk is capable of receiving regulatory approval to begin commercial banking activities, and this has not yet occurred. To support their cashflow position, loans totalling £1.25m were advanced to HCB Holding Limited between 20/21 and 22/23 of which £0.68m has been repaid, leaving £0.57m plus interest outstanding.

Member voting rights in HCB Holding Limited are as follows:

• 50% shareholders in HCB Holding Limited, each shareholder having one vote

• 50% HCB Foundation Limited

HCB Foundation Limited is a Company Limited by Guarantee without share capital which has a charitable constitution.

## 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 2023/24 year developing a site in the city to practical completion, resulting in the creation of seventeen new homes at the Old Brewery House in Hambrook Street. During 2024/25 it is intended that RHL will carry out the operational activities at the Old Brewery House. RHL is also exploring future development opportunities at sites across the city. As at the 31st March 2024 RHL had borrowed £4.9m from the City Council.

(b) RPL is a property management company but is currently dormant and had no transactions during the 23/24 year.

## Hambrook Street Limited

HSL was established to operate and maintain the Old Brewery House site in Hambrook Street; during 2024/25 it is intended that this activity will be undertaken 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.

## 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

| 2022/23 £000 | | 2023/24 £000 |
|---|---|---|
| 856,905 | **Opening capital financing requirement** | 882,035 |
| 159,667 | Long Term Assets | 226,707 |
| 28,289 | Revenue expenditure funded from capital under statute | 34,457 |
| **187,956** | **Capital Investment** | **261,164** |
| **1,044,861** | | **1,143,199** |
| | **Sources of finance** | |
| (4,039) | Capital receipts (including capital receipts set aside to repay debt) | (12,263) |
| (98,562) | Other Grants & contributions | (113,959) |
| 0 | Sums set aside from revenue: | |
| (14,919) | - Direct revenue contributions | (13,918) |
| (34,848) | - Use of Major Repairs Reserve | (24,156) |
| (10,458) | - Minimum Revenue Provision | (9,921) |
| - | Other Adjustments | - |
| **(162,826)** | | **(174,217)** |
| **882,035** | **Closing capital financing requirement** | **968,982** |
| | The capital financing requirement is met by the following items in the balance sheet: | |
| 2,160,206 | Fixed assets including equity investments | 2,276,621 |
| 16,102 | Advances to subsidiaries | 16,896 |
| (288,602) | Revaluation Reserve | (317,377) |
| (1,014,148) | Capital Adjustment Account | (1,014,413) |
| 8,477 | Other (including Housing General Fund mortgages and advances by Local Enterprise Partnership (LEP)) | 7,255 |
| **882,035** | | **968,982** |

The capital financing requirement increased by £86.9m in 2023/24 for the following reasons:

| 2022/23 £000 | | 2023/24 £000 |
|---|---|---|
| 37,182 | Increase in underlying need to borrow | 98,781 |
| (12,052) | Provision for the repayment of debt | (11,834) |
| **25,130** | **Increase in Capital Financing Requirement** | **86,947** |

# 37. Leases

## City Council as Lessee

### a) 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** | |
|---|---|---|
| | **2022/23** | **2023/24** |
| | **£000** | **£000** |
| No later than one year | 189 | 189 |
| Later than one year and not more than 5 years | 754 | 754 |
| Later than five years | 10,670 | 10,481 |
| | **11,613** | **11,424** |

The net present value of the minimum lease payments is £3.4m.

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 2022/23 and 2023/24 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.

## b) 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.

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| Not more than one year | 1,191 | 1,774 |
| Later than one year but not later than five years | 3,279 | 5,017 |
| Later than 5 years | 32,783 | 45,275 |
| | **37,253** | **52,066** |

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

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| Minimum lease payments | 37,253 | 52,066 |
| Contingent rents | 6,345 | 6,345 |
| | **43,598** | **58,411** |

## City Council as Lessor

### a) **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 2023 £000 | 31 March 2024 £000 |
|---|---|---|
| Finance lease debtor (net present value of minimum lease payments): | | |
| Current | 1,247 | 1,151 |
| Non current | 14,600 | 14,299 |
| Unguaranteed residual value of property | 103 | 103 |
| **Gross investment in lease** | **15,950** | **15,553** |

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 2023 £000 | 31 March 2024 £000 | 31 March 2023 £000 | 31 March 2024 £000 |
| Not later than one year | 166 | 121 | 1,239 | 1,223 |
| Later than one year and not later than five years | 690 | 834 | 4,850 | 4,939 |
| Later than five years | 10,626 | 10,553 | 32,867 | 31,785 |
| | **11,482** | **11,508** | **38,956** | **37,947** |

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 2022/23 or 2023/24.

**b) 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:

| | **2022/23 £000** | **2023/24 £000** |
|---|---|---|
| Not later than one year | 27,811 | 29,464 |
| Later than one year and not later than five years | 89,937 | 89,663 |
| Later than five years | 315,584 | 313,647 |
| | 433,332 | 432,775 |

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 2023/24, 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 have been 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.

Hampshire County Council manage the waste disposal contract. 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 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 involved.

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 2023 | - | 4,038 | 103,638 | 12,534 | 120,210 |
| Opening Adjustments | | | | | - |
| Revised as at 1st April 2023 | - | 4,038 | 103,638 | 12,534 | 120,210 |
| Additions | - | - | - | - | - |
| Revaluation increases/(decreases) to CIES and/or Revaluation Reserve | - | 1,692 | - | 434 | 2,126 |
| Disposals | - | - | - | - | - |
| Reclassifications | - | - | 8,183 | - | 8,183 |
| At 31st March 2024 | - | 5,730 | 111,821 | 12,968 | 130,519 |
| **Depreciation and Impairment** | | | | | |
| At 1st April 2023 | - | (64) | (29,035) | (3,736) | (32,835) |
| Opening Adjustments | | | | | - |
| Revised as at 1st April 2023 | - | (64) | (29,035) | (3,736) | (32,835) |
| Depreciation Charge in Year | - | (64) | (3,037) | (934) | (4,035) |
| Depreciation written out on revaluation | - | 101 | - | 4,670 | 4,771 |
| Impairment losses/(reversals) to CIES and/or Revaluation Reserve | - | - | - | - | - |
| Disposals | - | - | - | - | - |
| Reclassifications | - | - | - | - | - |
| At 31st March 2024 | - | (27) | (32,072) | - | (32,099) |
| **Net Book Value** | | | | | |
| **At 1st April 2023** | **-** | **3,974** | **74,604** | **8,798** | **87,376** |
| **At 31st March 2024** | **-** | **5,703** | **79,749** | **12,968** | **98,420** |

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

| | Liability as at 31 March 2023 £000 | Payments £000 | Liability as at 31 March 2024 £000 |
|---|---|---|---|
| Milton Cross School | (8,798) | 512 | (8,286) |
| Learning Disability Facilities | (3,076) | 182 | (2,894) |
| Highways Maintenance | (31,552) | 1,942 | (29,610) |
| Waste Disposal | (1,737) | 902 | (835) |
| **Total** | **(45,163)** | **3,538** | **(41,625)** |

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 | 4,128 | 3,865 | 24,093 | 32,086 | 5,739 | 37,825 |
| Within 2 to 5 years | 23,085 | 10,752 | 76,604 | 110,441 | 14,900 | 125,341 |
| Within 6 to 10 | 14,412 | 1,952 | 21,577 | 37,941 | 681 | 38,622 |
| | **41,625** | **16,569** | **122,274** | **180,468** | **21,320** | **201,788** |

# 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:

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| **Comprehensive Income and Expenditure Statement:** | | |
| **Cost of services** | | |
| Current service cost | 53,175 | 24,679 |
| Past service cost | 100 | 468 |
| Settlements/Curtailments | - | - |
| **Financing and Investment Income and Expenditure** | | |
| Net Interest Expense | 8,987 | 2,347 |
| **Total Post Employment Benefit charged to the Surplus of deficit on the Provision of services** | 62,262 | 27,494 |
| **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 | 84,430 | (39,901) |
| Actuarial (gains) / losses due to changes in financial assumptions | (494,601) | (17,582) |
| Actuarial (gains) / losses due to changes in demographic assumptions | (31) | (19,284) |
| Actuarial (gains) / losses due to liability experience | 96,554 | 17,236 |
| Total (gains) / losses from reclassification | - | - |
| | (313,648) | (59,531) |
| **Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement** | (251,386) | (32,037) |
| **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 | 62,262 | 27,494 |
| **Actual amount charged against the General Fund and HRA Balances for pensions in the year:** | | |
| Employers' contributions payable to scheme | 22,381 | 23,190 |
| Retirement benefits payable to pensioners | 1,236 | 1,306 |
| | 23,617 | 24,496 |

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 2024 is a gain of £381.6m (2022/23 gain of £322.1m).

## 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:

| | 2022/23<br>£000 | 2023/24<br>£000 |
|---|---|---|
| Present value of funded and unfunded liabilities (LGPS and Teachers): | (985,542) | (1,008,270) |
| Present value of funded liabilities (Pilot Pension Scheme) | (3,253) | (3,542) |
| Fair value of assets (LGPS): | 923,086 | 1,002,663 |
| Fair value of assets (Pilot Pension Scheme) | 2,366 | 2,339 |
| **Surplus/(deficit) in the scheme:*** | (63,343) | (6,810) |

* - 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 £35.6m (prior year £63.2m) 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):

| 2022/23 | LGPS and Teachers Funded and Unfunded Liabilities £000 | PNPF Funded Liabilities £000 | Total £000 |
|---|---|---|---|
| Opening balance at 1 April | (1,320,288) | (4,563) | (1,324,851) |
| Current service cost | (53,130) | (45) | (53,175) |
| Interest Expense | (35,310) | (86) | (35,396) |
| Contributions by scheme participants | (7,880) | (11) | (7,891) |
| Actuarial gains and (losses) - Financial Assumptions | 493,350 | 1,251 | 494,601 |
| Actuarial gains and (losses) - Demographic Assumptions | 30 | 1 | 31 |
| Actuarial gains and (losses) - Liability Experience | (96,450) | (104) | (96,554) |
| Benefits paid | 33,000 | 304 | 33,304 |
| Benefits paid - unfunded | | | - |
| Past service costs Incuding curtailments | 1,236 | - | 1,236 |
| Net Increase in assets from reclassification | (100) | - | (100) |
| Settlements | - | - | - |
| Closing balance at 31 March | (985,542) | (3,253) | (988,795) |

| 2023/24 | LGPS and Teachers Funded and Unfunded Liabilities £000 | PNPF Funded Liabilities £000 | Total £000 |
|---|---|---|---|
| Opening balance at 1 April | (985,542) | (3,253) | (988,795) |
| Current service cost | (24,645) | (34) | (24,679) |
| Interest Expense | (45,393) | (146) | (45,539) |
| Contributions by scheme participants | (8,137) | (14) | (8,151) |
| Actuarial gains and (losses) - Financial Assumptions | 17,687 | (105) | 17,582 |
| Actuarial gains and (losses) - Demographic Assumptions | 19,341 | (57) | 19,284 |
| Actuarial gains and (losses) - Liability Experience | (17,001) | (235) | (17,236) |
| Benefits paid | 34,582 | 302 | 34,884 |
| Benefits paid - unfunded | 1,306 | - | 1,306 |
| Past service costs Incuding curtailments | (468) | - | (468) |
| Net Increase in assets from reclassification | - | - | - |
| Settlements | - | - | - |
| Closing balance at 31 March | (1,008,270) | (3,542) | (1,011,812) |

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

| **2022/23** | **LGPS** | **PNPF** | **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 |

| **2023/24** | **LGPS** | **PNPF** | **Total** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| Opening balance at 1 April | 923,086 | 2,366 | 925,452 |
| Interest Income | 43,094 | 98 | 43,192 |
| Remeasurement gains / (losses) | 39,808 | 93 | 39,901 |
| Contributions by employer | 23,120 | 70 | 23,190 |
| Contributions by participants | 8,137 | 14 | 8,151 |
| Net benefits paid out | (34,582) | (302) | (34,884) |
| Settlements | - | - | - |
| Administration costs incurred | - | - | - |
| Net increase in assets from disposals / acquisitions | - | - | - |
| Net increase in assets from re-classification | - | - | - |
| Closing balance at 31 March | 1,002,663 | 2,339 | 1,005,002 |

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 £82.9m (£57.3m in 2022/23) for the LGPS and £0.19m (£0.72m 2022/23) for the PNPF.

## LGPS assets comprised:

| Asset Type: | Value at 31 March 2023 | | Value at 31 March 2024 | |
|---|---|---|---|---|
| | % | £'000s | % | £'000s |
| Cash | 1.10% | | 1.00% | 7,993 |
| Cash equivalents | 0.00% | | 0.00% | - |
| Equities | 57.60% | | 38.00% | 378,483 |
| Bonds - Corporate | 16.50% | | 15.00% | 144,728 |
| Bonds - Government Gilts | 0.00% | | 10.00% | 98,415 |
| Property | 6.80% | | 7.00% | 74,369 |
| Private equity | 0.00% | | 7.00% | 78,727 |
| Other investment funds | 18.00% | | 22.00% | 215,108 |
| **Total** | 100.00% | | 100.00% | 997,823 |

Note 1 - The previous Actuary did not provide for each of the LGPS asset types.

Note 2 - The values shown will not completely agree to the reconciliation of present value of scheme assets total due to the use of actual employers contributions rather than actuarial estimates.

## PNPF assets comprised:

| Asset Type: | Value at 31 March 2023 | | Value at 31 March 2024 | |
|---|---|---|---|---|
| | % | £'000s | % | £'000s |
| Cash | 1.20% | 25 | 0.80% | 16 |
| Cash equivalents | 23.30% | 494 | 19.00% | 391 |
| Equities | 0.00% | - | 0.00% | - |
| Bonds - Corporate | 14.90% | 316 | 20.50% | 422 |
| Bonds - Government Gilts | 21.80% | 462 | 19.60% | 404 |
| Property | 0.00% | - | 0.00% | - |
| Private equity | 0.00% | - | 0.00% | - |
| Other investment funds | 38.80% | 822 | 40.10% | 826 |
| **Total** | 100.00% | 2,119 | 100.00% | 2,059 |

## 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 pension fund liabilities have been assessed by the independent actuarial firms; Hymans Robertson LLP (LGPS) and Aon Hewitt Limited (PNPF). The 2023/24 figures are based on estimates for the City Council fund derived from 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 2022. These calculations have been updated to the 31st March 2024 by the respective actuaries, allowing for the IAS 19 financial and demographic assumptions.

The principal assumptions used by the actuary are shown below:

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

| 2023/24 | LGPS Funded and Unfunded Schemes | PNPF Funded Pilots Pension Scheme |
|---|---|---|
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners (years): | | |
| Men | 22.1 | 22.5 |
| Women | 24.7 | 24.5 |
| Longevity at 65 for future pensioners (years): | | |
| Men | 22.6 | 24.0 |
| Women | 25.7 | 26.4 |
| Rate of inflation (CPI) | 2.8% | 2.2% |
| Rate of increase in salaries | 3.8% | 2.2% |
| Rate of increase in pensions | 2.8% | 2.2% |
| Rate for discounting scheme liabilities | 4.9% | 4.5% |

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated.  As a result, the City Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

## 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 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:

| | Increase to Defined Benefit Obligation | |
|---|---|---|
| | Increase % | Monetary Change £'000 |
| Rate for discounting scheme liabilities (decrease by 0.1%) | 2.0% | 17,630 |
| Post retirement mortaility assumption (increase of 1 year) | 4.0% | 40,347 |
| Rate of salaries inflation (increaseby 0.1%) | 0.0% | 415 |
| Rate of increases to pensions in payment (increase by 0.1%) | 2.0% | 17,550 |

Note - Assumes a baseline figure of £1,008,682 defined benefit obligation

PNPF:

Rate for discounting scheme liabilities - if this were to decrease by 0.5% the defined benefit obligation would increase by around 5% or £170,000.

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 £68,000.

Average life expectancy - if this were to increase by 1 year the defined benefit obligation would increase by around 3.5% or £120,000.

## 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 2022/23).

**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 2022 triennial valuation a fund surplus was identified with funding being 107% of the liabilities with this improvement from the previous triennial valuation primarily being down to improved investment returns. The strategy agreed between Hampshire County Council (the scheme's administering authority) and the previous actuary to achieve a 105% funding level over a recovery period of 16 years from the date of the last triennial valuation. A prudent approach was adopted for future years, and this resulted in no significant change to employer contribution rates. Funding levels will continue to be monitored on an annual basis and any future shortfalls 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 2022) 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 2025 with the results expected later in 2026.

The total contributions expected to be made by the City Council in the year to 31 March 2025 are £22.09m for the LGPS and £27,992 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 12,000 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 Statement of Accounts, the Scheme is accounted for on the same basis as a defined contribution scheme.

In 2023/24, the City Council paid £4.7m (2022/23 £4.2m) to Teachers' Pensions in respect of teachers' retirement benefits.

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 2023/24 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.

| 2022/23 £000 | Council Tax | 2023/24 £000 |
|---|---|---|
| | **Income** | |
| (112,979) | Council Tax | (117,826) |
| | **Transfers from the General Fund** | |
| (18) | Council Tax write ons | (17) |
| | **Contributions received towards the estimated (deficit)** | |
| 1,835 | Council Tax - Portsmouth City Council | (619) |
| 274 | Council Tax - Hampshire Police and Crime Commissioner | (90) |
| 84 | Council Tax - Hampshire & IOW Fire and Rescue Authority | (29) |
| **(110,804)** | | **(118,581)** |
| | **Expenditure** | |
| | **Distribution of estimated Council Tax Surplus** | |
| - | Council Tax - Portsmouth City Council | - |
| - | Council Tax - Hampshire Police and Crime Commissioner | - |
| - | Council Tax - Hampshire & IOW Fire and Rescue Authority | - |
| - | | - |
| | **Precepts** | |
| 89,846 | Council Tax - Portsmouth City Council | 94,778 |
| 13,528 | Council Tax - Hampshire Police and Crime Commissioner | 14,454 |
| 4,315 | Council Tax - Hampshire & IOW Fire & Rescue Authority | 4,623 |
| 107,689 | | 113,855 |
| | **Bad and Doubtful Debts** | |
| 600 | Council Tax - amounts written off | 1,601 |
| 1,551 | Council Tax - change in provision | 2,130 |
| **109,840** | | **117,586** |
| (964) | **(Surplus) / deficit for the Year** | (995) |
| (1,199) | (Surplus) / Deficit brought forward 1 April | (2,163) |
| (964) | (Surplus) / Deficit for the Year | (995) |
| **(2,163)** | **Council Tax balance as at 31 March - (Surplus) / Deficit** | **(3,158)** |
| | **Apportioned :** | |
| (1,799) | Portsmouth City Council | (2,629) |
| (276) | Hampshire Police Authority | (401) |
| (88) | Hampshire & IOW Fire & Rescue Authority | (128) |
| **(2,163)** | | **(3,158)** |

| 2022/23 £000 | Business Rates / NNDR | 2023/24 £000 |
|---|---|---|
| | **Income** | |
| (74,594) | Income from Business Ratepayers (inc. Appeals Provision offset) | (82,863) |
| (8,826) | Less: Increase / (Decrease) Provision for Losses on Appeals | 8,080 |
| (83,420) | | (74,783) |
| | **Contributions received towards estimated (Deficit) / Surplus** | |
| (13,609) | DLUHC | 3,046 |
| (13,337) | Portsmouth City Council | 2,985 |
| (272) | Hampshire & IOW Fire & Rescue Authority | 61 |
| (27,218) | | 6,092 |
| **(110,638)** | | **(68,691)** |
| | **Business Rates Apportioned to:** | |
| 36,293 | DLUHC | 39,634 |
| 35,567 | Portsmouth City Council | 38,841 |
| 726 | Hampshire & IOW Fire & Rescue Authority | 793 |
| 226 | DLUHC - Transitional Surcharge / (Relief) | (6,405) |
| 270 | Cost of Collection | 289 |
| - | Interest Paid on Overpayments Refunded | 102 |
| | **Bad and Doubtful Debts** | |
| 505 | NNDR - Amounts written off | 1,091 |
| (923) | NNDR - Increase / (Decrease) in Provision | (17) |
| **72,664** | | 74,328 |
| (37,974) | **(Surplus) / Deficit for the year** | 5,637 |
| 21,418 | (Surplus) / Deficit b/fwd 1 April | (16,556) |
| (37,974) | (Surplus) / Deficit for the Year | 5,637 |
| **(16,556)** | **Non Domestic Rates as at 31st March - (Surplus) / Deficit** | **(10,919)** |
| | **Apportioned:** | |
| (8,278) | DLUHC | (5,460) |
| (8,112) | Portsmouth City Council | (5,350) |
| (166) | Hampshire & IOW Fire and Rescue Authority | (109) |
| **(16,556)** | | **(10,919)** |
| **(18,719)** | **Total Collection Fund (Surplus) / Deficit** | **(14,077)** |

## 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 | 16,915 | 6/9 | 11,274 |
| B | 24,397 | 7/9 | 18,975 |
| C | 18,533 | 8/9 | 16,474 |
| D | 5,399 | 9/9 | 5,399 |
| E | 3,282 | 11/9 | 4,011 |
| F | 1,506 | 13/9 | 2,175 |
| G | 589 | 15/9 | 982 |
| H | 27 | 18/9 | 54 |
| | 70,648 | | 59,344 |
| Less: adjustment for non-collection | | | (2,492) |
| Add: MoD dwellings contribution | | | 628 |
| **2023/24 tax base** | | | **57,480** |

Multiplying the 2023/24 tax base of 57,480 by the standard council tax of £1,980.76, gives the total in-year precepts on the Collection Fund of £113.855m.

## 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 the following three organisations in the proportions shown.

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

Portsmouth's total non-domestic rateable value as at the 31st March 2024 was £229.12m

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

After the granting of various reliefs and exemptions the net rates due totalled £79.7m.

In closing the 2023/24 accounts it was deemed necessary to make a provision of £11.2m 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 £3.2m as at the 31st March 2024. The Council Tax side of the Collection Fund was estimated to result in a surplus of £2.8m in January 2024. The improvement on 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 £10.9m as at the 31st March 2024. The Business Rates side of the Collection Fund was estimated to result in a surplus of £10.2m in January 2024. The improvement on 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.

This improvement in the Collection Fund will be distributed across the precepting bodies in the financial year 2025/26.

# 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 HRA Movement in Reserves Statement.

| 2022/23<br>£000 | | 2023/24<br>£000 |
|---|---|---|
| | **Expenditure** | |
| 27,253 | Repairs & Maintenance | 28,067 |
| | Supervision & Management | |
| 18,410 | General | 17,651 |
| 19,577 | Special Services | 18,967 |
| 1,174 | Rent rates taxes & other charges | 1,736 |
| | Depreciation (and Impairments) of Non-current Assets: | |
| (26,089) | - Dwellings | 78,972 |
| 2,033 | - Other Assets | 6,781 |
| 173 | Amortisation of Intangible Assets | 33 |
| 45 | Amortisation of Revenue Expenditure Funded from Capital Under Statute | 2 |
| 45 | Debt management costs | 35 |
| 57 | Movement in allowance for bad debts | 57 |
| - | Sums directed by the secretary of state | - |
| **42,678** | Total Expenditure | **152,301** |
| | **Income** | |
| (71,664) | Dwelling rents (gross) | (78,563) |
| (3,213) | Non-dwelling rents | (3,416) |
| (13,602) | Service charges (Tenants charges for services) | (15,305) |
| **(88,479)** | **Gross rents** | **(97,284)** |
| (1,721) | Leaseholders charges for services & facilities | (1,970) |
| (902) | Other Charges for Services & Facilities | (1,778) |
| (624) | Contributions toward expenditure | (411) |
| **(91,726)** | **Total Income** | **(101,443)** |
| **(49,048)** | **Net Cost of HRA Services as included in the CIES** | **50,858** |
| 252 | HRA's share of corporate & democratic core | 319 |
| **(48,796)** | **Net cost of HRA Services** | **51,177** |
| (1,878) | (Gain) or loss on the sale of HRA non-current assets | (961) |
| 6,038 | Interest payable & similar charges | 7,962 |
| (489) | Interest and investment income | (1,829) |
| 1,560 | Pensions interest cost and expected return on pensions assets | 347 |
| - | Income, expenditure changes in the fair value of investment | - |
| (2,944) | Capital grants and contributions receivable | 210 |
| **(46,509)** | **(Surplus) / Deficit for the year on HRA services** | **56,906** |

## Movement on the HRA Statement

| 2022/23 £000 | | 2023/24 £000 |
|---|---|---|
| **(24,605)** | **Balance on the HRA at the end of the previous year** | **(23,685)** |
| (46,509) | (Surplus) or deficit for the year on the HRA Income & expenditure account | 56,906 |
| 47,429 | Adjustments between accounting basis & funding basis under statute | (59,077) |
| **920** | **Net (Increase) or decrease before transfers to or from reserves** | **(2,171)** |
| (311) | Transfers to / (from) reserves | 72 |
| 311 | Capital Expenditure charged to Revenue | 185 |
| **920** | **(Increase) / decrease in HRA in year** | **(1,914)** |
| **(23,685)** | **Balance on the HRA at the end of the current year** | **(25,599)** |

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. The City Council is however required to raise rents on a different accounting basis, with the main differences being:

- Capital investment is accounted for as it is financed, rather than when the assets are consumed. In particular; £55.8m (£(52.3)m) of net downward revaluations were charged to Income & Expenditure in 2023/24. The debit of £55.8m (credit £52.3m) in the 2023/24 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 HRA Income & Expenditure Account and the Housing Revenue Account reserve 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

| 2022/23 £000 | | 2023/24 £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** | |
| 52,226 | Charges for revaluations and impairments of non-current assets | (55,922) |
| (88) | Charges for revaluations of investment properties | - |
| - | Charges for amortisation of intangible non-current assets | (33) |
| 1,878 | Net gain/loss on disposal of non current assets | 961 |
| (45) | REFCUS written down | (2) |
| | **Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement:** | |
| - | Sums set aside from revenue to fund capital expenditure | - |
| | Other Adjustments | |
| 2,944 | Capital grants and contributions credited to the HRA | (210) |
| (3,240) | Reversal of Major Repairs Allowance credited to the HRA | (3,127) |
| (9,970) | Reversal of items relating to retirement benefits debited or credited to the HRA | (4,297) |
| 3,534 | Employer's pension contributions and direct payments to pensioners payable in the year | 3,705 |
| 114 | Transfer from accumulated absences | 31 |
| - | Reversal of finance leases | - |
| 76 | Other adjustments | (184) |
| **47,429** | | **(59,078)** |

## H2. Gross Rent Income

This is the gross rent income for the year after allowance is made for voids etc. During the year, 1.28% of lettable dwellings were vacant. In 2022/23 the figure was 1.9%. The average dwelling rent was £101.24 per week in 2023/24 (£93.83 per week in 2022/23), an increase of £7.41 over the previous year. The amount of arrears as at the end of the financial year was £2.2million (£3.2 million in 2022/23).

## H3. Depreciation of non-current assets

The depreciation charge is broken down as follows:

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| Council houses | 24,986 | 26,683 |
| Other assets | 3,238 | 3,127 |
| Intangible Assets | 88 | 33 |
| | **28,312** | **29,843** |

## H4. Revaluations Down & Impairments

The Revaluation & impairment charges to the HRA Income and Expenditure Statement is a net charge including both increases and decreases 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 this net revaluation change to the HRA Income and Expenditure Statement:

| | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| Council Houses | (51,053) | 52,290 |
| Other Assets | (1,378) | 3,632 |
| Intangible Assets | 85 | - |
| | **(52,346)** | **55,922** |

There were no actual impairments in either year.

## H5. IAS 19 - Accounting for pensions

Applying IAS 19 to the Housing Revenue Account (HRA) has 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. This is held for non-dwelling HRA capital schemes. There was a contribution of £257k made during the year from revenue towards financing the programme.

## 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:

| | 2022/23 Total £000 | Houses £000 | Other £000 | Repayment of borrowing £000 | 2023/24 Total £000 |
|---|---|---|---|---|---|
| Balance at 1 April | (22,751) | (12,889) | - | - | (12,889) |
| Transferred from HRA | (24,985) | (26,683) | - | - | (26,683) |
| Transferred to HRA | - | - | - | - | - |
| Financing of capital expenditure | 34,847 | 24,202 | - | - | 24,202 |
| Balance at 31 March | (12,889) | (15,370) | - | - | (15,370) |

## H8. Housing stock

The City Council was responsible for managing an average of 15,148 dwellings (excluding mobile homes) during 2023/24. The stock as defined by the Housing Revenue Account Subsidy regulations at the 31st March 2024 was as follows:

| | No.of dwellings | |
|---|---|---|
| | **2022/23** | **2023/24** |
| Houses | 4,260 | 4,496 |
| Flats | 10,605 | 10,934 |
| | **14,865** | **15,430** |

The change in stock can be summarised as follows:

| | No. of Dwellings | |
|---|---|---|
| | **2022/23** | **2023/24** |
| **Stock at 1 April** | **14,773** | **14,865** |
| Sales | (51) | (28) |
| Bedsit conversions | - | - |
| Demolitions | - | - |
| Repurchases | 121 | 69 |
| Additions | 10 | 525 |
| New builds | 13 | - |
| Change in use | (1) | (1) |
| **Stock at 31 March** | **14,865** | **15,430** |

# H9. Balance sheet value of land, houses and property held within the HRA

| | Council Dwellings | Other Land & Buildings | Vehicles, Plant and Equipment | Infrastructure Assets* | Community Assets | Other Land & Buildings - Surplus | Intangible Assets | Asset Under Construction | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Cost or Valuation** | | | | | | | | | |
| At 01/04/2023 | 780,719 | 50,270 | 7,280 | | 652 | 1,747 | 1,046 | 37,139 | 878,853 |
| Opening Adjustments | - | | (1) | | - | - | - | - | (1) |
| Revised 1st April 2023 | 780,719 | 50,270 | 7,279 | | 652 | 1,747 | 1,046 | 37,139 | 878,852 |
| Appropriations to/from HRA | - | - | - | | - | - | - | - | - |
| Additions (Including to Assets Under Construction) | 85,518 | - | 183 | | - | - | - | 27,778 | 113,479 |
| Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve | (80,852) | (4,976) | (70) | | - | (130) | - | - | (86,028) |
| Disposals | (1,581) | - | - | | - | - | - | - | (1,581) |
| Reclassifications | 25,720 | - | - | | - | - | - | (25,735) | (15) |
| Reclassification from Assets Under Construction impair no asset | 30 | 1 | 70 | | - | - | - | (101) | - |
| Transfers in Class | - | - | - | | - | - | - | - | - |
| Reclassification from HRA Assets Under Construction to GF Assets Under Construction | - | - | - | | - | - | - | - | |
| At 31/03/2024 | 809,554 | 45,295 | 7,462 | | 652 | 1,617 | 1,046 | 39,081 | 904,707 |
| **Depreciation and Impairment** | | | | | | | | | |
| At 01/04/2023 | - | (3,662) | (6,719) | | - | - | (980) | - | (11,361) |
| Opening Adjustments | - | - | (1) | | - | - | - | - | (1) |
| Revised 1st April 2023 | - | (3,662) | (6,720) | | - | - | (980) | - | (11,362) |
| Appropriations to/from HRA | - | - | - | | - | - | - | - | - |
| Depreciation Charge in Year | (26,683) | (2,963) | (163) | | - | - | (33) | - | (29,842) |
| Depreciation written out on revaluation | 26,629 | 2,303 | - | | - | - | - | - | 28,932 |
| Impairment losses/(reversals) to SDPS and/or Revaluation Reserve | - | - | - | | - | - | - | - | - |
| Disposals | 54 | - | - | | - | - | - | - | 54 |
| Transfers in Class | - | - | - | | - | - | - | - | - |
| Reclassifications from WIP - Impair No Asset - Phase 1 & Phase 2 | (30) | (1) | (70) | | - | - | - | 101 | - |
| Derecognition of new assets with no value | 30 | 1 | 70 | | - | - | - | (101) | - |
| Adjustments | | | | | | | | | |
| At 31/03/2024 | - | (4,322) | (6,883) | | - | - | (1,013) | - | (12,218) |
| **Net Book Value** | | | | | | | | | |
| At 01/04/2023 | 780,719 | 46,608 | 560 | | 652 | 1,747 | 66 | 37,138 | 867,490 |
| At 31/03/2024 | 809,554 | 40,973 | 579 | | 652 | 1,617 | 33 | 39,081 | 892,489 |

*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 Statement of Accounts 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 | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| Net Book Value (Modified Historic Cost) | | |
| **At 1st April** | **35** | **34** |
| 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** | **34** | **33** |

## H10. Vacant possession value of dwellings within the HRA

The vacant possession value of dwellings held within the HRA amounts to £2,453m as at the 1st April 2024. The substantial difference between this figure and the net book value figure of £809m (shown in Note H9) reflects the economic cost to government of providing council housing at less than open market rents. Council housing being valued at 33% of open market value.

## 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 | - | 85,033 | - | 85,033 |
| Usable capital receipts | - | 2,885 | - | 2,885 |
| Revenue contributions | - | 0 | 185 | 185 |
| Major Repairs Reserve | - | 24,156 | - | 24,156 |
| Grants and contributions | - | 1,220 | - | 1,220 |
| | - | 113,294 | 185 | 113,479 |

# H12. Bad Debt Provision

| | 31 March 2023 | Additions and reductions | Write-offs | 31 March 2024 |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| Housing rents provision | (2,531) | (60) | 165 | (2,426) |
| Sale of flats provision | - | - | - | - |
| Provision for other HRA bad debts | (13) | (2) | 14 | (1) |
| | (2,544) | (62) | 179 | (2,427) |

## 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 2024. 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 material accounting policy information and including the Expenditure and Funding Analysis
- Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA 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 2023/24.

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matters 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 required any outstanding accountability statements for years ended 31 March 2015 to 31 March 2023 to be approved not later than 13 December 2024 and the accountability statements for the year ended 31 March 2024 to be approved not later than 28 February 2025 ('the backstop date').

The audit of the financial statements for the year ended 31 March 2023 for Portsmouth City Council was not completed for the reasons set out in our disclaimer of opinion on those financial statements dated 29 November 2024.

Our audit work in the current year was focused on transactions in the year and the current year balance sheet.

As a result of the disclaimer of opinion in the prior year and the scope of our audit work which was impacted by the backstop date, we do not have sufficient appropriate audit evidence over the following:

- in the balance sheet and accompanying notes: the opening balances, closing reserves position and the valuation of property assets held at valuation included in 'other land and buildings' and heritage assets that were not revalued in year.
- in the comprehensive income and expenditure account and accompanying notes: comparatives and income and expenditure transactions that are impacted by the opening balances shown in the prior year balance sheet
- in the cash flow statement and accompanying notes: opening balances, comparatives and in-year cash flow movements that are calculated as a movement between the opening and closing balance sheet
- in the collection fund and accompanying notes: opening balances, comparatives and in-year movements that are calculated as a movement between the opening and closing balance

- in the housing revenue account and accompanying notes: opening balances, comparatives and in-year movements that are calculated as a movement between the opening and closing balance

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 we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, 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 2024.

We have nothing to report in these respects.

**Responsibility of the Director of Finance & Resources (Section 151 Officer)**

As explained more fully in the Statement of the Director of Finance & Resources (Section 151 Officer) Responsibilities set out on page 28, the Director of Finance & Resources (Section 151 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, 2023/24, for being satisfied that they give a true and fair view and for such internal control as the Director of Finance & Resources (Section 151 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 (Section 151 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 matters 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 November 2024**,** as to whether the 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 the 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 2024.

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 the 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 cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of Portsmouth City Council.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts 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 85 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.

Andrew Brittain
Ernst + Young LLP

Andrew Brittain (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
26 February 2025

## 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 City 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 Statement of Accounts.

**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 City Council, 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 for example, a service was 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 City 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 of 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 City 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 City 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 Statement of Accounts and 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. The City Council retain forty-nine percent of non-domestic rates. 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 City 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 City 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** - Any significant events, which occur between the balance sheet date and the date on which the Statement of Accounts are authorised for issue 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 on a third party's asset so does not result in an asset for the City Council. Examples of REFCUS are grants of a capital nature to voluntary organisations, academy schools, 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 City Council's income analysed according to how the City Council 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.