Annual Report Including Narrative Report and Statement of Accounts 2025/26

The City Council's draft Statement of Accounts for 2025/26 is currently unaudited and may be subject to change.

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 2025/26

Narrative Report - Financial Year Ended 31 March 2026

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 2025 to 31 March 2026.

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 and how it works

The City Council provides the full range of local government services including education, social services, highways, housing, 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 14 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 (who also holds the Culture, Regeneration and Economic Development portfolio) and nine other Cabinet members. The Leader is elected by Full Council, 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:

- The Leader (Culture, Regeneration and Economic Development)
- Cabinet Member for Children, Families and Education
- Cabinet Member for Central Services
- Cabinet Member for Community Safety, Leisure, and Sport
- Cabinet Member for Climate Change and Greening the City
- Cabinet Member for Community Wellbeing, Health & Care
- Cabinet Member for Environmental Services
- Cabinet Member for Housing and Tackling Homelessness
- Cabinet Member for Planning Policy & City Development
- Cabinet Member for Transport

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

The staff of the City Council are managed by the Chief Executive, Natalie Brahma-Pearl, who is the head of the paid service and the Council's lead advisor. 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 authority. The current Director team is:

- Director of Finance & Resources (statutory s151 officer) - Chris Ward
- Director of Children’s and Families Services & Education (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) - Andy Biddle
- Director of Culture, Leisure, and Regulatory Services - Stephen Baily
- Director of Economy, Transport & Planning - currently vacant
- Director of Housing, Neighbourhoods and Building Services - James Hill
- Director of Corporate Services - Natasha Edmunds

- Port Director - Mike Sellers

The monitoring officer is the City Solicitor, Peter Baulf.

Portsmouth: the city, our context and 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 outside London, with an estimated population of 214,300 (ONS mid-2024 estimate) residing within 15.5 square miles.

Portsmouth is ranked 64th most deprived out of 296 local authority areas in England (where 1 is the most deprived), based on the Index of Multiple Deprivation 2025 (IMD 2025). Fifteen of Portsmouth's 125 neighbourhoods (12%) are among the 10% most deprived in England, with just over half located in Charles Dickens ward. Around 20.7% of children are living in relative poverty (2024/25), and eligibility for free school meals is higher than the national average, reflecting low incomes in the city.

The city is becoming more ethnically diverse. At the time of the 2021 Census, 22.3% of Portsmouth residents were from ethnic minority groups – rising to 26.1% among children aged 0–17. In 2021, 90.8% of residents aged 3+ reported English as their main language. Portsmouth has a relatively young population, with a higher proportion of 20–24 year olds than England (9.3% compared with 6.0%), boosted by the student population attending the University of Portsmouth.

Portsmouth has 62 schools. Of these, 47 include primary phase classes and 11 include secondary phase classes (one all-through school has both primary and secondary phases). There are five special schools for pupils with special educational needs. There is also a 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, 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 was 80.4% in the year ending December 2023. The modelled unemployment rate was 3.9% and the claimant count rate was 4.6% in 2025.

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 lower levels of qualifications than many areas. In 2023, 69.5% of working-age residents had qualifications at Level 3 or above, while 7.3% had no qualifications. This can pose 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 2025, gross median weekly pay was £593 in Portsmouth, below the all-local-authority median of £629.

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), Hampshire and Isle of Wight Healthcare NHS Foundation Trust, Portsmouth Hospitals University Trust (PHUT), the police, probation, fire service, Royal Navy, University of Portsmouth (UoP), HIVE Portsmouth (who co-ordinate and support the voluntary and community sector in 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 and as they affect people and the city across all dimensions. In 2022, the Health and Wellbeing Partnership agreed a new joint Health and Wellbeing Strategy to guide the work of the partnership with a focus on five themes:

- Air quality
- Educational attainment
- Positive relationships
- Housing
- Poverty

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

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

Partnerships with colleagues in the health sector have traditionally been strong in the city and we have developed successful integration of services by moving to a model for shared functions across adult services, children's services, and public health. This has been critical in ensuring that services for Portsmouth's population are commissioned and delivered with a strong understanding of local communities and their needs. As the NHS continues to embed the new Integrated Care System structure, with organisations operating at larger geographies, we need to ensure that we retain the strong local 'place-based' focus to heath service provision, and this is set out in a Blueprint for health and care in the city.

Devolution and Local Government Reorganisation

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

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

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

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

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

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

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

- Portsmouth
- Gosport

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

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

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

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

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

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

Our context - Finances

These are challenging times for local government. As well as the significant changes to structures and functions that we will be adopting as part of the devolution and local government reorganisation programmes, the City Council has also weathered an extended period of pressure on public finances, and the significant social and economic shocks of recent years, including the Covid-19 pandemic. The 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 local authority receives comes from government grant. Since 2011/12, the City Council has made £113m in savings. Adult and Children's Social Care represent the majority of portfolio spending, provide services to the most vulnerable, and face the greatest cost and demand pressures. The rising costs of homelessness and supporting children with special educational needs and disabilities are also creating significant pressures. Funding levels (e.g. Government Funding, Council Tax and Business Rates) have not kept pace with rising demand and inflation. The Council continues to operate in a climate of uncertainty, including the implementation of the Fair Funding review and preparations for local government reorganisation.

The City Council's Medium Term Financial Strategy is the mechanism through which the organisation seeks to address these issues, with a strong regeneration and value for money focus and a presumption that capital investment will be targeted towards cost savings, income generation and economic growth.

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

- a "structurally balanced" Budget with General Reserves at £22.3m

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

The City Council has a relatively low taxbase and a relatively low tax charge. That means that both the average Council Tax band is low, and the amount of Council Tax charged to residents is also low compared with our statistical neighbours. By illustration, the Council receives circa £10.7m per annum less in Council Tax than the average Unitary Authority within its statistical neighbour group, and therefore Portsmouth City Council has a 9.0% lower Council Tax. The 2026/27 budget is based on a Council Tax increase of 4.99%, of which:

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

Council Tax for the average Council Tax payer in Portsmouth (Band B) currently amounts to £1,782.44, of which £1,484.32 (83%) is the City Council element. Your Council Tax charge is made up of charges from Portsmouth City Council, the Police & Crime Commissioner for Hampshire & Isle of Wight, and Hampshire & Isle of Wight Fire & Rescue Service. Not all residents are subject to the full amount of Council Tax with many benefitting from exemptions and discounts (such as the single person discount) and a significant number of residents receiving Local Council Tax Support bringing the level of Council Tax payable to an assessed affordable level.

Working within a Local Government financial envelope set by Government, the budget setting process continues to be challenging. During this period of uncertainty and financial risk, it is imperative that the City Council continues to exercise financial restraint and manage its cost base carefully to remain well placed to respond to inflation and service demand volatility, as well as the uncertainty arising from local government reorganisation and wider funding reform.

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

- Making sure people feel safe and supported in their homes and communities (69%)
- Regenerating major sites to create homes, jobs, and economic opportunities in the city (51%)

- Increasing recycling opportunities in the city and making sure we dispose of our waste responsibly (49%)
- Improving transport systems and journey times in the city and prioritising sustainable travel (46%)
- Getting the best possible deal for our residents by lobbying and leading at a regional and national level (45%).

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

The leading priorities for Capital Investment were:

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

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 City Council's Corporate Plan for 2024-26 was approved by Full Council, setting out the City 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.

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 have worked to define the values for the organisation. Everything we do is guided by our values. They set who we are as people, what we stand for and how we act.

Our council values are:

- **respect** – we treat everyone with respect, considering the feelings, wellbeing, safety, and rights of others
- **integrity – we are accountable, can be trusted and take responsibility for our actions**
- **collaboration – we work together as a team and with our colleagues, residents, partners, and communities to achieve more**
- **inclusive – we recognise diversity, are open, fair and provide equal opportunity to all**
- **people-focused – we put people first and ensure our customers are at the heart of everything we do**

Having core values – and describing their associated behaviours – informs the way we work with each other, our customers, and partners. They affect how well we can deliver our Corporate Plan, and – last but by no means least – they create a sense of pride about where we work, helping with recruitment and retention. Along with our Corporate Plan, which sets our priorities, they are critical in ensuring that we act as One Council, supporting each other and working efficiently together to achieve the best outcomes for our residents.

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 City Council has a medium-term Corporate Plan, originally drafted to cover the period until the local government elections in 2026, and which will now guide the working of the authority until it is dissolved under LGR in 2028, with the broad priorities and ambitions reflecting the longer-term horizon that was taken in developing the plan.

The administration has set out their own clear mission in the corporate plan:

The overall mission of the council is to work together with partners and communities to:

- ***champion and celebrate our city***
- ***improve the lives of our residents now and ensure they are prepared for the next stages of their lives***
- ***Enhance our environment and protect it for the future.***

Following from this are a series of thematic priorities that support the achievement of the mission:

- **Work with partners to make our streets, roads, homes, and public spaces safer, cleaner, and greener**
- **Ensure the city is a welcoming, vibrant, and inclusive place in which to live, work and visit**
- **Make sure that when people need additional help to live their lives, it is there for them**
- **Protect and enhance the natural and built environment of the city**
- **Strengthen the city economy, creating jobs and opportunities for residents**
- **Speak up for our city**
- **Make sure we are an efficient and effective organisation, making the most of taxpayers' money to make improvements now and create resilience for the future.**

The plan naturally focuses on what is changing and what is different but this is not to downplay the importance of the 'business as usual' activities of the City Council, which are reflected in the text of the plan. As well as focussing on the priorities underpinning the mission statement, we are 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.

Portsmouth City Council's priorities and performance

The priorities for Portsmouth City Council

1) Work with partners to make our streets, roads, homes, and public spaces safer, cleaner, and greener by:

a) tackling envirocrime, including fly tipping, littering, graffiti, and other such nuisances

This priority is reflected in the changes to the highways inspection regime, to expand beyond safety and to cover all areas including fly tipping, littering, graffiti, dog fouling etc. Average reports of issues to be addressed every day have increased, reflecting improved inspection and reporting. We also report and monitor issues on private land. Deep cleanses are scheduled annually for Commercial Road and other high footfall areas are regularly reviewed.

We have tackled fly tipping, investigating all tips prior to collection and this has led to a 33% decrease in waste tonnage and nearly 20% reduction in tips across the city over the last year.

Graffiti has been a particular challenge over the last year related to various protests, including on listed structures and memorials, but strong processes are in place to manage this.

b) tackling anti-social behaviour:

We continue to tackle these issues. In the last year, a new Harbour Revision Order has been approved, providing new powers of direction for the Harbour Master. These powers can be used to allow police to prosecute against ASB in the Camber. The introduction of new Seafront rangers during the summer high season has increased public interaction positively around responsible use of the space. Operation Nautical partnership working continues to reduce ASB arising seasonally around, for example, the Hotwalls. We continue to deliver ASB patrols, supported by funding from the Police and Crime Commissioner, and work with the police to manage road safety related ASB, in particular e-scooter and e-bike misuse.

c) ensuring robust regulatory services, including around housing standards

We work strongly around illegal tobacco and vaping and have had several successful prosecutions and confiscations. This work is likely to expand with demand in the future.

The introduction of a Trading Standards Facebook page with regular information and updates has been popular with the public, increasing awareness and activities and generating significant intelligence on criminal activity.

There has been a significant increase in demand for House in Multiple Occupation (HMO) licenses this year, and planning is now underway to prepare for the Renters Rights Act.

d) delivering our ambitions for a people-centred connected travel network

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).

Specific projects delivered have included road surface treatments to make bus lanes more visible; the Pompey Link bus covering Port Solent and Paulsgrove, offering a link to Cosham and QAH; new bus stop flags and better roadside information; free fare weekends; increased frequency of the busiest services and improved evening and Sunday services, and 24 hour services on the two busiest city routes.

Over the past couple of years usage of the Park and Ride has recovered from and exceeded pre-pandemic levels. There is now a Summertime Southsea Park and Ride offered at weekends to target leisure users.

The Voi rental scooter trial has been extended by DfT to 31 May 2028, and the bike share scheme has seen continued growth in usage.

A new public transport strategy has now been adopted, setting out a 10-year vision to improve bus, rail, ferry and taxi services across Portsmouth and the wider city region. We have also made progress delivering improvements to walking and cycling infrastructure, including upgrading pedestrian crossings, and installing toucan crossings, and installing additional bike hangars. Schemes such as play streets and school streets continue, alongside schemes such as Stomp for Stamps.

e) continuing to drive our strategy to reduce violent crime, including against women and girls

We continue to drive a range of strategies to tackle violent crime in the city. Portsmouth City Council is a White Ribbon accredited organisation which means it has made a commitment to ending violence and harassment against women in Portsmouth communities. Various leaders and community members across the city have signed the White Ribbon Promise. The council is developing a comprehensive action plan to change the cultures that lead to abuse and violence, with a focus on early intervention, prevention, and messaging.

Interventions to improve the safety of environments have been introduced, such as increased levels of LED tree and decorative lighting across darker areas of the seafront and Guildhall Square. Through the BSIP, 40 additional CCTV cameras have been provided to cover bus stops which did not have coverage in areas with the highest levels of reported crime. Additional street lighting will also be provided this year.

2) Ensure the city is a welcoming, vibrant, and inclusive place in which to live work and visit by:

a) Improving our key shopping areas and district centres, including supporting retailers who wish to develop a business improvement district

Work is progressing well on the development of a city centre business improvement district, and has started on Palmerston Road, where there is considered to be potential for the model to operate successfully.

Our Market Strategy is being implemented, and key elements of delivery have included rebranding of the markets, new canopies introduced to improve market look and feel, initiatives such as Small Business Sundays and introduction of entertainers to increase footfall in key areas during peak seasons. The Hotwalls Studios trialled extended Christmas Maker Markets, supporting the high levels of freelance creatives based in the city and region, with opportunities for direct selling. The City Centre Pop Up shop project continues in partnership with Cascades and Fludes, and a Love Portsmouth Pop Up Shop has successfully operated in Gunwharf Quays.

Christmas lights continue to be delivered across Portsmouth, supported by the community infrastructure levy (CIL).

In autumn 2025, the Government launched its Pride in Place Strategy. Pride in Place is a new 10-year programme that helps communities make their neighbourhoods better places to live.

The Government has chosen two areas in Portsmouth to take part:

- Landport (referred to in the government documentation as Fratton West)
- Paulsgrove (referred to in the government documentation as Paulsgrove East)

Each area will receive up to £20 million over the next ten years. This funding will support local people to make real, long-lasting improvements to their community.

The programme aims to:

- build stronger communities – helping people feel connected, supported, and proud of where they live
- create thriving places – improving local spaces, facilities and the look and feel of the neighbourhood

- give local people more say – making sure residents help decide what matters most and how money is spent

Each area will have a neighbourhood board. This board will comprise local residents and people working in the area, along with the local MP and the City Council. Each Board will be led by an independent chair. Boards must be convened by July 2026 and start work on the Neighbourhood Plans required by MHCLG in winter 26-27.

b) improving our leisure infrastructure including the Bransbury Park leisure centre and Hilsea Lido

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, the City Council 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.

As part of this wider transformation of leisure, the authority is also working to bring forward a quality sport and leisure centre in Bransbury Park at Eastney Swimming Pool. Significant capital funding has been allocated to this scheme to allow it to proceed and following an extensive development period, work is now underway on the new Bransbury Park leisure centre, which will replace the swimming pool at Eastney, provide enhanced leisure facilities and provide a new GP surgery in the building. Work will continue to bring forward a new opportunity on the site of the former Eastney Pool.

We are also engaging with the Football Foundation on their new Playzones programme, with a plan to create 3 new facilities in the city in the first phase in 2026.

The first phase works on Hilsea Lido have completed with opening of the site expected in May 2026, and the new operator looking to bring forward future phases of development in the area. This scheme was funded by the Levelling Up fund and has created new jobs as well as regenerated a much-loved facility in the city.

Extensive works have taken place to the Mountbatten Centre to secure the life of facility. Works are now progressing with the Andrew Simpson Foundation to make improvements to the Eastern Road water sports centre.

c) using the city centenary as a catalyst for cultural activity, collective experience, and civic pride and as a platform for celebrating our heritage

The city celebrates 100 years of being granted city status in 2026, and there is a significant programme of events taking place across the year. The year launched with an event at Southsea Castle on New Years Day, and a civic ceremony took place on April 21st to commemorate the day in 1926 when letters patent were granted. Later in the year, there will be a Pride in Portsmouth lions trail, supported by local business and creatives, an exhibition at the city museum supported by a £250,000 National Heritage Lottery Fund grant, and a large scale community arts event funded by the Arts Council. Partners are producing events to ensure the programme is "by everyone and for everyone" in the city, and 100 things to See and Do in Portsmouth in 2026 has been widely distributed.

The programme demonstrated the strength of commitment of partners in the city to the cultural agenda and the appetite to do more and led to an agreement that the city should bid for City of Culture in 2029. Following an expression of interest earlier in the year, led by Portsmouth Creates, the city has been longlisted and invited to make a detailed submission. A shortlist will be announced in the autumn with a decision in winter.

d) continuing to provide good quality and highly accessible libraries, museums, and leisure opportunities in the city, including providing safe and warm spaces.

Exhibitions produced in the past year have included the 'Whispers on the Dancefloor' exhibition working with Downtown Pompey and LGBTQ+ groups; a suffragettes exhibition hosted by a University of Portsmouth PhD student; 'Fun, Fear and Familiarity' exhibition at the D-Day Story. Museums have taken collections out to communities to enable wider participation, including through the widely promoted Art in the Park and Ceme-Trees events in 2025. A new post of Collections Manager has recently joined the Museums Service to support further outreach across the service.

Our libraries continue to host a programme of events each year including the Summer Reading Challenge and Bookfest. There have been lots of low costs and no cost activities which have increased participation and encouraged families to use library spaces. The Library Auto Enrolment project has progressed this year in collaboration with the Education service, with all Portsmouth Year R pupils receiving a library card in 2026.

e) ensuring that we make sure everything we do is reflective of and welcoming and accessible to the diverse populations in the city, including through our work as a Council of Sanctuary

We consider how our work can reflect and include the full diversity of our community. In 2025, our Victory in 80 Objects project worked with partners for the City of Sanctuary community, with a songwriting and poetry workshop inspired by exhibits. The Ancient Sudan exhibition worked with the Rural Refugee Network and the local Sudanese community to co-curate the exhibition, with items on loan from the British Museum and the local community. The work of the exhibition is published by Local Government Association as an example of excellent community cohesion practice.

The City Council participates in the Portsmouth- City of Languages project, with an inaugural "Celebrating Languages in Portsmouth" week held in March 2026. A celebratory cookbook has been produced with stakeholders to reflect the vibrant and diverse cultures that make up the city.

f) ensuring that the city is attractive to visitors and outside investors

The City Council continues to provide the Visit Portsmouth offer, which acts as a destination marketing organisation for the city to promote the city and its culture and leisure offer through year-round campaigns, creation of an annual visitor guide, attendance at Trade Shows and digital marketing. The "Visit Portsmouth" website showcases over 1m website visitors each year.

Separately, the Invest Portsmouth website continues to promote business and entrepreneurship in the city (including Portsmouth Business Support Service in partnership with Shaping Portsmouth) and the City Council works with the Business South Place Partnership to promote inward investment opportunities at national and international events such as UKREiFF, MIPIM, ExPO Real.

We also maintain strategic investment dialogue with representatives from Homes England, Department of Transport and Ministry for Housing, Communities and Local Government to keep live the profile of investable opportunities and available funds to bring this forward.

3) Make sure that when people need additional help to live their lives it is there for them by:

a) supporting children and families with early help

Our Targeted Early Help team work with a caseload of over 1000 children at any given time, providing family support around a range of issues including school attendance, behaviour, relationships, mental health, exploitation, and domestic abuse. The service provides six month interventions, working with all family members. We deliver a universal parenting offer, including antenatal/post-natal courses, behaviour courses for the under-fives, courses for children with SEND, non-violent resistance course, and courses for separated parents.

We have five Family Hubs, and a virtual offer for parents as well as access to peer support around health (including perinatal mental health and infant feeding), speech and language, and short focused work for parents around issues related to housing, employment, and finance.

Our wellbeing in education team is a specialist offer for those children who have less than 30% attendance at school, and where child mental health is the most significant factor. Attendance improved for 76% of the children supported, with average attendance growing from 11.47% to 52%. We also provide support and activities for young carers in the city, including youth groups, holiday activities and 1-2-1 support.

We support 260 children with disabilities and this includes 205 financial packages for respite.

b) ensuring better outcomes for children we look after and care experienced young people

At any given time, the City Council will have around 380 children in our care, and around 360 young people who have previously been in care and to whom we have a duty. Of these children we care for, roughly 65% are placed with foster carers in the city, and we have good placement stability - only 9% of children had more than three moves of placement last year, and 76% of children in longer term care remained in the same home for over two and a half years.

Our residential settings are rated "Good" by Ofsted, and our Beechside respite setting is rated "Outstanding".

We provide a huge range of services and support for the young people we care for, or previously cared for, and are working hard to look at how we improve accommodation options for care experienced young people. We have significantly reduced the costs of accommodation in recent years, alongside improving quality. This year, we had no young people in unsuitable bed and breakfast accommodation at year end, and only 5% of young people were in accommodation considered to be unsuitable, halving the rate in the previous year.

Wherever possible, our priority is to support good family functioning and help young people and their families so they can go home safely. In the last year, our Going Home project returned 16 young people home and was working with a further 32 families. We have doubled the rate of successful reunification of families since 2020.

c) Improving the delivery of support for children with special educational needs and their families, including improving the timeliness of education, Health and Care Plans

Around 19.8% of all children in Portsmouth have some level of special educational need, and about 6% of children with the most complex needs have an Education, Health, and Care Plan to help support their educational needs. 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 high levels of anxiety and/or associated distressed behaviour.

Portsmouth's work in the area of supporting SEND is recognised nationally. The City Council is one of 9 lead local authorities piloting national work under the SEND 'Change Programme' agenda. Successful delivery of the programme is taking place locally and the local work and innovation is influencing national developments. The authority is also leading national work on new models for understanding child neurodiversity and meeting the resulting needs of the child and family. The authority has also innovated to address the challenge of rising levels of need, by implementing the "backpack" funding programme of support for children with SEND, whereby some children in mainstream schools receive additional funding and support from the inclusion outreach service to meet the needs of children with more complex SEND.

We continue to make capital investment in creating additional specialist places and investing in mainstream schools and early years settings through inclusion capital grants to enable these settings to meet the needs of greater numbers of children with SEND.

Our Inclusion Hub has been established to co-ordinate early intervention across all services and agencies to schools, colleges, and settings. The Inclusion Hub responds to requests for system level support and is also proactive in reaching out to schools to share good practice and further improve practice.

Our Education, Health and Care Needs Assessment (EHCNA) timelines improved from 22% in November 2024 to 67% in November 2025, with the average time for completion reduced from 43 weeks in 2024 to 24 weeks in 2025. Our provision of timely educational psychologist advice surged to 80.5% of advice provided on time, and our average completion time is now 5 weeks, exceeding the statutory 6 week target.

d) continuing to support integrated health and care services, including for mental health, so that people get the best support we can provide to enable them to stay well and independent

Portsmouth has a strong tradition of integrated health and care services, and we have maintained strong joint NHS-LA commissioning arrangements even though the NHS has gone through significant changes at a local level.

2025 was the first full year of delivering the Smoke Free Alliance to tackle smoking in the city. The Wellbeing Service continues to support residents in the city who want to stop smoking, achieve a healthy weight, reduce alcohol consumption, and talk about mental wellbeing.

We continue to commission a range of mental health support for children, including Kooth, My Happy Mind, Mental Health Support Teams, and CAMHS.

Our adult mental health social care services are delivered in partnership with the NHS, and the teams work alongside each other to support people to stay well and independent. At any given time, around 3170 adults are being supported by the community adult mental health teams. The adult mental health hub receives around 470 calls every month.

In 2025, there was a significant piece of work needed to replace the community equipment provider in the city, working alongside NHS partners, in response to supplier failure. This was successfully completed and robust arrangements are now in place.

Other work that demonstrates the strong partnerships in health and care to ensure good outcomes for people are the primary care prevention pathway and the Transfer of Care Hub which supports discharges of people from hospital and makes sure there is a clear and supported discharge pathway.

We have recruited staff to build extra capacity in the community reablement service to help more residents maintain their independence and are increasing the number of residents who receive direct payments to manage their care needs, increasing their choice and flexibility.

e) developing extra care and supported living services in the city for our older people and working age adults with care and support needs

We continue to expand the offer in the city for people who need support in their housing.

There are 32 care homes in the city registered with the Care Quality Commission and the City Council runs three of these (Shearwater, Harry Sotnick House, and Russets). At any given time, around 130 adults are living in nursing care funded by the City Council, and around 290 adults are in funded residential provision. About 1060 people also receive some sort of care in their own homes, and the City Council commissions around 16,700 hours of care every week.

We have expanded the recovery housing pathway to include an additional 6 women-only property to meet an area of specific need. We are looking to develop and expand the Extra Care housing offer in the city, where we currently have 4 homes. A new provider was appointed in December 2025, and we are now progressing with the development of 60 extra care units in the city on the site of the former Edinburgh House in Cosham. We are also converting the Victory Unit to provide 9 new units of extra care, with building due to start Spring 2026. We have recently opened Redbridge House, a further provision for adults with a learning disability to build on previous successful developments for this group.

f) supporting people to take control of their own health and wellbeing, for example, by tackling addictions or adopting healthier lifestyles

Through a range of interventions, we continue to increase the number of adults receiving treatment for drug and alcohol dependence, increasing from 1919 (September 2024) to 2079 (September 2025), up from a baseline of 1468 in March 2022.

We have expanded our Project W service during the year. This multi-agency project supports vulnerable women with a drug or alcohol dependency, providing holistic support. This project has been highlighted at regional and national level as good practice.

We continue to take asset-based community development approaches in Paulsgrove and Portsea through the programmes 'Healthy Living in Paulsgrove/Portsea'. These involve working with communities to identify what is important to them and how they can support themselves and each other. 25 community champions and 100+ community champion supporters have been established, to share information and have conversations in communities about health and wellbeing - estimates show this project has reached up to 29,000 people.

Portsmouth has been identified as a priority place for Sport England, and the City Council has supported the delivery of Phase 1 of the Place Partnership project, working within identified target areas to increase physical activity levels within our most inactive communities. A bid has been submitted to continue with a further phase of work.

Portsmouth has been identified as one of 43 sites for the NHS National Neighbourhood Health Implementation Programme (NNHIP), looking to develop Community Wellbeing Hubs to bring care closer to home for people who need it most.

g) providing support for people struggling with the cost of living

The City Council previously delivered the Household Support Fund on behalf of government. In 2025/26, 115,204 awards made from the Fund to vulnerable residents struggling to afford household essentials. We will now deliver the successor Crisis and Resilience Fund that will be in place April 2026 - April 2029. This will support people in financial hardship through a number of schemes.

The City Council also has a cost of living support officer, providing intensive and highly valued 1-2-1 support to those most in need, and engaging in outreach activity with residents at Live Well events, schools, job centres, food banks, and pantries.

We continue to provide support for people with lower incomes and have campaigned to increase the take up of free school meals (FSM) amongst children starting school. This campaign resulted in an increase in the proportion of Year R children identified as eligible increasing from 15% to 24%, representing an extra 184 children benefitting. We have developed a partnership with Southern Water, moving 5000 low income households onto the essential tariff, saving collectively £886k per annum. We are in discussions with Portsmouth Water to run a similar scheme.

We also continue to provide the leisure card scheme, issuing over 5000 cards to help ensure facilities are affordable for people in receipt of a range of benefits or in certain circumstances. Alongside this, we provide a range of free attractions and events.

h) continuing to provide high quality services as a social landlord, and bringing forward schemes to increase housing availability in the city, prioritising social and affordable homes, homes for people with additional needs; and reducing the need for temporary accommodation

As the largest social landlord in the city, the City Council continues to take an active role in providing homes. A number of developments are underway, including:

- Wecock Farm (former area office) - delivering 4 new homes
- Bunting Gardens - delivery of 4 homes built to a Passivhaus standard
- Twyford Avenue - 6 new homes

We are also now looking to progress with the major Somers Orchard development on the site of the former Horatia and Leamington Houses, which will bring a significant number of new homes into the city.

As a major social landlord, we are making major changes to how we deliver our landlord services, to ensure that we are delivering high quality services and fulfilling all of our regulatory responsibilities around things like stock condition and compliance with building standards. A disappointing judgement of C3 from the regulator of social housing in April 2024 means that we have put in place a clear plan for improvement that is regularly monitored. We continue to deliver strong responsive services, and last year carried out 40,426 repairs in council homes and over 7,097 out-of-hours repairs.

The provision of temporary accommodation for people who would otherwise be homeless has increased significantly in recent years, largely driven by market conditions. This has placed significant financial pressure on the organisation, as well as created a situation where many people are in accommodation that is not really suitable for them. To tackle this issue, we have put in place a plan to ensure we are moving people into longer term options, reducing the costs of accommodation, and seeking to acquire more homes on the market, setting ourselves a target to acquire a minimum of 200 homes by April 2027.

We are also working to proactively tackle issues when people are faced with homelessness, to prevent this happening. 615 homelessness cases were prevented or relieved during the last financial year.

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.

We continue to have a number of people in the city who are sleeping rough, and have improved day services for this group, moving to a new location in Queens Street from February 2026.

4) Protect and enhance the natural and built environment of the city

a) ensuring we are resilient to the impacts of climate change, through our multi-million pound transformative sea defence programme and by developing nature-based solutions

The City Council is working with Coastal Partners to deliver two major coastal defence schemes, with funding from the Environment Agency.

North Portsea Coastal Scheme - phase 5 is to be completed by June 2026, signalling the completion of the scheme which will protect 4200 homes and 500 businesses from flooding. As part of the scheme, major biodiversity and access improvements have been made to Langstone Harbour and Hilsea Lines, and the scheme has been completed to time and budget.

Southsea Coastal Scheme - designed to protect over 10000 homes and 700 businesses, and phases 4 and 5 are nearing completion. There are 2 further years of construction left, but there is already evidence that the improved public realm and resilience are supporting the city through increased visitor numbers and events.

Alongside these major capital schemes, we are working hard to develop nature-based solutions to climate challenges. Our team of Countryside Officers have implemented initiatives at major sites this year including Portsdown Hill, Milton Common, and Hilsea Lines, the latter working with coastal partners to advise on habitat development. The service have also implemented various biodiversity programmes across the city.

The City Council has developed an urban forest masterplan to guide the development of a resilient treescape in the city that can withstand the challenges posed by climate change and deliver wider benefits. The City Council provides replacement trees for those felled by Colas and ensure alternative species are provided that fit with these wider objectives.

We have also made a successful application to the NHLF Nature Towns and Cities programme, which will fund nearly £1m of additional capacity in the city to develop our nature-positive approaches.

b) continuing to both lobby and work with partners to improve air and water quality and city biodiversity

The city continues to operate a Clean Air Zone in areas where emissions exceed legal limits. Work will continue to try and reduce these areas of poor air quality. A citywide Air Quality Strategy has now been published, bringing together the work of many partners.

During 2026, the City Council will continue to roll out charging infrastructure for electric vehicles with government funding. We have worked in partnership with providers to upgrade the bus fleet, and 62 electric buses with zero CO2 or other tailpipe emissions entered the fleet in 2024. It is estimated that these vehicles have saved 2500 tons of CO2 emissions in their first 6 months of operation. There are plans to further expand this fleet.

We are also looking at reducing the impact of the Port on the city environment. The Sea Change shore power project is close to completion and will significantly improve air quality providing connections for up to 3 ships at a time.

The City Council is supporting Southern Water with their Clean Rivers and Seas programme - part of which is a large amount of retrofitting sustainable urban drainage systems (SUDS) on the highway and other areas. This programme is key to reducing untreated wastewater spills into Langstone and Portsmouth Harbours.

The City Council has also achieved funding from DfE from SUDs for Schools to deliver schemes in school areas, creating multiple benefits including reducing local flooding in schools. All schools are due for delivery in 2027 and 2028.

c) developing solutions to address waste reduction, increasing reuse and recycling and responsible waste disposal.

We carry out 9,000,000 household waste collections per annum and over 55,000 tonnes of waste is collected from homes in the city.

Having rolled out food waste collections across Portsmouth, the City Council is now developing food waste collections for Havant Borough Council too. Our waste collection contract is now fully in house, and we have recently installed new livery on the food waste vehicles to help promote the service.

The Parks team have been adapting solutions for utilising green waste through composting.

d) ensuring that the organisation is doing all it can to be environmentally responsible in its activity, including reducing carbon emissions in line with our Net Zero commitments

In March 2019, the City Council took a unanimous decision to support a motion to declare a climate emergency for the city - and pledged to develop an action plan for reducing the carbon footprint of the city.

Since the declaration of the emergency, the authority has taken significant steps to support carbon reduction objectives.

In July 2022, the City Council approved the establishment of 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.

Portsmouth International Port continues to drive significant improvements around environmental performance, spearheaded through the Sea Change programme.

We have multiple major decarbonisation projects which recently completed or are underway. Portsmouth Homes (our landlord function) secured £3m of social housing decarbonisation funding to retrofit around 341 homes in Portsmouth. We also secured £26m (August 2025) Warmer Homes funding to lead a consortium of councils providing free energy advice and upgrades. We completed a solar canopy project at Lakeside in April 2025 and completed a large solar energy scheme at the Mountbatten Centre in August 2025.

Alongside these major schemes, we continue to develop our carbon reduction knowledge and leadership. The Visit Portsmouth Team continue to manage the local Green Tourism Award which will be revised and updated in 2026, and our events team are participating in a national pilot project to reduce emissions at events. The team is also taking part in the Green Events Code of Practice, which is being trialled in 2026 with a view to setting industry-wide standards and targets for 2030 reductions in impact.

We work with Colas on a Carbon Leadership Programme assessment for the City Council which will provide funding and opportunities to develop best practice in reducing carbon impact in Highways.

e) Completing the local plan

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. 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 Portsmouth Local Plan has been progressed, despite some setbacks in the process, and has been submitted to the Planning Inspectorate. The plan is supported by the Infrastructure delivery plan, which sets out the needs of the city in the coming years.

The Local Plan Examination process is expected to occur in 2026 and will be the next step towards the adoption of the Local Plan.

f) beginning preparation for the end of the Highways PFI contract and future arrangements

In the early 2000s, the City Council entered into a long term PFI arrangement for investment into the city's roads, and long term maintenance of these and other assets such as lamp columns. This contract is nearing the end, and we need to prepare for what happens next, given the significance of the contract for the operation of the city. A huge amount of work is underway to develop a future model, with a robust project and governance structure around this. We will need to fully take into account the impact of future local government reorganisation as part of this complex piece of work, which has huge operational and financial implications for the organisation.

5) Strengthen the city economy, creating jobs and opportunities for residents by:

a) Improving education outcomes in the city

Education is the foundation stone to give our children and young people the best chances in life. We must make education 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.

In the last set of results available (2025), we saw a slight increase in the proportion of children achieving a good level of development, as measured on entry to school. We have a confirmed trend of improvement in the Yr 1 phonics screening check since the pandemic and have narrowed the gap between Portsmouth and the national average to 2%.

At Key Stage 2 (the end of primary school), attainment is gradually improving but the 2025 gap to the national average (for Reading, Writing and Maths) remains the same at 9%. At Key Stage 4 (end of secondary school) Portsmouth GCSE results have generally followed the national trend of gradual improvement or remaining static - we have not significantly closed the gap, and this is disappointing. We continue to work hard with schools and partners to drive up the outcomes that children achieve in our schools.

b) Creating a model for youth provision that helps young people have access to opportunities and develop their skills and interests

The City Council supported the development of the Base at the Guildhall, aimed at improving local youth provision by providing music production, performance, mixing equipment and lounge spaces. All 11-25 year olds in Portsmouth postcode areas are offered free membership of the Base to open up participation. Over 300 young people have registered this year. Extensive youth provision is also available through our partners such as Andrew Simpson Foundation and BH Live. We also continue to operate an active Play and Youth Service, which provides youth clubs and adventure playgrounds in some of our deprived areas, We recently built Stamshaw Youth Hub adjacent to the adventure playground to expand and improve the offer.

The Play and Youth Service also lead on the delivery of the successful Holiday Activity and Food programme, HAF Fun Pompey, funded by government to provide activities and meals in school breaks to combat holiday hunger and create opportunities.

We work hard to support young people into work. The Employability Academy is embedded in programmes to support young people who are not in education, employment, or training, or at risk of this, and we are working with the Solent Careers Hub to support secondary schools to implement the Modern Work Experience Programme as part of the national careers strategy.

c) Using our social value policy as a way to create opportunities for people who might otherwise face barriers to employment

The City Council has a social value policy which defines social value as "lasting and positive impact that we create through the way in which we act to shape a resilient future, for our local and regional communities, businesses, and environment."

The key areas of focus are:

- **Social Impact -** Improving the physical and mental wellbeing of local people, strengthening community spirit and collaboration to reduce poverty and social isolation, supporting young people, disadvantaged groups, and address inequality, by raising aspirations of our future generations.

  Examples of social impact can include donations to local community projects and volunteering hours.

- **Economic Impact -** Improving opportunities for our local SMEs, greater inclusion of the VSCE and social enterprise sectors within our supply chains, driving down unemployment, upskilling the future workforce and addressing skills gaps through apprenticeships and similar schemes. Driving up inward investment and harnessing the Green Revolution to 'build back better.' Examples of economic impact can include; engaging local businesses, providing local employment opportunities, and offering training.

- **Sustainability Impact -** working towards our 2030 Carbon Net Zero goal, improving our air quality, and enhancing our biodiversity through net gains. Evaluating our approach to placemaking and taking care of our heritage as a 'Port City.' Ensuring that communities and businesses are educated and empowered about the vital roles they play in delivering a sustainable future, one which builds back greener. Examples of sustainability impact can include reducing carbon emissions, minimising waste and investing in green initiatives.

We work hard with partners and suppliers to find opportunities. Most recently, we have developed a support service to work with autistic/neurodivergent residents and those with a learning disability to help them find work. We work extensively with Shaping Portsmouth and the patrons there to create opportunities for the wider community.

d) **working with key partners including the Naval Base and University to drive economic growth and major development in the city, including taking forward the Portsmouth International Port Masterplan, the Freeport Area, City Centre North, and Tipner.**

The Masterplan for the Port continues to be a priority, with potential to unlock jobs and investment for the city and generate more income for council services. The recent focus has been on the delivery of the Sea change shore power project, and in 2026, the focus is shifting to provide more operational space at the Port. The Port celebrates its 50th anniversary in 2026 and has updated its evidence base on economic impact to recognise this.

The Freeport concept continues to develop and there is continued promotion of the City Council's Dunsbury Park development as the leading Solent Freeport tax site, having secured several new occupiers in the past 18 months. An economic impact assessment estimates the Freeport could generate 28,000 jobs and £2.0 billion Gross Added Value directly in the Solent.

In the city, we continue to work to bring forward development of the City Centre, with acquisition and management of interim sites ongoing. We continue to prepare the wider site for development, including demolition of redundant buildings and ecological and physical surveys ongoing.

We have continued to progress reconfiguration of the city centre roads and have made an application for funding required to deliver the scheme from Department for Transport. Delivering this scheme will be a vital enabler for the delivery of up to 2300 homes and regeneration of the wider city centre.

The Tipner site continues to present a great opportunity but also a massive challenge. The promoter team is continuing to work on delivery of the flood defences, as well as ongoing discussions with marine maritime employment providers and residential developers to deliver the 1000 new homes and 20,000 m2 of employment space that the site can potentially provide.

e) providing support that enables businesses to locate and grow in Portsmouth, and residents to get the skills they need to access the jobs created

A wide range of business support and mentoring is provided by the council, working with partner organisations.

The City Council works internationally, including through twin and sister city arrangements, to develop business networking opportunities. In 2025, we hosted an in person and online event with businesses in Halifax Nova Scotia, and an event with the Japanese ambassador. The Portsmouth Bangladesh Business Association facilitated a visit for the Bangladesh High Commission Commercial Councillor at Lakeside. A further international event linked to the Freeport is scheduled for June 2026.

We have also run a series of small business grants in recent years and continue to support our high street businesses through the various programmes to support retail areas and district centres.

6) Speak up for our city by:

a) working effectively with our strategic partners in Team Portsmouth, including HiVE Portsmouth, Shaping Portsmouth and Portsmouth Creates, to achieve wider city objectives

Part of the success of the city can be attributed to how organisations work together. Examples of this working are:

- close working with Shaping Portsmouth Cruise ambassadors to support cruise ship visitor calls
- The collaboration with Portsmouth Creates to launch a bid for UK city of culture 2029.
- Collaboration with Arts Council England to hold a symposium for the creative sector.
- Work with the HIVE to support the voluntary and community sector in the city.

b) advocating the city's interests to the new government, working with the Local Government Association and our city MPs to achieve fair funding, a devolution deal that reflects the city's importance in the region and to access additional funding where it supports the city's objectives

Most focus of lobbying around the city's interest in recent times has been the devolution and local government reorganisation agendas - we are now working through the implications of government decisions as we implement new models of working in the city.

c) ensuring Portsmouth people's health needs are recognised in the integrated care system, and ensuring smooth transition to the new community trust

The City Council continues to maintain the Joint Strategic Needs Assessment repository of data and information about the population that continues to provide the integrated care system for the region with information and insight about the health and wellbeing needs of people in Portsmouth. We have a strong and well-attended Health and Wellbeing Board, with partners working together through this to ensure local needs are recognised and met.

The city successfully worked with NHS partners through sweeping changes as the ICB was established, replacing previous Clinical Commissioning Group (CCG) arrangements, and the community provider trust became a larger organisation after merging with another provider. Partnerships and joint working remain strong.

The City Council is also the commissioner of Healthwatch Portsmouth, which is the independent champion for people using health and social care services. Healthwatch is commissioned to gather public feedback, provide reliable information and use experiences to influence improvements in NHS and care services, working to ensure decision-makers listen and services become better for everyone. DHSC have indicated that there will be changes to these arrangements in future, but these have not yet been confirmed.

d) Continuing to advocate for improved primary care in Portsmouth, including GPs, dentists, and community pharmacies and where possible partnering to bring provision forward

The City Council is responsible for producing a regular Pharmaceutical Needs Assessment (PNA) for the city on behalf of the Health and Wellbeing Board, to support the effective commissioning of community pharmacy services in the city by the ICB. This was last done in 2025.

The City Council also commissions the Independent Complaints Advocacy Service, which is a free, impartial service that helps residents speak up about their NHS care or treatment, especially when they struggle to do so themselves, by providing support to understand processes, express views, challenge decisions, and navigate complaints. There have been indications from DHSC that there will be changes to these arrangements in future, but these are not confirmed.

As well as supporting city GPs with the provision of new premises as part of the Bransbury Park project, we have also let two City Council properties for new dentistry services. These will open in Spring 2026 and create 10,000 new dental places, which is significant for the city, as provision has historically been low for the number of residents.

We continue to work with the university to benefit from their presence in the city, as they develop their dental and medical schools, helping to provide services to residents and encouraging people to consider and enter medical and dental professions.

e) Continuing to lobby for a satisfactory resolution to the Border Control Post funding gap and future operating model

The Government announced the intention of a UK-EU reset in 2025, including a new SPS agreement which is likely to remove the need for a BCP, or require something much smaller. We have confirmed to DEFRA that if the new regime is to be implemented from December 2026, significant financial support is required from government, without which the Border Target Operating Model delivery is in serious doubt.

f) Promoting the many areas of best practice in the city to a wider audience and developing new areas of excellence, such as through the Health Determinants Research Council (HDRC) programme of work

HDRC Portsmouth is now established as one of 30 national exemplars for developing research capacity and capability in local government to tackle health inequalities. It provides opportunities to promote innovative research work in the city, in collaboration with HIVE Portsmouth and the University of Portsmouth.

The city is one of the pilot sites for the National Neighbourhood Health Implementation Programme (NNHIP), and there is strong national interest in the Portsmouth Model of Neurodiversity for children and young people.

Conclusions

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 mitigate 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.

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 risks remain for us including 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.

The critical risk that we now need to manage is dealing with the changes arising from the local government reorganisation programme, which will have major implications for every area of our business.

However, at present, we know where we are being effective, and 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 2025/26 - 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 37 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 "unusable reserves" (other reserves that are held for accounting purposes and not able to use to provide services). The MIRS can be found on page 39 and shows that the City Council's general reserves increased by £29.9m, resulting in an overall £29.8m increase to General Fund and HRA reserves 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 40 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 £86.2m compared to 2024/25 primarily due to a change in HRA council dwellings asset valuations and additional spend on services due to a combination of higher demand and higher costs.

- **Balance Sheet -** The balance sheet shows the net worth of the City Council, i.e. its assets less its liabilities as at 31 March 2026. The balance sheet can be found on page 41 of the Statement of Accounts. Overall net assets have increased by £95.2m 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 43 of the Statement of Accounts. Overall cash balances are up by £26.9m at 31 March 2026 to £58.1m largely due to a requirement for greater liquidity to enable high value payments, which includes a prepayment for three years pension contributions to the Hampshire pension fund, to be made early in April 2026.

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 we can spend depends on the revenue funding we receive from various sources.

With the challenges of the last year (budget pressures within demand led services, inflation, lower income etc), the City Council ended the 2025/26 financial year with a portfolio overspend and budget deficit of £2.6m against budget (representing 1% of the net revenue budget). This overspend has been covered by the City Council's corporate contingency.

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 Children's Social Care, and housing and homelessness services:

- Children Families and Education - The £1.7m overspend is mainly due to higher costs of placements/support, more children receiving and higher costs of providing home to school transport, and use of agency staff to cover vacancies.
- Housing and Tackling Homelessness - The £2.4m overspend is primarily driven by continued demand for temporary accommodation within the city, and a lack of social housing to meet homelessness demand. A temporary accommodation plan remains in place focusing on expanding the council portfolio of temporary accommodation properties and sustaining tenancies within the private rented sector.

	Revised Cash Limit £000	Actual Net Expenditure £000	Variance £000	Variance %
Central Services	28,811	28,697	(114)	(0)
Children Families & Education	60,792	62,505	1,713	3
Climate Change & Greening the City	64	33	(31)	(48)
Community Safety Leisure and Sport	4,557	4,298	(259)	(6)
Community Wellbeing Health & Care	65,732	65,213	(519)	(1)
Culture Regeneration and Economic Development	6,922	6,968	46	1
Environmental Services	13,682	13,892	210	2
Housing and Tackling Homelessness	4,320	6,692	2,372	55
Leader	(13,995)	(13,871)	124	(1)
Licensing Committee	(158)	(393)	(235)	149
Planning Policy & City Development	1,326	1,420	94	7
Port	(10,963)	(10,722)	241	(2)
Transport	18,700	17,653	(1,047)	(6)
Portfolio Net Expenditure Charged to General Fund Balances	**179,790**	**182,385**	**2,595**	**1**
Non-portfolio - Housing Revenue Account (HRA)		(8,976)		
Non-portfolio - Other		19,758		
Net Cost of Services Charged to General Fund & HRA Balances		**193,167**		
Other Operating Income		188		
Financing & Investment Income & Expenditure		13,660		
Taxation & Non-specific Grant Income		(236,785)		
(Surplus)/Deficit on Provision of Services Charged to General Fund & HRA Balances		**(29,770)**		
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 on an IFRS basis		**(29,770)**		

Note 1: Brackets represent net income/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	7,146
Community Safety, Leisure & Sport	6,696
Central Services	4,392
Climate Change & Greening the City	1,234
Culture, Regen & Economic Development	40,717
Community Wellbeing	242
Environmental Services	1,350
Leader	7,086
Commercial Port	15,653
Planning Policy & City Development	156
Transport	26,539
Housing Investment Programme	70,477
Total Expenditure	**181,688**
Funded from	
Borrowing	29,657
Capital Receipts	11,064
General Fund Reserves	(2,988)
Grants & Contributions Applied	119,921
Housing Revenue Account Reserves	24,034
Total Funding	**181,688**

The City Council spent £181.7m on capital projects during 2025/26. In year capital spend included: £22m on acquiring and replacing the Council's Housing stock as well as £25m on major repairs; £17m on energy efficiency schemes; £40m on Coastal & Flood Protection; £30m on green initiatives to support environmental enhancements; £7m on Education, and £7m on recreational and leisure facilities.

The City Council has budgeted a further £861m over the next 5 years to be invested in statutory obligations; ensuring that the Council's services to residents continue to operate from safe "fit for purpose" buildings; support the renewal of the Council's aging Leisure facilities across the City; continue the Council's efficiency and environmental agenda, including further greening initiatives, and continuing with the Council's key regeneration opportunity for the City Centre North, aiming to stimulate both housing and employment in the Council's most deprived area.

This £861m 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. Depending on the reserve, the balances can be applied to fund either revenue or capital expenditure. The purpose of the reserves 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 £27.5m General Fund Balance (£27.4m in 24/25), £5.4m are schools' balances, (£5.4m in 24/25). This represents a £0.1m increase in comparison to the previous year and is consistent with the budget contribution to reserves.

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

As at March 2026, the current minimum level of general fund usable reserves remains 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 4% of gross expenditure
- The increasing susceptibility to budget pressures given the magnitude of savings that have been made in the past - £113m since 2011/12
- 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

Movement on the City Council's General Reserves

	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 2024	**(6.4)**	**(21.4)**	**(27.8)**	**(213.8)**	**(25.6)**	**(0.2)**	**(267.4)**
(Incr) / Decr in 2024/25	1.0	(0.6)	**0.4**	(13.3)	(0.2)	(0.1)	**(13.2)**
Balance at 31st March 2025	**(5.4)**	**(22.0)**	**(27.4)**	**(227.1)**	**(25.8)**	**(0.3)**	**(280.6)**
(Incr) / Decr in 2025/26	-	(0.1)	**(0.1)**	(29.8)	0.2	-	**(29.7)**
Balance at 31st March 2026	**(5.4)**	**(22.1)**	**(27.5)**	**(256.9)**	**(25.6)**	**(0.3)**	**(310.3)**

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 2025/26 the City Council's general reserves (excluding schools) increased by £0.1m to £22.1m. This was in line with the City Council's revised budget which was for an increase of £0.1m.

The deficit on the Collection Fund in respect of Council Tax was £1.3m The surplus on the Collection Fund in respect of Business Rates was £7.5m. This gave a combined Collection Fund surplus of £6.2m. More on the Collection Fund can be found on page 146.

The £0.1m deficit on the HRA after statutory adjustments compares to a forecast deficit of £2.2m. Therefore, the HRA underspent by £2.1m in 2025/26 which was due to lower repairs and maintenance costs, staff savings, lower borrowing costs, and additional rental 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.

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 31 March 2026.

Chris Ward

Director of Finance and Resources (Section 151 Officer)

Statement of Accounts 2025/26

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 for the year, (such as Government Grants, rents, Council Tax and Business Rates), 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 40).

2024/25	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:					
Central Services	26,900	-	26,900	2,486	29,386
Children, Families & Education	61,426	-	61,426	4,295	65,721
Climate Change & Greening the City	127	-	127	1	128
Community Safety Leisure and Sport	5,844	-	5,844	1,859	7,703
Community Wellbeing, Health & Care	62,312	-	62,312	358	62,670
Culture, Regeneration and Economic Development	6,727	-	6,727	4,639	11,366
Environmental Services	15,587	-	15,587	1,433	17,020
Housing and Tackling Homelessness	9,528	123	9,651	(4,860)	4,791
Leader	(25,608)	17,609	(7,999)	6,160	(1,839)
Licensing	(290)	-	(290)	3	(287)
Planning Policy & City Development	1,801	-	1,801	9	1,810
Port	(9,331)	-	(9,331)	3,815	(5,516)
Transport	17,501	-	17,501	6,981	24,482
	172,524	17,732	190,256	27,179	217,435
Non-portfolio - HRA	(9,323)	-	(9,323)	(49,582)	(58,905)
Non-portfolio - Other	33,160	-	33,160	(16,427)	16,733
Net Cost of Services	**196,361**	**17,732**	**214,093**	**(38,830)**	**175,263**
Other Income & Expenditure Not Charged to Services but is Chargeable to the General Fund/HRA:					
Other Operating Expenditure	(866)	-	(866)	44,822	43,956
Financing & Investment Income & Expenditure	10,200	(17,732)	(7,532)	(4,317)	(11,849)
Taxation & Non-specific Grant Income & Expenditure	(218,872)	-	(218,872)	(52,085)	(270,957)
	(209,538)	(17,732)	(227,270)	(11,580)	(238,850)
(Surplus)/Deficit on Provision of Services	**(13,177)**	**-**	**(13,177)**	**(50,410)**	**(63,587)**

- 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 2024/25 (the Code) to be included in the 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:

2024/25	General Fund and Earmarked Reserves	HRA Reserves	Total
	£000	£000	£000
Opening balances at 1st April	(241,591)	(25,771)	(267,362)
Opening adjustment	5	(10)	(5)
Plus net surplus on in year balance	(12,905)	(272)	(13,177)
Closing balances at 31st March	(254,491)	(26,053)	(280,544)

2025/26	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:					
Central Services	28,697	(908)	27,789	5,705	33,494
Children, Families & Education	62,505	6	62,511	(2,921)	59,590
Climate Change & Greening the City	33	-	33	14	47
Community Safety Leisure and Sport	4,298	-	4,298	1,430	5,728
Community Wellbeing, Health & Care	65,213	-	65,213	(989)	64,224
Culture, Regeneration and Economic Development	6,968	-	6,968	1,460	8,428
Environmental Services	13,892	-	13,892	1,431	15,323
Housing and Tackling Homelessness	6,692	177	6,869	792	7,661
Leader	(13,871)	3,600	(10,271)	10,196	(75)
Licensing	(393)	-	(393)	(12)	(405)
Planning Policy & City Development	1,420	-	1,420	(54)	1,366
Port	(10,722)	289	(10,433)	3,241	(7,192)
Transport	17,653	-	17,653	7,706	25,359
	182,385	3,164	185,549	27,999	213,548
Non-portfolio - HRA	(8,976)	-	(8,976)	41,430	32,454
Non-portfolio - Other	19,758	(6)	19,752	(4,273)	15,479
Net Cost of Services	**193,167**	**3,158**	**196,325**	**65,156**	**261,481**
Other Income & Expenditure Not Charged to Services but is Chargeable to the General Fund/HRA:					
Other Operating Expenditure	188	-	188	10,138	10,326
Financing & Investment Income & Expenditure	13,660	(3,158)	10,502	(11,104)	(602)
Taxation & Non-specific Grant Income & Expenditure	(236,785)	-	(236,785)	(80,628)	(317,413)
	(222,937)	(3,158)	(226,095)	(81,594)	(307,689)
(Surplus)/Deficit on Provision of Services	**(29,770)**	**-**	**(29,770)**	**(16,438)**	**(46,208)**

- 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 2025/26 (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:

2025/26	General Fund and Earmarked Reserves	HRA Reserves	Total
	£000	£000	£000
Opening balances at 1st April	(254,491)	(26,051)	(280,542)
Opening adjustment	-	(2)	(2)
Plus net surplus on in year balance	(29,922)	152	(29,770)
Closing balances at 31st March	(284,413)	(25,901)	(310,314)

Movement in Reserves Statement

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

	General Fund Balance (See note A below)	**Earmarked General Fund Reserves**	**Housing Revenue Account Balance**	**Housing Revenue Account Capital Reserve**	**Major Repairs Reserve**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserve**
	£000	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
Balance at 31 March 2024 carried forward	**(27,807)**	**(213,783)**	**(25,606)**	**(167)**	**(15,370)**	**(20,584)**	**(34,073)**	**(337,391)**	**(1,336,672)**	**(1,674,063)**
Movement in reserves during 2024/25										
Opening Adjustment	3			(8)	(46)	1	2	(48)	24,431	24,383
Deficit or (Surplus) on the provision of services	(9,377)	-	(54,209)	-	-	-	-	(63,587)	-	(63,587)
Other Comprehensive Income and Expenditure								-	(61,471)	(61,471)
Total Comprehensive Income and Expenditure	**(9,374)**	**-**	**(54,209)**	**(8)**	**(46)**	**1**	**2**	**(63,635)**	**(37,040)**	**(100,674)**
Adjustments between accounting basis & funding basis under regulations (see note 9)	(3,527)		53,937		(11,060)	3,360	8,933	51,643	(51,484)	159
Net Increase / Decrease before Transfers to Earmarked Reserves	**(12,901)**	**-**	**(272)**	**(8)**	**(11,106)**	**3,361**	**8,935**	**(11,991)**	**(88,524)**	**(100,515)**
Transfers (to) / from Reserves (See Note 10)	13,309	(13,309)	120	(120)	(1,544)	1,544		-	-	0
Increase / Decrease in Year	**408**	**(13,309)**	**(152)**	**(128)**	**(12,650)**	**4,904**	**8,935**	**(11,991)**	**(88,524)**	**(100,515)**
Balance at 31 March 2025 carried forward	**(27,399)**	**(227,092)**	**(25,758)**	**(295)**	**(28,020)**	**(15,679)**	**(25,138)**	**(349,381)**	**(1,425,196)**	**(1,774,577)**
Movement in reserves during 2025/26										
Opening Adjustment								-	2,460	2,460
Deficit or (Surplus) on the provision of services	(76,686)	-	30,478	-	-	-	-	(46,208)	-	(46,208)
Other Comprehensive Income and Expenditure								-	(51,570)	(51,570)
Total Comprehensive Income and Expenditure	**(76,686)**	**-**	**30,478**	**-**	**-**	**-**	**-**	**(46,208)**	**(49,110)**	**(95,318)**
Adjustments between accounting basis & funding basis under regulations (see note 9)	46,764		(30,326)	-	(6,877)	1,656	519	11,736	(11,607)	129
Net Increase / Decrease before Transfers to Earmarked Reserves	**(29,922)**	**-**	**152**	**-**	**(6,877)**	**1,656**	**519**	**(34,472)**	**(60,717)**	**(95,189)**
Transfers (to) / from Reserves (See Note 10)	29,841	(29,841)	(24)	24	(3,135)	3,135		-	-	-
Increase / Decrease in Year	**(81)**	**(29,841)**	**128**	**24**	**(10,011)**	**4,791**	**519**	**(34,472)**	**(60,717)**	**(95,189)**
Balance at 31 March 2026 carried forward	**(27,480)**	**(256,933)**	**(25,630)**	**(271)**	**(38,032)**	**(10,887)**	**(24,619)**	**(383,853)**	**(1,485,913)**	**(1,869,766)**

Note - £5.4m of the General Fund Balance at 31 March 2026 (£5.4m at 31 March 2025) 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.

2024/25					2025/26		
Gross Expenditure	**Gross Income**	**Net Expenditure**		Notes	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**			**£000**	**£000**	**£000**
103,073	(73,687)	29,386	Central Services		93,711	(60,217)	33,494
200,858	(135,137)	65,721	Children, Families & Education		203,657	(144,067)	59,590
180	(52)	128	Climate Change & Greening the City		127	(80)	47
14,296	(6,593)	7,703	Community Safety Leisure and Sport		17,798	(12,070)	5,728
133,223	(70,552)	62,671	Community Wellbeing, Health & Care		137,350	(73,126)	64,224
18,408	(7,043)	11,365	Culture, Regeneration & Economic Development		15,685	(7,257)	8,428
19,907	(2,887)	17,020	Environmental Services		20,885	(5,562)	15,323
39,001	(34,210)	4,791	Housing and Tackling Homelessness		41,361	(33,700)	7,661
2,281	(4,120)	(1,839)	Leader		3,746	(3,821)	(75)
820	(1,107)	(287)	Licensing		792	(1,197)	(405)
3,299	(1,490)	1,809	Planning Policy & City Development		2,826	(1,460)	1,366
17,123	(22,639)	(5,516)	Port		18,667	(25,859)	(7,192)
47,932	(23,449)	24,483	Transport		58,247	(32,888)	25,359
600,401	(382,966)	217,435			614,852	(401,304)	213,548
52,927	(111,832)	(58,905)	Non-portfolio - HRA		148,028	(115,574)	32,454
32,258	(15,525)	16,733	Non-portfolio - Other		28,051	(12,572)	15,479
685,586	**(510,323)**	**175,263**	**Cost of Services**		**790,931**	**(529,450)**	**261,481**
45,761	(1,805)	43,956	Other Operating Expenditure	11a	13,771	(3,445)	10,326
44,268	(56,117)	(11,849)	Financing & Investment Income & Expenditure	11b	49,943	(50,545)	(602)
-	(270,957)	(270,957)	Taxation & Non-specific Grant Income & Expenditure	11c	-	(317,413)	(317,413)
775,615	**(839,202)**	**(63,587)**	**(Surplus)/Deficit on Provision of Services**		**854,645**	**(900,853)**	**(46,208)**
			Items that will not be reclassified to the (Surplus)/Deficit on Provision of Services				
		(68,471)	(Surplus)/Deficit on Revaluation of PPE Assets	25			(65,135)
		5,387	Remeasurement of Net Defined Benefit Liability	39			13,781
		1,728	Surplus or Deficit from Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income				2,373
		(61,356)	**Other Comprehensive Income and Expenditure**				**(48,981)**
		(124,943)	**Total Comprehensive Income and Expenditure**				**(95,189)**

Note - 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 2025/26 (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 while the amounts presented in the Comprehensive Income and Expenditure Statement are prepared in accordance with proper accounting practices.

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the City Council at 31 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 2025 £000		Notes	31 March 2026 £000
2,120,016	Property, Plant & Equipment	12	2,185,761
130,337	Heritage Assets	15	134,728
152,129	Investment Property	16	154,314
360	Intangible Assets		499
26,722	Long Term Investments		50,027
31,377	Long Term Debtors	19	31,590
2,460,941	**Long Term Assets**		**2,556,919**
195,989	Short Term Investments		112,410
519	Assets Held for Sale		519
2,258	Inventories		2,914
86,550	Short Term Debtors	20	79,857
31,172	Cash & Cash Equivalents	21	58,080
316,488	**Current Assets**		**253,780**
(13,553)	Short Term Borrowing		(13,555)
(115,768)	Short Term Creditors	22	(94,315)
(6,063)	Other Short Term Liabilities	24	(11,916)
(102,944)	Capital Grant Receipts in Advance	33	(76,674)
(3,934)	Provisions	23	(4,067)
(242,262)	**Current Liabilities**		**(200,527)**
(81,937)	Other Long Term Liabilities	24	(73,556)
(2,968)	Provisions	23	(1,210)
(661,284)	Long Term Borrowing		(651,979)
(11,068)	Pension Liability	39	(9,014)
(3,333)	Capital Grant Receipts in Advance	33	(4,647)
(760,590)	**Long Term Liabilities**		**(740,406)**
1,774,577	**Net Assets**		**1,869,766**
(349,381)	Usable Reserves		(383,853)
(1,425,196)	Unusable Reserves	25	(1,485,913)
(1,774,577)			**(1,869,766)**

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.

2024/25 £000		Notes	2025/26 £000
63,587	Net surplus or (deficit) on the provision of services		46,208
36,136	Adjustment to surplus or (deficit) on the provision of services for noncash movements	26a	93,297
(89,108)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26a	(128,372)
10,615	Net Cash flows from operating activities		11,133
30,166	Net Cash flows from Investing Activities	26b	34,270
(37,254)	Net Cash flows from Financing Activities	26b	(18,495)
3,527	Net increase or (decrease) in cash and cash equivalents		26,908
27,645	Cash and cash equivalents at the beginning of the reporting period		31,172
31,172	**Cash and cash equivalents at the end of the reporting period**	**21**	**58,080**

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 2025/26 financial year and its financial position as at 31 March 2026.

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.

Numbers are shown to the nearest £'000 in tables, which can result in minor rounding differences between disclosures. Numbers included in the text are shown to one decimal place.

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 £42.8m at 31 March 2028. 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 12 months from the authorised for issue date. The City Council's borrowings at 31 March 2026 amounted to £665.5m leaving a headroom of £362.5m against the City Council's authorised limit for external debt.

By way of context, the General Fund balance (excluding school balances) as at 31 March 2026 was £22.1m. The City Council’s prudent minimum balance on the General Fund for 2025/26 remains at £10.0m. In addition, the City Council has Earmarked General Fund Reserves of £256.9m.

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 (2025/26), 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. These benefits 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 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 were 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 City Council's borrowings, 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.

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 normally recognised as they arrive in the Surplus or Deficit on the Provision of Services. However, where the investment is in a pooled investment fund, then the statutory override is applied. 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 held 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 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 used 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

With the adoption of the lease standard IFRS16 by the CIPFA Code of Practice on Local Authority Accounting, the approach to accounting for leased in arrangements has changed. Where the changes from applying IFRS16 are material to the City Council we will be applying IFRS16 but where these changes are immaterial, we will continue to account for leases under the previous policies. Both accounting policies are therefore set out below.

It is necessary to differentiate between Leases in (where the City Council is a lessee) and Leases out (where the City Council is a lessor).

(a) The City Council as lessee (Leases In)

(i) IFRS16

Where IFRS16 is being applied, the City Council classifies such arrangements (whether they are legally leases or contracts) as leases based on their substance. Lease arrangements (including leases, licences and contracts are analysed against the IFRS16 criteria to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all of the economic benefits or service potential from that asset, and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn, or nominal and non-market rent payments.

Initial Measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date 1 April 2024, if earlier). The leases are typically for fixed periods in excess of one year but may have extension options. The City Council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Council's incremental borrowing rate (based on the PWLB annuity rate) wherever the interest rate implicit in the lease cannot be determined.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value for a leasehold asset.

Subsequent Measurement

The right-of-use asset is subsequently measured using the fair value model. The City Council considers the cost model to be a reasonable proxy except for assets held under non-commercial leases and longer leases without provision for regular updates for market conditions. For these leases, the asset is carried at a revalued amount.

The right-of-use asset is depreciated straight-line over the shorter of the remaining lease term or the useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method.

The liability is remeasured for any reassessment or lease modifications or revised in-substance fixed lease payments. When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the Comprehensive Income and Expenditure Statement.

Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

- for low-value items that cost less than the City Council's capitalisation recognition level of £20,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a lease term shorter than 12 months

Lease expenditure
Expenditure in the Comprehensive Income and Expenditure Statement includes interest, depreciation, any asset impairments, and changes in variable lease payments not included in the measurement of the liability. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

Impact on financial statements
If IFRS16 is applied, a new line is included in the Balance Sheet called Right of Use Assets comprising both the leases in and PFI schemes. The associated liability is simply included in liabilities (like a finance lease) with the associated interest in the EFA/CIES.

(ii) Finance Leases
Under the transition arrangements to IFRS16 there are no changes to how finance leases are accounted for and disclosed, except where there are changes in the leases (e.g. change in term, increase in rent when based on an index) which result in the lease arrangements concerned coming under the accounting requirements of IFRS16. Where the leases concerned have an immaterial impact, we will continue to apply the accounting rules set out below:

Property, plant, and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the City Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant, or equipment – applied to write down the lease liability, and
- a finance charge (debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant, and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the City Council at the end of the lease period).

The City Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

(iii) Operating Leases
With the adoption of IFRS16 there are changes to how operating leases are accounted for and disclosed; however while the impact of this is immaterial, we propose continuing with the IAS17 rules.

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the services benefitting from use of the leased property, plant, or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

(b) The City Council as lessor (Leases Out)

(i) Finance Leases
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.

On recognition, where the City Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and 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. A gain, representing the City Council's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the capital receipts reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the deferred capital receipts reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

(ii) Operating Leases
Where the City Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line (trading income) in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease or where this is initiated by a service to the individual service, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

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 2029 (based on the Local Authorities (Capital Finance and Accounting) (England) Regulations 2023 (Regulation 30M) as extended by MHCLG, 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 2029. 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).

Vehicles plant & equipment are valued at historic cost which is used as a proxy for market value**.**

Investment Properties - see separate section below

Heritage assets - see separate section below

Specialised assets are included at depreciated replacement cost (DRC) if there is insufficient evidence to determine market value in existing use. DRC is used as an estimate of current value.

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

From the 1 April 2025, the Code requirements changed in respect of revaluations of Property, Plant & Equipment. Where the City Council do not have a rolling programme of revaluations in place and/or the assets are not non-property assets subject to indexation, the City Council revalue their assets every five years, with annual indexation then applied to assets during the four intervening years. Where the City Council cannot obtain indices without undue cost or effort, the City Council revalue those assets concerned using a quinquennial revaluation, with a desktop revaluation in year three.

Under CIPFA Bulletin 22 on Indexation involves using appropriate and evidence-based indices annually to keep asset values materially accurate. This annual indexation approach ensures compliance with the 2025/26 Code's expectations for authorities using a quinquennial revaluation cycle. More information on indexation can be found in Note 13(b).

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.

Asset Category	Valuation Basis
Council dwellings (HRA Council Housing Stock)	Existing use value – social housing
Other Land & Buildings	Existing use value and Depreciated Replacement Cost
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 the Ministry of Housing, Communities and Local Government. 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 when 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.

Depreciation is calculated on a straight-line basis against net book value, less any estimated residual value, over the specific asset’s estimated remaining useful economic life. No depreciation is charged in the year of acquisition or commissioning, but depreciation is charged in the year of disposal.

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.

Land is considered to have an infinite life and is therefore not depreciated.

The remaining assets lives are reviewed within the five-year revaluation programme. Example useful lives used to calculate depreciation for each category of tangible asset are as follows:

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 than ten years for some assets depending on the type of asset and nature of use.

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

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

The City Council does not undertake componentised depreciation of assets except for 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 but is borne by the HRA.

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 on types of heritage assets please 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 as determined by a combination of 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 properties which are owned solely to earn rentals and/or achieve 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 or for administrative purposes.

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 Private 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

With the adoption of IFRS16 there are changes to how PFIs are accounted for and disclosed. Where there is a change in future payments resulting from a change in an index or a rate used to determine the payments for the capital investment, the liability is remeasured to reflect those revised payments over the remainder of the contract term where it is material.

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 from the Government. The City Council transferred the land and buildings occupied by the schools under long leasehold agreements. Therefore, income, expenditure, assets, liabilities, and reserves of academies are excluded from the City Council's accounts.

Where any of the City Council's maintained schools have applied to convert to academy schools, 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 of the assets concerned. The assets of schools converting to academies continue to provide services up 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 Growth Partnership (formerly the Solent Local Enterprise Partnership (LEP)) / Maritime UK Solent Limited / Solent Cluster/ Freeport Limited

The City Council is the accountable body for nearly all the funding of the above organisations. These organisations 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 2025/26 CIPFA Code of Practice on Local Authority Accounting and subsequent CIPFA Bulletins and has not identified any new or significantly amended accounting standards that have been issued but not yet adopted by the City Council that have a material impact.

The Code for 2026/27 has further introduced changes in accounting standards and policies which will need to be adopted by the City Council in the 2026/27 financial statements. These relate to:

- Amendments to FRS 102 The Financial Reporting Standard applicable in the UK (Amendments to Heritage Assets)
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS9 and IFRS7)
- Annual Improvements to IFRS Accounting Standards - Volume 11
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS9 and IFRS7)

The Code for 2026/27 will incorporate the impact of the above changes to accounting standards and policies which will need to be adopted by the City Council in the 2026/27 financial statements. The Code requires implementation from 1 April 2026 so there is no impact on the 2025/26 financial statements.

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 2026/27 Code are to be confirmed in June 2026, when the 2026/27 Code is due to be published.

The City Council has reviewed the proposed changes referred to above and based on information currently available has not identified that any of these changes are likely to have a material impact on the City Council's financial statements.

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 set out below:

- Funding - 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.

- Service Concession Arrangements - 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 31 March 2026 was £86.9m (£101.7m at 31 March 2025). Previously, the City Council was part of a tripartite PFI arrangement for Waste Disposal services, however, this ended on 30 April 2025.

- Investment Properties versus Property Plant and Equipment - The City Council has made judgements on whether assets are classified as either Investment Property or Property, Plant and Equipment. Investment Properties are those assets which are held purely for income gain or capital appreciation, whereas Property Plant & Equipment are those assets not fitting into any of the other asset categories and used for the provision of day-to-day services. Where earning rentals are 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 as investment property. The classification used determines both the valuation method used and whether depreciation and impairments are charged to the cost of services.

- Leases - 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 further made judgements in respect of leases with regards to IFRS16, ultimately determining that there is no material impact to applying IFRS16, so has adopted but not applied IFRS16 (more on this can be found in Note 37). The judgements made as part of this assessment included:

- whether arrangements which have been entered into by the City Council meet the definition of a lease arrangement under IFRS16 or are outside scope
- whether and how transitional exemptions apply
- how the IFRS16 lease figures used are calculated, including the interest implicit in the lease.

- Voluntary Aided and Voluntary Controlled Schools - The City Council has made judgements about whether it controls voluntary aided and voluntary controlled schools. The City Council does not own the school assets but instead is given permission to use these by the respective Governing Bodies. These Governing Bodies are also responsible for any capital works. The City Council does not have access to any sale proceeds if the assets are 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 school assets and has therefore has not included the assets on the City Council's balance sheet.

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

The preparation of the 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 set out below:

Item	**Uncertainties**	**Effect if Actual Results Differ from Assumptions**
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual assets. The current economic climate makes it uncertain that the City Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. Assets held at Existing Use Value or Depreciated Replacement Cost are valued on a five-year rolling basis, supported by indexation adjustments in years where assets are not valued. Where the City Council is unable to obtain a suitable index, a desktop revaluation of the asset is carried out in year three of the five-year cycle..	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings (excluding council dwellings) would increase by approximately £31.8m for every year that useful lives had to be reduced (subject to assets reaching the end of their respective asset lives). Based on the assets that were valued in the year as part of the five-year rolling revaluation programme, the average increase in the value of assets was 15.5%. For those assets where indexation was applied, the average increase in the value of assets was 2.11%. While there is a difference in the average valuation movements between actual revaluations and indexation, it is important to note that revaluations and indexation are not directly comparable for the following reasons: - Indexation changes reflect market trends within a defined geographical area and property type - Revaluations though, are specific to the particular asset and take account of multiple factors including capital spend, changes in specific tenancy agreements, any income earned over the period being assessed for the specific asset, condition of the asset, specific location, any changes in the valuation basis/methodology or assumptions used, as well as market trends. Therefore, it is unlikely that these two approaches would produce comparable results, unless the assets concerned are similar in all respects. If the valuation percentage was applied to the assets valued using indexation, this would increase their Balance Sheet value by £46.6m, compared to an indexation increase of £10.8m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value Measurements	When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e., Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the City Council's assets and liabilities. Where level 1 inputs are not available, the City Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value. For example, for investment properties, Royal Institute of Chartered Surveyors (RICS) qualified valuers.	The City Council has financial instrument liabilities with a fair value of £649.5m and financial instrument assets of £306.1m. (Note 17d). Lakeside North Harbour Business Park was valued at £110.7m at 31 March 2026, and the investment property portfolio was valued at £154.3m. (Note 16) 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). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.
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 £9.0m (£11.2m in 24/25). While the effects on the net pension liability of changes in any of the individual assumptions mentioned can be measured, the assumptions used are reviewed by the actuary each year and interact in complex ways. See sensitivity analysis information in Note 39.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 £20.1m, of which £4.7m (24%) was beyond 60 days past its due date. 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, and there was a doubling of the amount of doubtful debts then this would require an additional £37.3m to set aside as an allowance for sundry debtors alone.
Non-Domestic Rates	In 2025/26 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. For the remaining 2017 list appeals, the City Council has based its final 25/26 provision balance on the information provided by Analyse Local (a specific provider of this service). The 2023 list provision is also based on Analyse Local's latest estimate of the potential impact of appeals on the City Council's collectable rates. Now that the list is closed for new appeals, the information from Analyse Local is the most accurate data available to base the provision on. On the basis of the information above, the City Council has made a provision of £2.7m for 2025/26 for its share of the Collection Fund provision of £5.6m.	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
Inseparable Service Concessions Including Private Finance Initiative (PFI) Schemes	The City Council has one inseparable service concession arrangement at 31 March 2026 to provide highways maintenance. Under this arrangement the City Council was due to pay £34.4m in 2025/26 for highways maintenance. This arrangement gave rise to estimated liabilities at 31 March 2026 of £46.4m. The payments made by the City Council under this arrangement covers operating and maintenance costs, lifecycle replacement costs, and the interest and principal repayment costs associated with the provision of assets. Under this arrangement 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 this arrangement is known, the effect of this arrangement 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

There have been no prior period adjustments made this year, as there have been no changes which require material restatements of the prior year figures.

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Deputy Director of Finance on behalf of the Director of Finance & Resources (Section 151 Officer) on 23 June 2026. 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 31 March 2026, 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

2024/25	**Adjustments for Capital Purposes (1)**	**Net Changes for Pension Adjustments (2)**	**Other Differences (3)**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
Portfolios:				
Central Services	2,360	56	70	2,486
Children, Families & Education	3,461	91	743	4,295
Climate Change & Greening the City	-	-	1	1
Community Safety Leisure and Sport	1,796	14	49	1,859
Community Wellbeing, Health & Care	252	48	58	358
Culture, Regeneration and Economic Development	4,624	10	5	4,639
Environmental Services	1,397	7	29	1,433
Housing and Tackling Homelessness	(4,873)	9	4	(4,860)
Leader	6,155	6	(1)	6,160
Licensing	-	1	2	3
Planning Policy & City Development	-	3	6	9
Port	3,822	(19)	12	3,815
Transport	6,970	17	(6)	6,981
	25,964	243	972	27,179
Non-portfolio - HRA	(49,604)	48	(26)	(49,582)
Non-portfolio - Other	(19,286)	(1,827)	4,686	(16,427)
Net Cost of Services	**(42,926)**	**(1,536)**	**5,632**	**(38,830)**
Other Income & Expenditure from the Funding Analysis	(12,690)	578	532	(11,580)
Difference between GF/HRA (surplus)/deficit and CIES (surplus)/deficit	**(55,616)**	**(958)**	**6,164**	**(50,410)**

Adjustments from GF/HRA to arrive at CIES amounts

2025/26	**Adjustments for Capital Purposes (1)**	**Net Changes for Pension Adjustments (2)**	**Other Differences (3)**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
Portfolios:				
Central Services	6,702	(1,155)	158	5,705
Children, Families & Education	(901)	(1,817)	(203)	(2,921)
Climate Change & Greening the City	18	(2)	(2)	14
Community Safety Leisure and Sport	1,666	(277)	41	1,430
Community Wellbeing, Health & Care	(136)	(996)	143	(989)
Culture, Regeneration and Economic Development	1,637	(211)	34	1,460
Environmental Services	1,565	(152)	18	1,431
Housing and Tackling Homelessness	954	(207)	45	792
Leader	10,289	(94)	1	10,196
Licensing	-	(15)	3	(12)
Planning Policy & City Development	-	(62)	9	(53)
Port	3,470	(292)	63	3,241
Transport	7,995	(363)	74	7,706
	33,259	(5,643)	384	28,000
Non-portfolio - HRA	42,377	(1,005)	56	41,428
Non-portfolio - Other	(4,850)	(593)	1,171	(4,272)
Net Cost of Services	**70,786**	**(7,241)**	**1,611**	**65,156**
Other Income & Expenditure from the Funding Analysis	(72,675)	(8,592)	(327)	(81,594)
Difference between GF/HRA (surplus)/deficit and CIES (surplus)/deficit	**(1,889)**	**(15,833)**	**1,284**	**(16,438)**

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:

2024/25 Income from Services £000	Portfolios:	2025/26 Income from Services £000
(9,935)	Central Services	(9,874)
(9,184)	Children, Families & Education	(8,449)
(51)	Climate Change & Greening the City	(80)
(5,794)	Community Safety Leisure and Sport	(10,836)
(33,652)	Community Wellbeing, Health & Care	(34,854)
(5,682)	Culture Regeneration and Economic Development	(6,142)
(2,668)	Environmental Services	(2,226)
(7,953)	Housing and Tackling Homelessness	(6,464)
(33,164)	Leader	(34,753)
(1,107)	Licensing	(1,198)
(1,053)	Planning Policy & City Development	(1,459)
(22,638)	Port	(26,148)
(14,792)	Transport	(17,019)
(147,673)		(159,502)
(111,778)	Housing Revenue Account	(115,404)
(898)	Other	(616)
(260,349)		(275,522)

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 the 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 as in this disclosure. For example; Grants and Other Contributions are not included in this disclosure, but they 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:

	2024/25 £000	2025/26 £000
Expenditure		
Employee benefits expenses	225,646	220,004
Other services expenses	462,381	509,868
Depreciation, amortisation, impairment, revaluations	(2,783)	52,837
Interest payments	28,367	26,616
Precepts and levies	203	233
Loss on the disposal of assets	46,478	13,168
Investment property expenditure and decreases in fair value	1,753	1,181
Trading expenses	13,570	30,738
Total expenditure	**775,615**	**854,645**
Income		
Fees, charges and other service income	(227,459)	(240,633)
Interest and investment income	(17,636)	(13,284)
Income from council tax and non-domestic rates	(169,913)	(178,818)
Government grants and contributions	(384,074)	(427,656)
Gain on disposal of assets	(1,638)	(3,201)
Investment property income and changes in fair value	(14,613)	(12,503)
Trading income	(23,869)	(24,758)
Total Income	**(839,202)**	**(900,853)**
(Surplus) or Deficit on the Provision of Services	**(63,587)**	**(46,208)**

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:

2024/25	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)	1,083	(124)	-	-	-
- 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)	(74,855)	49,231	(26,805)	(4,194)	(45,441)
- Other Adjustments to Revenue Resources	(5,723)	1,518	(1,492)	-	-
Total Adjustment to Revenue Resources	**(79,495)**	**50,625**	**(28,297)**	**(4,194)**	**(45,441)**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	-	-	-	-	-
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	49,012	3,073	-	-	(52,085)
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	12,339	-	-	2,207	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	15,084	240	-	-	-
Total Adjustments between Revenue and Capital Resources	**76,435**	**3,313**	**-**	**2,207**	**(52,085)**
Adjustments to Capital Resources					
Use of Major Repairs Reserve to finance capital expenditure	-	-	17,237	-	-
Application of capital receipts to finance capital expenditure	-	-	-	9,527	-
Application of capital grants to finance capital expenditure	-	-	-	-	106,458
Application of City Deal Grant to finance capital expenditure	-	-	-	-	-
Other adjustments to capital resources	(466)	-	-	(4,180)	-
Total Adjustments to Capital Resources	**(466)**	**-**	**17,237**	**5,346**	**106,458**
Adjustments between accounting basis & funding basis under regulations	**(3,526)**	**53,938**	**(11,060)**	**3,360**	**8,933**

2025/26	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)	13,555	2,280	-	-	-
- 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)	(52,858)	(41,808)	(28,361)	(9,036)	(38,775)
- Other Adjustments to Revenue Resources	(1,067)	1,890	(1,947)	-	-
Total Adjustment to Revenue Resources	**(40,370)**	**(37,638)**	**(30,308)**	**(9,036)**	**(38,775)**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	-	-	-	-	-
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	73,918	6,709	-	-	(80,628)
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	16,031	-	-	2,045	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(2,968)	603	-	-	-
Total Adjustments between Revenue and Capital Resources	**86,981**	**7,312**	**-**	**2,045**	**(80,628)**
Adjustments to Capital Resources					
Use of Major Repairs Reserve to finance capital expenditure	-	-	23,431	-	-
Application of capital receipts to finance capital expenditure	-	-	-	11,064	-
Application of capital grants to finance capital expenditure	-	-	-	-	119,921
Application of City Deal Grant to finance capital expenditure	-	-	-	-	-
Other adjustments to capital resources	153	-	-	(2,417)	-
Total Adjustments to Capital Resources	**153**	**-**	**23,431**	**8,647**	**119,921**
Adjustments between accounting basis & funding basis under regulations	**46,764**	**(30,326)**	**(6,877)**	**1,656**	**518**

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 2025/26. The "Other" balance relates to reserves that have in-year transactions or balances less than £7m and are held for a variety of reasons.

	Balance at 31 March 2025 £000	Op Adj (to) / from 2025/26* £000	Balance at 31 March 2025 £000	Transfers (to) / from 2025/26 £000	Balance at 31 March 2026 £000
General Fund					
Earmarked for Capital Purposes	(60,515)		(60,515)	(10,931)	(71,446)
Medium Term Resource Strategy Reserve	(21,387)		(21,387)	(13,146)	(34,533)
City Deal Reserves	(18,960)		(18,960)	(525)	(19,485)
Combined Highways Maintenance Reserves	(41,694)		(41,694)	5,547	(36,147)
Portfolio Reserves	(5,363)		(5,363)	(3,294)	(8,657)
Lakeside Maintenance Reserve	(7,688)		(7,688)	(655)	(8,343)
Business Rates Reserves	(8,710)		(8,710)	-	(8,710)
Property Investment Reserve	-	(6,391)	(6,391)	(1,324)	(7,715)
Other	(62,776)	6,391	(56,385)	(5,513)	(61,898)
	(227,092)	**-**	**(227,092)**	**(29,841)**	**(256,933)**
Housing Revenue Account Capital Reserve	(295)		(295)	24	(271)
Total	**(227,387)**	**-**	**(227,387)**	**(29,817)**	**(257,204)**

* The 2024/25 comparator information has been represented. The underlying information has not changed and there is no change to the total earmarked reserves.

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 Reserves - 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. The combined reserve includes the PFI Highways Inflation Reserve, Highways maintenance Reserve and Highways PFI Reserve.

Portfolio Reserves - These reserves provide a mechanism to allow underspending by portfolios in 2025/26 and previous years to be carried forward into 2026/27.

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

Business Rates Reserve - This reserve is used to mitigate against potential losses in business rates income.

Property Investment Reserve - This reserve is used to mitigate the risk of extended void periods and associated costs.

Lakeside Maintenance Reserve - This reserve is used for either planned or unplanned maintenance to Lakeside's structure or services that cannot be recovered through the Service Charge.

11. Notes to the Comprehensive Income & Expenditure Statement

(a) Other Operating Expenditure

2024/25 £000		2025/26 £000
44,840	(Gain)/Loss on the disposal of Non-Current Assets	9,967
(884)	Miscellaneous Operating Income and Expenditure	359
43,956		**10,326**

Note - The high loss on disposal in 2024/25 is primarily due to the transfer of Mayfield Secondary School to academy status. There was no equivalent transfer in 2025/26.

(b) Financing & Investment Income and Expenditure

2024/25 £000			2025/26 £000
27,836	Interest payable and similar charges		26,943
(17,104)	Interest & investment income		(13,611)
578	Net pension interest on defined benefit (asset)/liability	39	(8,592)
(10,299)	(Surplus)/deficit on trading undertakings & other operations		5,980
(12,860)	Income, expenditure and changes in the fair value of investment properties	16	(11,322)
(11,849)			**(602)**

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

2024/25 £000			2025/26 £000
(102,822)	Income from council tax	33	(107,040)
(48,959)	Non Ring Fenced government grants	33	(57,967)
(52,085)	Capital grants & contributions	33	(80,628)
(67,091)	Retained non-domestic rates	33	(71,778)
(270,957)			**(317,413)**

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

12(a) - Movements on Balances: Comparative Movements in 2024/25

	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 2024	**809,554**	**635,942**	**82,226**		**3,453**	**8,461**	**295,654**	**1,835,290**	**275,786**	**2,111,076**
Opening adjustment	-	-	-		-	-	-	-	-	-
Revised as at 1st April 2024	**809,554**	**635,942**	**82,226**		**3,453**	**8,461**	**295,654**	**1,835,290**	**275,786**	**2,111,076**
Additions	4,371	899	533		-	-	98,383	104,186	220	104,406
Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve	23,845	54,472	(1,490)		-	(5,767)	-	71,060	16,480	87,540
Disposals	(2,716)	(47,012)	(11,241)		-	-	-	(60,969)	-	(60,969)
Reclassifications from Assets Under Construction	2,950	7,224	1,773		-	328	(16,770)	(4,495)	1,301	(3,194)
Reclassifications between categories	-	2,800	-		-	-	-	2,800	(2,800)	-
At 31st March 2025	**838,004**	**654,325**	**71,801**		**3,453**	**3,022**	**377,267**	**1,947,872**	**290,987**	**2,238,859**
Accumulated Depreciation and Impairment										
At 1st April 2024	**-**	**(11,338)**	**(44,864)**		**(65)**	**-**	**-**	**(56,267)**	**(6,905)**	**(63,172)**
Opening adjustment	-	-	-		-	-	-	-	-	-
Revised as at 1st April 2024	**-**	**(11,338)**	**(44,864)**		**(65)**	**-**	**-**	**(56,267)**	**(6,905)**	**(63,172)**
Depreciation Charge in Year	(26,805)	(18,237)	(4,519)		(12)	(79)	-	(49,652)	(819)	(50,471)
Depreciation written out on revaluation	26,714	13,426	736		-	79	-	40,955	83	41,038
Impairment losses/(reversals) to SDPS and/or Revaluation Reserve	-	-	-		-	-	-	-	-	-
Disposals	91	510	11,192		-	-	-	11,793	-	11,793
Reclassifications from Assets Under Construction	-	-	-		-	-	-	-	-	-
Reclassifications between categories	-	-	-		-	-	-	-	-	-
At 31st March 2025	**-**	**(15,639)**	**(37,455)**		**(77)**	**-**	**-**	**(53,171)**	**(7,641)**	**(60,812)**
Net Book Value										
At 1st April 2024	**809,554**	**624,604**	**37,362**		**3,388**	**8,461**	**295,654**	**1,779,023**	**268,881**	**2,047,904**
At 31st March 2025	**838,004**	**638,686**	**34,346**		**3,376**	**3,022**	**377,267**	**1,894,701**	**283,346**	**2,178,047**

Note 1 - The Other Asset Category column includes investment properties (see also note 16), heritage assets (see also note 15), intangible assets (£0.4m) and assets held for sale (£0.5m).

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 (now extended by MHCLG to 2029), 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 Note 12 plus the infrastructure assets and the Balance Sheet.

Infrastructure - In year Movement

	2023/24 £000	2024/25 £000
Net Book Value (Modified Historic Cost)		
At 1st April	**222,923**	**223,502**
Additions	8,183	7,554
Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve	(7,966)	(138)
Disposals	-	-
Reclassifications from Assets Under Construction	8,971	3,194
Reclassifications between categories	-	-
Depreciation Charge in Year	(8,609)	(8,797)
At 31st March	**223,502**	**225,315**

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

	2023/24 £000	2024/25 £000
Infrastructure Assets	223,502	225,315
Other PPE Assets	1,779,023	1,894,701
PPE Assets per Balance Sheet	2,002,525	2,120,016
Non-PPE Assets	268,882	283,345
	2,271,407	2,403,361

12(a) - Movements on Balances: Comparative Movements in 2025/26

	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 2025	**838,004**	**654,325**	**71,801**		**3,453**	**3,022**	**377,267**	**1,947,872**	**290,987**	**2,238,859**
Opening adjustment	-	(1,747)	-		-	1,747	-	-	-	-
Revised as at 1st April 2025	**838,004**	**652,578**	**71,801**		**3,453**	**4,769**	**377,267**	**1,947,872**	**290,987**	**2,238,859**
Additions	20,718	1,802	1,348		-	-	106,726	130,594	71	130,665
Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve	(72,872)	38,089	(279)		(48)	(23)	-	(35,133)	1,584	(33,549)
Indexation	-	(4,850)	-		-	-	-	(4,850)	-	(4,850)
Disposals	(6,023)	(9,763)	(20,900)		-	-	-	(36,686)	(1,834)	(38,520)
Reclassifications from Assets Under Construction	38,086	11,592	2,276		-	-	(97,514)	(45,560)	5,337	(40,223)
Reclassifications between categories	-	(13,118)	-		-	13,118	-	-	0	-
At 31st March 2026	**817,913**	**676,330**	**54,246**		**3,405**	**17,864**	**386,479**	**1,956,237**	**296,145**	**2,252,382**
Accumulated Depreciation and Impairment										
At 1st April 2025	**-**	**(15,639)**	**(37,455)**		**(77)**	**-**	**-**	**(53,171)**	**(7,641)**	**(60,812)**
Opening adjustment	-	-	-		-	-	-	-	-	-
Revised as at 1st April 2025	**-**	**(15,639)**	**(37,455)**		**(77)**	**-**	**-**	**(53,171)**	**(7,641)**	**(60,812)**
Depreciation Charge in Year	(28,361)	(17,583)	(4,436)		(11)	(35)	-	(50,426)	(378)	(50,804)
Depreciation written out on revaluation	28,156	32,047	55		-	35	-	60,293	99	60,392
Impairment losses/(reversals) to SDPS and/or Revaluation Reserve	-	-	-		-	-	-	-	-	-
Disposals	205	1,175	16,003		-	-	-	17,383	1,834	19,217
Reclassifications from Assets Under Construction	-	-	-		-	-	-	-	-	-
Reclassifications between categories	-	-	-		-	-	-	-	-	-
At 31st March 2026	**-**	**-**	**(25,833)**		**(88)**	**-**	**-**	**(25,921)**	**(6,086)**	**(32,007)**
Net Book Value										
At 1st April 2025	**838,004**	**638,686**	**34,346**		**3,376**	**3,022**	**377,267**	**1,894,701**	**283,346**	**2,178,047**
At 31st March 2026	**817,913**	**676,330**	**28,413**		**3,317**	**17,864**	**386,479**	**1,930,316**	**290,059**	**2,220,375**

Note 1 - The Other Asset Category column includes investment properties (see also note 16), heritage assets (see also note 15), intangible assets (£0.5m) and assets held for sale (£0.5m).

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 (now extended by MHCLG to 2029), 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 Note 12 plus the infrastructure assets and the Balance Sheet.

Infrastructure - In year Movement

	2024/25 £000	2025/26 £000
Net Book Value (Modified Historic Cost)		
At 1st April	**223,502**	**225,315**
Additions	7,554	-
Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve	(138)	(756)
Disposals	-	-
Reclassifications from Assets Under Construction	3,194	40,223
Reclassifications between categories	-	-
Depreciation Charge in Year	(8,797)	(9,337)
Depreciation written out on revaluation	-	-
At 31st March	**225,315**	**255,445**

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

	2024/25 £000	2025/26 £000
Infrastructure Assets	225,315	255,445
Other PPE Assets	1,894,701	1,930,316
PPE Assets per Balance Sheet	2,120,016	2,185,761
Non-PPE Assets	283,345	290,059
	2,403,361	**2,475,820**

12(b) - A Summary of Capital Expenditure

The following note shows a summary of capital expenditure during the financial year for the different categories of non-current assets plus the sources of financing for this expenditure.

2024/25	**Borrowing**	**Capital Receipts**	**General Fund Reserves**	**Grants & Contributions Applied**	**Housing Revenue Account Reserves**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Acquisition of Land & Existing Buildings	5,532	329	712	2,077	-	**8,650**
New Construction, Conversion & Renovation	5,454	1,061	11,586	58,488	17,330	**93,920**
Vehicles			91	62		**153**
Plant Furniture & Equipment	6,434		1,087	218	101	**7,841**
Intangible Fixed Assets			1,175	173	49	**1,397**
Additions to Non-Current Assets	**17,420**	**1,390**	**14,651**	**61,018**	**17,481**	**111,960**
REFCUS		8,136	174	45,441	(3)	**53,747**
Grants, of which to other Local Authorities						**-**
Loans or Other Financial Assistance			94			**94**
Acquisition of Share or Loan						**-**
Total Expenditure	**17,420**	**9,526**	**14,920**	**106,458**	**17,478**	**165,802**

2025/26	**Borrowing**	**Capital Receipts**	**General Fund Reserves**	**Grants & Contributions Applied**	**Housing Revenue Account Reserves**	**Total**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Acquisition of Land & Existing Buildings	16,828	108	226	2,250	-	**19,412**
New Construction, Conversion & Renovation	8,392	2,426	(4,790)	84,500	23,668	**114,196**
Vehicles	44	-	80	-	-	**124**
Plant Furniture & Equipment	913	-	678	(5,612)	190	**(3,831)**
Intangible Fixed Assets			472	8	176	**656**
Additions to Non-Current Assets	**26,177**	**2,534**	**(3,334)**	**81,146**	**24,034**	**130,557**
REFCUS	-	8,530	322	38,775	-	**47,626**
Grants, of which to other Local Authorities	-	-	-	-	-	**-**
Loans or Other Financial Assistance	3,480	-	24	-	-	**3,504**
Acquisition of Share or Loan	-	-	-	-	-	**-**
Total Expenditure	**29,657**	**11,064**	**(2,988)**	**119,921**	**24,034**	**181,688**

Academy Conversions

As at 31 March 2026, no schools have applied to become an academy school during the 2026/27 financial year.

Capital Commitments

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

13. Revaluations of Tangible Non-Current Assets

a) Revaluations

The City Council carries out a rolling programme of valuations which ensures that all Property, Plant & Equipment, required to be measured at current value, is revalued every five years. The exceptions to this are council dwellings, investment properties, and surplus assets which are revalued annually. In the years between the quinquennial revaluatons, assets held at current value are indexed - see section 13(b) for more information on indexation of assets.

All valuations have been conducted by Royal Institute of Chartered Surveyors (RICS) qualified staff from either the City Council's Property and Housing Service or external providers (Avison Young and Wilks Head & Eve LLP) in accordance with the latest practice statements and guidance notes published by RICS. The assets revalued in year are valued as at 31 March 2026.

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 Note 1
- 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 last 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
2025/26	817,913	364,334	-	-	-	17,864	154,314	519	-	1,354,944
2024/25	-	147,211	-	-	-	-	-	-	-	147,211
2023/24	-	105,130	-	-	-	-	-	-	-	105,130
2022/23	-	48,853	-	-	-	-	-	-	-	48,853
2021/22	-	-	-	-	-	-	-	-	-	-
Impact of Indexation	-	10,802	-	-	-	-	-	-	-	10,802
Valued at Historic Cost	-	-	28,413	255,445	3,317	-	-	-	386,479	673,654
	817,913	**676,330**	**28,413**	**255,445**	**3,317**	**17,864**	**154,314**	**519**	**386,479**	**2,340,594**

b) Indexation

The City Council has applied indexation to assets held at revalued amount but not revalued in 2025/26 in accordance with the 2025/26 Code requirements and CIPFA Bulletin 22 guidance. Indexation has been calculated using asset groupings to ensure a consistent and proportionate approach, including categorising assets into land and buildings, with buildings further segmented by use (residential, industrial, office, retail and mixed-use).

- For assets valued on a depreciated replacement cost (DRC) basis, the Building Cost Information Service (BCIS) all-in Tender Price Index has been applied as per the CIPFA guidance.
- For land assets, the City Council has derived an index based on the average movement in land values observed across the City Council's assets revalued during the 2024/25 financial year.
- For other building categories valued on an existing use value basis, sector-specific indices from the CoStar Group have been applied using South Coast data.

The City Council considers that the indices selected and methodology applied provide a reasonable estimate of movements in current value, recognising that indexation is an approximation rather than a full valuation.

The table below shows the actual percentage change for each asset type which when combined comprises the overall average indexation increase of 2.11%.

Category	Average Percentage change
Industrial	2.17%
Office	-0.44%
Retail	2.31%
Mixed/Other	0.98%
Residential	-0.71%
DRC	3.48%
Land	7.00%
Average	2.11%

In line with CIPFA guidance, the indexation calculated has been applied to the in-year carrying value and has been accounted for like any other valuation gains or losses through the revaluation reserve or surplus/deficit on provision of services in the CIES as appropriate. As with revaluations, the accumulated depreciation is eliminated against the gross carrying value of the asset (elimination method).

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	2026/27 £'000s	2027/28 £'000s	2028/29 £'000s	2029/30 £'000s	2030/31 £'000s	Later £'000s
Central Services	5,627	4,996	6,839	1,849	2,939	-
Children, Families & Education	9,975	5,798	-	-	-	-
Climate Change & Greening the City	250	16,793	-	-	-	-
Community Safety, Leisure & Sport	17,192	7,421	500	-	-	-
Community Wellbeing	2,550	9,282	5,266	292	-	-
Culture, Regeneration & Economic Development	34,116	36,440	10,656	-	-	-
Environmental Services	2,084	5,082	20,419	17,500	708	-
Leader	55,532	15,044	16,143	16,143	1,394	-
Commercial Port	10,100	23,023	11,000	6,150	-	-
Planning, Policy & City Development	99	-	-	-	-	-
Transport	40,409	9,784	4,654	919	-	-
Housing Investment Programme	122,707	119,134	79,697	47,940	26,731	30,249
Total Capital Programme	**300,640**	**252,798**	**155,174**	**90,793**	**31,771**	**30,249**

b) Contractual Commitments

As at 31 March 2026, the City Council had entered contracts for the construction or enhancement of Property, Plant & Equipment in 2026/27 and in future years. The significant capital contracts identified as at 31 March 2026 and the committed amounts outstanding on these are set out in the table below:

Capital Contracts	£'000
Southsea Coastal Defences	23,754
Trafalgar school works to increase capacity for additional Secondary pupils	2,951
North Portsea Island Sea Defence Coastal Scheme	1,988
Wingfield Street & Westminster Place	1,637
Battenburg Family Centre	1,440
Handsworth House Sprinklers	1,333
Rosalyn House replacement of façade units	1,013
Warden Call System Phase 2	723
Low Carbon Energy - Lakeside Solar PV	609
ShorePower	551

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

15. Heritage Assets

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 tables below.

Movements on Heritage Asset Balances in 2024/25

2024/25	Heritage Categories				
	Museum Collections £000	Historic Buildings £000	Archives £000	Others £000	Total £000
Cost or Valuation					
Cost or Valuation as at 1st April 2024	20,941	76,620	11,843	8,505	117,909
Opening Adjustment(s)	-	-	-	-	-
Revised Cost or Valuation as at 1st April 2024	20,941	76,620	11,843	8,505	117,909
Additions / Donations	-	-	-	-	-
Revaluation increases/(decreases) to CIES:	-	(23)	-	-	(23)
Revaluation increases/(decreases) to Revaluation Reserve:	-	11,268	-	1,062	12,330
Disposals	-	-	-	-	-
Reclassifications:	-	121	-	-	121
Cost or Valuation as at 31st March 2025	**20,941**	**87,986**	**11,843**	**9,567**	**130,337**
Accumulated Depreciation and Impairment					
Depreciation and Impairment as at 1st April 2024	-	2	-	(2)	-
Opening adjustment	-	-	-	-	-
Revised Depreciation and Impairment as at 1st April 2024	-	2	-	(2)	-
Depreciation Charge in Year:	-	(83)	-	-	(83)
Depreciation written out on revaluation:	-	83	-	-	83
Disposals	-	-	-	-	-
Impairment losses/(reversals) to CIES:	-	-	-	-	-
Impairment losses/(reversals) to Revaluation Reserve:	-	-	-	-	-
Depreciation and Impairment as at 31st March 2025	**-**	**2**	**-**	**(2)**	**-**
Net Book Value					
At 1st April 2024	**20,941**	**76,622**	**11,843**	**8,503**	**117,909**
At 31st March 2025	**20,941**	**87,988**	**11,843**	**9,565**	**130,337**

Movements on Heritage Asset Balances in 2025/26

2025/26	Heritage Categories				
	Museum Collections	Historic Buildings	Archives	Others	Total
	£000	£000	£000	£000	£000
Cost or Valuation					
Cost or Valuation as at 1st April 2025	20,941	87,986	11,843	9,567	130,337
Opening Adjustment(s)	-	-	-	-	-
Revised Cost or Valuation as at 1st April 2025	20,941	87,986	11,843	9,567	130,337
Additions / Donations	-	-	-	-	-
Revaluation increases/(decreases) to CIES:	-	-	-	-	-
Revaluation increases/(decreases) to Revaluation Reserve:	59	4,234	-	97	4,390
Disposals	-	-	-	-	-
Reclassifications:	-	-	-	-	-
Cost or Valuation as at 31st March 2026	**21,000**	**92,220**	**11,843**	**9,664**	**134,727**
Accumulated Depreciation and Impairment					
Depreciation and Impairment as at 1st April 2025	-	2	-	(2)	-
Opening adjustment	-	-	-	-	-
Revised Depreciation and Impairment as at 1st April 2025	-	2	-	(2)	-
Depreciation Charge in Year:	-	(99)	-	-	(99)
Depreciation written out on revaluation:	-	99	-	-	99
Disposals	-	-	-	-	-
Impairment losses/(reversals) to CIES:	-	-	-	-	-
Impairment losses/(reversals) to Revaluation Reserve:	-	-	-	-	-
Depreciation and Impairment as at 31st March 2026	**-**	**2**	**-**	**(2)**	**-**
Net Book Value					
At 1st April 2025	**20,941**	**87,988**	**11,843**	**9,565**	**130,337**
At 31st March 2026	**21,000**	**92,222**	**11,843**	**9,662**	**134,727**

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	**2024/25 £000**	**2025/26 £000**
Gross Income from Investment Property	(9,186)	(10,318)
Gross Expenditure relating to Investment Property	1,752	1,181
Net Income from Investment Property	(7,434)	(9,137)

The figures above relate to those properties meeting the definition of investment properties (namely held solely for income gain or capital appreciation excluding those used for delivery of services or furthering City Council objectives) and therefore 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.

Movement in the Fair Value of Investment Properties		
	2024/25	**2025/26**
	£000	**£000**
Cost or Valuation		
Balance at 1st April	149,503	152,129
Opening Adjustments	-	-
Revised Balance at 1st April	149,503	152,129
Additions - Purchases	-	-
Revaluation increases/(decreases) to I&E and/or Revaluation Reserve	5,426	2,185
Disposals	-	-
Reclassifications from Investment Property Assets under Construction	-	-
Reclassifications from/(to) other asset categories	(2,800)	-
Balance at 31st March	**152,129**	**154,314**
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	**149,503**	**152,129**
Net Book Value at end of year	**152,129**	**154,314**

Reconciliation with CIES		
	2024/25	**2025/26**
	£000	**£000**
Net income from Investment Property	(7,434)	(9,137)
Revaluation (increases)/decreases to I&E and/or Revaluation Reserve	(5,426)	(2,185)
	(12,860)	**(11,322)**
Less Revaluation increases/(decreases) through Revaluation Reserve	-	-
Entry in CIES	**(12,860)**	**(11,322)**

Fair Value Hierarchy

The City Council's investment properties are all held at level 2 under the fair value hierarchy; namely the valuations are 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 of the fair value hierarchy 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 City Council 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 2025/26.

Disposals of Investment Properties

There were no Investment Properties disposed of during 2025/26.

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 2025 £000	**31 March 2026 £000**	**31 March 2025 £000**	**31 March 2026 £000**	**31 March 2026 £000**
Financial Assets					
Amortised Cost - Investments	18,688	41,432	195,989	112,410	153,842
Amortised Cost - Debtors	31,377	31,590	65,060	55,595	87,185
Amortised Cost - Cash Equivalents	-	-	30,058	56,863	56,863
Total financial assets carried at amortised cost	50,065	73,022	291,107	224,868	297,890
Fair value through profit and loss - Investments	4,269	4,595	-	-	4,595
Fair value through other comprehensive income - Designated equity instruments	3,765	4,000	-	-	4,000
Total Financial Assets	**58,099**	**81,617**	**291,107**	**224,868**	**306,485**
Financial Liabilities					
Amortised Cost - Borrowings	(731,184)	(713,827)	(19,616)	(25,471)	(739,298)
Amortised Cost - Creditors	-	-	(108,652)	(78,134)	(78,134)
Total Financial Liabilities	**(731,184)**	**(713,827)**	**(128,268)**	**(103,605)**	**(817,432)**

At 31 March 2026, the City Council held equity shares in Portico, Ravelin Housing, HCB Holding Ltd 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 2025/26. For more detail see table below:

Description	**Nominal**	**Fair Value**	**Change in fair value during 2025/26**
	£000	**£000**	**£000**
Portico Ltd	2,027	5,779	264
HCB Holding Ltd	3,750	-	-
UK Municipal Bonds Agency Plc	150	150	-
Ravelin Housing Ltd	-	(1,929)	(29)

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:

	2024/25 Surplus or Deficit on the Provision of Services £000	2024/25 Other Comprehensive Income and Expenditure £000	2025/26 Surplus or Deficit on the Provision of Services £000	2025/26 Other Comprehensive Income and Expenditure £000
Net (gains) / losses on:				
Financial assets measured at fair value through profit or loss	(17)	-	(327)	-
Investments in equity instruments designated at fair value through other comprehensive income	-	1,614	-	(215)
Financial assets measured at amortised cost	1,230	-	1,007	-
Total net (gains) / losses	**1,213**	**1,614**	**680**	**(215)**
Financial assets measured at amortised cost	(18,052)	-	(13,904)	-
Financial assets measured at fair value through profit or loss	-	-	(327)	-
Total Interest Revenue	**(18,052)**	**-**	**(14,231)**	**-**
Interest Expense	**28,079**	**-**	**27,563**	**-**

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 31/3/25 £000**	**As at 31/3/26 £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	4,269	4,595
Fair Value through Other Comprehensive Income				
Equity shareholding in Portico Ltd	Level 2 (Other significant observable inputs)	Net Worth	5,515	5,779
Equity shareholding in HCB Ltd	Level 2 (Other significant observable inputs)	Net Worth	-	-
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	(1,900)	(1,929)
Total			**3,765**	**4,000**

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 (as 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 2025		31 March 2026	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Borrowing	(674,837)	(528,114)	(665,534)	(508,083)
Service Concessions and Finance Lease	(75,963)	(70,052)	(73,764)	(63,290)
Other Creditors	(108,652)	(108,652)	(78,134)	(78,134)
Total	**(859,452)**	**(706,818)**	**(817,432)**	**(649,507)**

The fair value shown in the table above represents the cost of settling the City Council's liabilities. To settle 89% 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 2025		31 March 2026	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Investments	244,735	242,301	210,705	211,231
Debtors	96,437	102,747	87,185	94,862
Total	**341,172**	**345,048**	**297,890**	**306,093**

The fair value and the carrying amount of the City Council's portfolio of investments this year is broadly similar to previous years, 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 2024/25.

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.

£442.1m of the fair value of borrowing at 31 March 2026 (£466.1m at 31 March 2025) represents loans from the Public Works Loans Board (PWLB). The fair value of PWLB loans of £442.1m 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 £603.2m at 31 March 2026 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 £603.2m would be valued at £382.6m. 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 £161.8m, based on the redemption interest rates. The exit price for the PWLB loans including the discount would be £442.1m.

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

Financial Assets	**Financial Liabilities**
- no early repayment or impairment is recognised - estimated ranges of interest rates at 31 March 2026 of 3.70% to 4.65% for loans receivable, based on new lending rates for equivalent loans at that date - the fair value of trade and other receivables is taken to be invested at the billed amount	- no early repayment is recognised - estimated ranges of interest rates at 31 March 2026 of 4.28% to 6.30% for loans payable based on PWLB discount rates or 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 considering 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 31 March 2026 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 considered to be extremely low.

	Amount at 31 March 2026 (Net of bad debt provision)	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March 2026	Estimated Maximum Exposure to Default & Uncollectability at 31 March 2026	Estimated Maximum Exposure to Default & Uncollectability at 31 March 2025
	£000	%	%	£000	£000
	A	B	C	(A x C)	
Advances to commercial companies	21,982	0.0	2.7	594	632
Customers	38,189	4.5	13.8	5,270	5,067
Housing rents	2,062	0.4	3.8	78	65
Housing loans	2,759	0.0	0.0	-	-
				5,942	**5,764**

The City Council does not generally allow credit for customers. However, there is a balance of £7.3m that is past its due date for payment. This can be analysed by age as follows:

	£000
Less than three months	2,954
Three to six months	612
Six months to one year	1,287
More than one year	2,480
	7,333

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

Liquidity Risk

£58.0m 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 27 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 result in a premium payable to or discount receivable from the PWLB, depending on whether prevailing PWLB rates (at which the repayment of the loan may need to be replaced) are higher or lower than the rate payable on the existing loan.

The maturity profile of borrowing is as follows:

Outstanding 31 March 2025 £000	% of Total Portfolio %	Total Financial Liabilities	Outstanding 31 March 2026 £000	% of Total Portfolio %
610,856	79	Public Works Loans Board	603,216	82
59,697	8	Other Institutions (borrowing)	58,051	8
100,131	13	Trade Payables	78,134	10
770,684	**100**		**739,401**	**100**
		Analysis of Loans by Maturity		
109,417	14	Within 1 year	87,439	12
9,305	1	Between 1 and 2 years	9,321	1
53,028	7	Between 2 and 5 years	71,092	10
65,153	9	Between 5 and 10 years	47,267	6
55,740	7	Between 10 and 15 years	55,863	8
43,045	6	Between 15 and 20 years	36,305	5
14,331	2	Between 20 and 25 years	14,353	2
85,888	11	Between 25 and 30 years	102,619	14
103,658	13	Between 30 and 35 years	114,523	15
92,619	12	Between 35 and 40 years	77,119	10
78,500	10	Between 40 and 45 years	123,500	17
60,000	8	Between 45 and 50 years	-	-
770,684	**100**		**739,401**	**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.
- 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 similar to 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 31 March 2026, 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 £0.9m. The impact of a 0.5% fall in interest rates would have been a reduction in investment income of £0.9m.

19. Long-term Debtors

2024/25 £000		2025/26 £000
11,099	Finance Lease Debtors	11,147
12,490	Portico Shipping Limited	13,719
7,788	Other	6,724
31,377		**31,590**

20. Short-term Debtors

2024/25 £000	Outstanding Debtors at 31 March (Net of Bad Debt Provision)	2025/26 £000
1,316	Council Tax debtor (between preceptor/billing authority)	1,742
-	NNDR retained income debtor (between preceptor/billing authority)	-
-	NNDR (debtor for prior overpayments due back from DLUHC)	820
31,652	Council Tax receivable from taxpayers	31,555
4,134	Non domestic rates receivable from taxpayers	4,790
37,203	Trade debtors	38,876
16,184	Government Departments	16,083
4,380	Housing Benefits	4,051
4,976	Housing Rents	5,603
5,524	Other debtors	5,769
16,614	Prepayments & accrued income	7,883
(35,433)	Provision for bad debts	(37,315)
86,550		79,857

21. Cash and Cash Equivalents

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

31 March 2025 £000		31 March 2026 £000
1,114	Cash held by the Authority	1,217
(4,132)	Bank current accounts	(18,579)
34,190	Investments in money market funds and instant access deposit accounts	75,442
31,172		**58,080**

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

22. Short-term Creditors

2024/25 £000	Outstanding Creditors at 31 March	2025/26 £000
(45,048)	Trade Creditors	(31,431)
(8,383)	NDR taxpayer receipts not yet paid to Government	(7,124)
(1,431)	Council Tax refundable to taxpayers	(1,429)
(1,927)	Non domestic rates refundable to taxpayers	(1,554)
(3,896)	Government Departments	(4,359)
(9,139)	Other creditors	(12,385)
(45,944)	Receipts in Advance	(36,033)
(115,768)		**(94,315)**

23. Provisions

	Short Term £000	Long Term £000	Total £000
Balance at 31 March 2024	**(5,342)**	**(1,927)**	**(7,269)**
Additional provisions made	(109)	(4,180)	(4,289)
Amounts used	-	5,151	5,151
Provisons not required written back	-	(5,709)	(5,709)
Transfers to/from Long Term	1,517	3,697	5,214
Balance at 31 March 2025	**(3,934)**	**(2,968)**	**(6,902)**
Additional provisions made	(610)	916	306
Amounts used	-	3,457	3,457
Provisons not required written back	103	(2,242)	(2,139)
Transfers to/from Long Term	374	(374)	-
Balance at 31 March 2026	**(4,067)**	**(1,211)**	**(5,278)**

The bulk of both the short term and long-term provisions is the Provision for Appeals by Non-Domestic Rate Payers - £2.7m (£5.0m in 2024/25). 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 Short and Long-term Liabilities

a) Other Short-term Liabilities

2024/25 £000		2025/26 £000
(6,063)	Service Concessions (including PFIs)	(11,916)
(6,063)		**(11,916)**

b) Other Long-term Liabilities

2024/25 £000		2025/26 £000
(12,038)	Assets transferred from Hampshire County Council	(11,708)
(53,856)	Service Concessions (including PFIs)	(44,143)
(11,748)	Lease holder contributions	(12,982)
(4,295)	Other	(4,723)
(81,937)		**(73,556)**

25. Unusable Reserves

2024/25 £000		2025/26 £000
(1,094,314)	Capital Adjustment Account	(1,106,698)
(338,206)	Revaluation Reserve	(385,345)
3,368	Financial Instruments Adjustment Account	3,173
2,809	Financial Instruments Revaluation Reserve	2,594
531	Pooled Investment Funds Adjustment Account	204
11,070	Pensions Reserve	9,016
(3,657)	Collection Fund Adjustment Account	(2,570)
4,407	Accumulating Compensated Absences Adjustment Account	4,965
(11,204)	Deferred Capital Receipts	(11,251)
(1,425,196)	**Total Unusable Reserves**	**(1,485,913)**

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 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance of the Capital Adjustment Account.

2024/25			2025/26	
£000	£000		£000	£000
	(317,377)	**Balance at 1 April**		**(338,206)**
	(68,471)	Revaluations		(65,135)
8,357		Difference between fair value depreciation and historic cost depreciation	6,983	
39,286		Accumulated gains on assets sold or scrapped	11,013	
	47,643	Amount written off the Capital Adjustment Account		17,996
	(338,206)	**Balance at 31 March**		**(385,345)**

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

2024/25			2025/26	
£000	£000		£000	£000
	(1,014,413)	**Balance at 1 April**		**(1,094,314)**
24,429		Opening Adjustment*	2,460	
		Reversal of items relating to capital expenditure		
4,728		- Charges for depreciation, amortisation, revaluations up/down in CIES and impairment of non current assets	106,223	
53,747		- Revenue expenditure funded from capital under statute	47,626	
49,176		- (Gain) / loss on disposal	19,304	
4,180		Loan Repayments	2,417	
	136,260			178,029
	(47,642)	Adjusting amounts written out of Revaluation Reserve		(17,996)
	(925,796)	Net written out amount of the cost of non current		(934,281)
		Capital financing applied in the year:		
(9,527)		- Use of Capital Receipts Reserve to finance new capital expenditure	(11,064)	
(17,237)		- Use of Major Repairs Reserve to finance new capital expenditure	(23,431)	
(106,458)		- Application of grants and contributions to finance new capital expenditure	(119,921)	
(12,339)		- Statutory provision for the financing of capital investment charges against the General Fund and HRA balances	(16,031)	
		- Statutory financing adjustments	(106)	
(2,207)		- Capital receipts set aside for the repayment of debt	(2,045)	
(15,323)		- Capital expenditure charged against the General Fund and HRA balances	2,366	
	(163,091)			(170,233)
	(5,427)	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		(2,185)
	(1,094,314)	**Balance at 31 March**		**(1,106,698)**

* *The Opening Adjustment relates to application of IFRS16 for Highways PFI. See Note 38*

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.

2024/25 £000		2025/26 £000
6,642	**Balance at 1 April**	**11,070**
18,787	Return on plan assets	19,029
(13,400)	Actuarial (gains) and losses on pensions assets and liabilities	(5,248)
25,059	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	11,725
(26,018)	Employer's pensions contributions and direct payments to pensioners payable in the year	(27,560)
11,070	**Balance at 31 March**	**9,016**

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.

2024/25 £000		2025/26 £000
(7,980)	**Balance at 1 April**	**(3,657)**
4,323	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	1,087
(3,657)	**Balance at 31 March**	**(2,570)**

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.

2024/25 £000		**2025/26 £000**
(11,669)	**Balance at 1 April**	**(11,204)**
-	Transfer to Capital Receipts Reserve upon receipt of cash	-
465	Transfer to Comprehensive Income and Expenditure Statement to mitigate the effect of leases being reclassified under IFRSs	(47)
(11,204)	**Balance at 31 March**	**(11,251)**

26. Notes to the Cash Flow Statement

(a) Operating Activities

The cash flows for operating activities include the following items:

2024/25 £000		**2025/26 £000**
17,838	Interest received	16,003
(27,987)	Interest paid	(26,960)

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

2024/25 £000		2025/26 £000
59,235	Depreciation	60,142
(28,833)	Impairment and downward valuations	46,081
33	Amortisation	-
-	Increase/(decrease) in impairment for bad debts	-
(760)	Increase/(decrease) in creditors	(21,470)
(10,334)	(Increase)/decrease in debtors	9,099
(1,598)	(Increase)/decrease in inventories	(657)
(959)	Movement in pension liability	(15,835)
49,176	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	19,304
(29,824)	Other non-cash items charged to the net surplus or deficit on the provision of services	(3,367)
36,136		**93,297**

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

2024/25 £000		2025/26 £000
(4,256)	Proceeds from sale of property, plant and equipment, investment property and intangible assets.	(9,165)
(84,852)	Any other items for which the cash effects are investing or financing cash flows	(119,207)
(89,108)		**(128,372)**

(b) Investing & Financing Activities

2024/25 £000	Investing Activities	2025/26 £000
(111,696)	Purchases of property, plant and equipment, investment property and intangible assets	(129,374)
(844,973)	Purchase of short-term and long-term investments	(781,608)
0	Other payments for investing activities	(3,504)
4,256	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9,165
898,085	Proceeds from short-term and long-term investments	840,164
84,494	Other receipts from investing activities	99,427
30,166	**Net cash flows from investing activities**	**34,270**

2024/25 £000	Financing Activities	2025/26 £000
(28)	Cash receipts of short and long term borrowing	231
(6,250)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(6,320)
(20,974)	Repayments of short and long term borrowing	(9,615)
(10,002)	Other payments for financing activities	(2,791)
(37,254)	**Net cash flows from financing activities**	**(18,495)**

(c) Reconciliation of Liabilities Arising from Financing Activities

	01-Apr-24	Adjustment to Opening Balance	Adjusted Opening Balance 01-Apr-24	Financing Cashflows	Non-cash Changes: Acquisition	Non-cash Changes: Changes in Fair Value	Non-cash Changes: Other Non-cash Changes	31-Mar-25
	£000	£000	£000	£000	£000	£000	£000	£000
Long Term								
- Borrowings	(681,570)		(681,570)	20,286	-	-	-	(661,284)
- Lease Liabilities	(869)		(869)	-	-	-	-	(869)
- On Balance Sheet PFI Liabilities	(37,612)	(22,307)	(59,919)	6,250	-	-	(188)	(53,857)
- Other	(25,352)		(25,352)	329	-	-	(2,188)	(27,211)
	(745,403)	(22,307)	(767,710)	26,865	-	-	(2,376)	(743,221)
Short Term								
- Borrowings	(14,064)		(14,064)	360	-	-	151	(13,553)
- Lease Liabilities	-		-	-	-	-	-	-
- On Balance Sheet PFI Liabilities	(4,128)	(2,122)	(6,250)	-	-	-	188	(6,062)
- Other	-		-	-	-	-	-	-
	(18,192)	(2,122)	(20,314)	360	-	-	339	(19,615)
Total Liabilties from Financing Activities	**(763,595)**	**(24,429)**	**(788,024)**	**27,225**	**-**	**-**	**(2,037)**	**(762,836)**

	01-Apr-25	Adjustment to Opening Balance	Adjusted Opening Balance 01-Apr-25	Financing Cashflows	Non-cash Changes: Acquisition	Non-cash Changes: Changes in Fair Value	Non-cash Changes: Other Non-cash Changes	31-Mar-26
	£000	£000	£000	£000	£000	£000	£000	£000
Long Term								
- Borrowings	(661,284)		(661,284)	9,305	-	-	-	(651,979)
- Lease Liabilities	(869)		(869)	-	-	-	-	(869)
- On Balance Sheet PFI Liabilities	(53,857)	(2,202)	(56,059)	6,320	-	-	5,712	(44,027)
- Other	(27,211)		(27,211)	329	-	-	(1,778)	(28,660)
	(743,221)	(2,202)	(745,423)	15,954	-	-	3,934	(725,535)
Short Term								
- Borrowings	(13,553)		(13,553)	(19)	-	-	17	(13,555)
- Lease Liabilities	-		-	-	-	-	-	-
- On Balance Sheet PFI Liabilities	(6,062)	(258)	(6,320)	-	-	-	(5,596)	(11,916)
- Other	-		-	-	-	-	-	-
	(19,615)	(258)	(19,873)	(19)	-	-	(5,579)	(25,471)
Total Liabilties from Financing Activities	**(762,836)**	**(2,460)**	**(765,296)**	**15,935**	**-**	**-**	**(1,645)**	**(751,006)**

Note 1 - The Adjustment to the Opening Balance relates to the application of IFRS16 for Highways PFI

Note 2 - The other non-cash changes include an interest accrual adjustment.

Note 3 - The net cash flows from financing activities in table 26(b) additionally includes £2.8m (£10.0m in 2024/25) 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 £14.4m (100% ICB funded) and £4.8m (part ICB funded); however, in line with agency accounting rules these entries have been removed from both income and expenditure to show a nil impact. 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 Ministry of Housing, Communities and Local Government, Hampshire Police & Crime Commissioner and Hampshire Fire & Rescue Authority. See Collection Fund on page 146 for more information on these transactions.

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 Hampshire and Isle of Wight Healthcare NHS Foundation Trust (formerly Solent NHS Trust). Those show below are the joint arrangements meeting the requirements to be accounted for as joint operations under IFRS11.

(a) Continuing Health Care (CHC)

The City Council is the 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.

	2024/25		**2025/26**	
	£000	**£000**	**£000**	**£000**
Gross Income				
Portsmouth City Council	(71,307)		(73,752)	
NHS Hampshire & Isle of Wight ICB	(25,261)		(26,313)	
		(96,568)		(100,065)
Expenditure		96,608		100,265
(Surplus)/Deficit		**40**		**200**
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 Hampshire and Isle of Wight Healthcare NHS Foundation Trust (formerly 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. This arrangement ended in August 2025, so the 2025/26 figures only cover part of the financial year hence the reduction compared to the prior year.

	2024/25		**2025/26**	
	£000	**£000**	**£000**	**£000**
Gross Income				
Portsmouth City Council	(7,051)		(2,939)	
Hampshire and Isle of Wight Healthcare	(463)		(212)	
		(7,514)		(3,151)
Expenditure		7,519		3,150
(Surplus)/Deficit*		**5**		**(1)**
Council's share of the (surplus)/deficit		5		1

29. Members' allowances

The total amount of members' allowances paid in 2025/26 was £0.9m (£0.8m in 2024/25). These amounts include basic, special, and mayoral allowances plus any expenses incurred. Information on the members allowance scheme can be found on the City Council's website, under the City Council's Constitution (Part 5 - Members Allowances Scheme - Portsmouth City Council), along with further 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. These figures do not include any salary sacrificed under for example additional voluntary pension contributions which are instead treated as employer pension contributions rather than employee remuneration.

2024/25 Number of employees		2025/26 Number of employees
146	£50,000 to £54,999	186
80	£55,000 to £59,999	109
58	£60,000 to £64,999	62
61	£65,000 to £69,999	65
32	£70,000 to £74,999	50
17	£75,000 to £79,999	22
17	£80,000 to £84,999	16
9	£85,000 to £89,999	17
10	£90,000 to £94,999	6
4	£95,000 to £99,999	6
5	£100,000 to £104,999	2
2	£105,000 to £109,999	4
3	£110,000 to £114,999	2
3	£115,000 to £119,999	3
1	£120,000 to £124,999	1
1	£125,000 to £129,999	3
2	£130,000 to £134,999	3
1	£135,000 to £139,999	-
-	£140,000 to £144,999	1
-	£145,000 to £149,999	-
-	£150,000 to £154,999	-
-	£155,000 to £159,999	-
-	£160,000 to £164,999	1
-	£165,00 to £169,999	-
1	£170,000 to £174,999	1
-	£175,000 to £179,999	-
1	£180,000 to £184,999	-
-	£185,000 to £189,999	-
-	£190,000 to £194,999	-
-	£195,000 to £199,999	-
-	£200,000 to £204,999	-
454		560

b) Senior Officer Emoluments

The following tables set out the remuneration paid to Senior Officers; whose salary in 2024/25 and 2025/26 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.

2024/25	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	**£**	**£**	**£**	**£**	**£**
Natalie Brahma-Pearl - Chief Executive (Head of Paid Service)	190,958	-	190,958	33,990	224,948
City Solicitor (Monitoring Officer) (Note 1)	120,330	-	120,330	21,419	141,749
Director of Adult Social Care	128,090	-	128,090	22,800	150,890
Director of Children, Families and Education	130,539	-	130,539	23,236	153,775
Director of Corporate Services	114,387	-	114,387	20,361	134,748
Director of Culture, Leisure & Regulatory Services	114,387	-	114,387	20,361	134,748
Director of Economy, Transport & Planning (from 1st January 2024) (Note 3)	111,797	-	111,797	19,900	131,697
Director of Economy, Transport & Planning (from 1st January 2024) (Note 3)	104,952	-	104,952	18,681	123,633
Director of Economy, Transport & Planning (from 1st January 2024) (Note 3)	75,101	-	75,101	13,368	88,469
Director of Economy, Transport & Planning (from 1st January 2024) (Note 3)	95,027	-	95,027	16,915	111,942
Director of Economy, Transport & Planning (from 1st January 2024) (Note 3)	93,359	-	93,359	16,618	109,977
Chris Ward - Director of Finance & Resources (s151 Officer) (Notes 1 & 2)	174,462	-	174,462	31,054	205,516
Director of Housing, Neighbourhood & Building Services (Note 1)	119,356	-	119,356	21,245	140,601
Director of Public Health (Statutory Role)	128,363	-	128,363	18,459	146,822
Portsmouth International Port Director	130,539	-	130,539	23,236	153,775
Solent Freeport Chief Executive (from 1st Jun 2023)	135,170	-	135,170	24,060	159,230
Corporate Strategy Manager	86,182	-	86,182	15,340	101,522

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 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.

2025/26	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	**£**	**£**	**£**	**£**	**£**
Natalie Brahma-Pearl - Chief Executive (Head of Paid Service)	197,068	-	197,068	35,078	232,146
City Solicitor (Monitoring Officer) (Note 1)	112,311	112	112,423	20,077	132,500
Director of Adult Social Care	134,716	-	134,716	23,979	158,695
Director of Children, Families and Education	134,716	-	134,716	23,979	158,695
Director of Corporate Services	118,047	-	118,047	21,012	139,059
Director of Culture, Leisure & Regulatory Services	118,047	-	118,047	21,012	139,059
Director of Economy, Transport & Planning (from 1st January 2024) (Note 3)	115,479	-	115,479	20,555	136,035
Director of Economy, Transport & Planning (from 1st January 2024) (Note 3)	108,414	-	108,414	19,298	127,712
Director of Economy, Transport & Planning (from 1st January 2024) (Note 3)	77,709	-	77,709	13,832	91,541
Director of Economy, Transport & Planning (from 1st January 2024) (Note 3)	100,375	-	100,375	17,867	118,242
Director of Economy, Transport & Planning (from 1st January 2024) (Note 3)	99,128	-	99,128	17,476	116,604
Chris Ward - Director of Finance & Resources (s151 Officer) (Notes 1 & 2)	172,493	-	172,493	30,704	203,197
Director of Housing, Neighbourhood & Building Services (Note 1)	125,982	-	125,982	22,428	148,410
Director of Public Health (Statutory Role)	107,773	-	107,773	15,498	123,271
Portsmouth International Port Director	134,716	-	134,716	23,979	158,695
Solent Freeport Chief Executive (from 1st Jun 2023)	141,797	-	141,797	25,240	167,037
Corporate Strategy Manager	90,681	-	90,681	16,060	106,741

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. The individual continues to be formally employed by the City Council, with the Isle of Wight Council paying for this service. This arrangement will end in early 2026/27.

Note 3: Since 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 2025/26, including the total cost per each £20,000 pay band and analysed between 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 (£)	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26
£0-£20,000	8	11	12	28	20	39	165,700	352,013
£20,001 - £40,000	1	1	2	4	3	5	72,451	151,832
£40,001 - £60,000	1	1	-	2	1	3	55,723	161,843
£60,001 - £80,000	1	-	-	2	1	2	62,490	128,167
£80,001 - £100,000	-	-	-	1	-	1	-	93,544
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	1	-	-	-	1	-	204,702
£250,001 - £300,000	-	-	-	-	-	-	-	-
Total	**11**	**14**	**14**	**37**	**25**	**51**	**356,364**	**1,092,101**

During the 2025/26 year, the City Council re-structured the provision of housing services including closing some of our housing offices. This restructure has not only resulted in changes to the structure of the housing service but also resulted in a number of voluntary redundancies.

The total cost of £1.1m in the table above is included in the City Council's Comprehensive Income and Expenditure Statement for 2025/26.

31. External Audit Costs

This note discloses the fees paid to our appointed auditors EY (Ernst & Young LLP) for audit services conducted, under the latest Code of Audit Practice, for the 2025/26 financial year. The fees shown exclude VAT.

2024/25 £000		2025/26 £000
421	Statutory External Audit Services	429
-	Other Services Provided	-
421	Total payable to EY	429

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

Note 1 - This disclosure shows the auditors new scale fee (as advised by Public Sector Audit Appointments (PSAA)). The figures stated do **not** however include any of the following other fees:

- any additional rebasing of the scale fee
- any agreed or unagreed additional audit fees for 2024/25 and 2025/26
- any additional fees charged in respect of prior year audits which were paid in 2024/25 or 2025/26
- any external audit work undertaken by audit firms other than our appointed auditor EY
- any rebates from PSAA, or
- any National Fraud Initiative work undertaken by 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 City Council maintained school.

Details of the deployment of DSG receivable are as follows:

	2024/25			2025/26		
	Central Exp £000	Schools Budget £000	Total £000	Central Exp £000	Schools Budget £000	Total £000
Final DSG for current year before academy recoupment	33,838	189,279	223,117	33,545	217,131	250,676
Academy figure recouped for current year	-	(128,440)	(128,440)	-	(145,496)	(145,496)
Total DSG after Academy recoupment for current year	**33,838**	**60,839**	**94,677**	**33,545**	**71,635**	**105,180**
Brought forward from prior year	11,682	(202)	11,480	10,298	828	11,126
Carry forward to next year agreed in advance	-	-	-	(4,471)	(529)	(5,000)
Agreed initial budgeted distribution in current year	**45,520**	**60,637**	**106,157**	**39,372**	**71,934**	**111,306**
In year adjustments	-	84	84	-	(384)	(384)
Final budget distribution for current year	**45,520**	**60,721**	**106,241**	**39,372**	**71,550**	**110,922**
Less actual central expenditure	32,425	-	32,425	38,161	-	38,161
Less Actual ISB deployed to schools	-	62,690	62,690	-	69,747	69,747
Plus carry forward to next year agreed in adavance	-	-	-	4,471	529	5,000
Plus Local authority contribution for current year	-	-	-	-	-	-
Carry forward to next year	**13,095**	**(1,969)**	**11,126**	**5,682**	**2,332**	**8,014**

33. Taxation and Grant Income

The City Council credited the following tax, grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2025/26:

	2024/25 £000	2025/26 £000
Credited to Services		
Rent Allowance Subsidy	(31,371)	(25,839)
HRA Rent Rebates Subsidy	(31,776)	(23,938)
Public Health Grant	(19,507)	(20,774)
Dedicated Schools Grant	(94,299)	(107,246)
Other grants	(60,634)	(72,490)
	(237,587)	**(250,287)**
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(14,470)	(14,797)
Retained Non Domestic Rates	(60,354)	(64,958)
Retained Non Domestic Rates (Top Up Grant)/Tariff	(6,737)	(6,820)
PFI Grant	(11,521)	(11,521)
Other Grants	(22,969)	(31,649)
Income from Council Tax	(102,822)	(107,040)
Capital Grants and Contributions	(52,085)	(80,628)
	(270,958)	**(317,413)**

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:

	2024/25 £000	2025/26 £000
Capital Grants Receipts in Advance		
Government Grants	(105,515)	(80,924)
Other Grants & Contributions	(762)	(397)
	(106,277)	**(81,321)**

Revenue grants receipts in advance for 2025/26 were £18.2m (2024/25 £28.6m).

34. Related Parties

The City Council is required to disclose material transactions with related parties. A related party is defined as a body or individual that has 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 operations of the City Council. The Government:

- sets out 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 transactions that the City Council concludes with other parties.

Members

Elected members of the City Council have direct control over the City Council's financial and operating policies. The City Council paid £17,586,232 to organisations and received £1,427,245 from organisations, where councillors had been appointed by the City Council to positions on the respective governing bodies of those organisations. (These paid and received figures include precepts to and from Hampshire & Isle of Wight Police & Crime Commissioner and Hampshire & Isle of Wight Fire & Rescue Authority).

Payments - During 2025/26 £122,850 was paid to companies/organisations in which councillors had declared an interest. This includes the following related parties:

Organisation	Amount £	Purpose
Highbury Area Community Association	6,591	Contribution to staff costs
Milton Neighbourhood Planning Forum	1,400	Contribution to printing costs
The Moving on Project Portsmouth	11,944	CIL funding towards purchase of a vehicle
Ultimate Care Agency Ltd	102,915	Home care
	122,850	

Receipts - During 2025/26, £29,241 was received from companies/organisations in which councillors had declared an interest. This includes the following related parties:

Organisation	Amount £	Purpose
Highbury Area Community Association	21,324	Recharges for staff time
Kadirs Indian Street Kitchen	360	Licensing fees
Portsmouth Central Mosque	578	Licensing fees
Steak and Roast Ltd	180	Licensing fees
The Silkworth Project	120	Parking charges
Ultimate Care Agency Ltd	6,679	Rent and charges
	29,241	

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 CIPFA's Code of Practice, these 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 eleven maintained schools (excluding nurseries and Voluntary Aided and Voluntary Controlled schools). Non-current assets with a net book value of £28.3m were recognised in relation to these eleven 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 2025/26, £26,832 was paid to the British Ports Association and £13,700 was paid to the University Technical College Portsmouth, while £38,125 was received from the University Technical College Portsmouth. No further related parties and associated transactions have been declared.

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. During 2025/26, the PCJC paid no contribution to the City Council (£100,000 paid in 2024/25). £28,412 was also received from PCJC for horticultural works.

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	20,075	(2,703,814)	(2,683,739)
Isle of Wight Council	3,746	(1337,520)	(1,333,774)

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

Payments were made to Isle of Wight Council for training and networking events, and venue and vehicle hire. 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 (Section 151) Officer. This arrangement is due to end in early 2026/27.

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 City Solicitor (Monitoring Officer) and Director of Finance roles from 1 October 2016 in addition to sharing several third-tier roles. The shared Director of Finance role is due to end in early 2026/27.

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 Holdings Limited companies and Ravelin Group companies. The City Council appoints directors to its subsidiary companies. For information on the nature of these entities and transactions in the year relating to them, please see 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 two representatives to the board of the Trust for one to four-year terms. 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 Holdings Limited

The City Council acquired all of Portico's issued share capital and voting rights in February 2008. During 2025/26, Portico Holdings Limited became the parent company of three wholly owned subsidiaries, Portico Shipping Limited, Portico Port Services Limited and Portico Logistics Limited. The company and group's principal activity continues to be stevedoring and the provision of shipping, warehousing and associated services and UK road transport and distribution.

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 £5.8m. The Council invested a further £2.1m in Portico in 2025/26.

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.

Fifteen loans with an outstanding balance of £16.1m have been advanced to Portico by the City Council. These loans carry interest between 3.09% and 5.26% per annum and mature by 2038.

The City Council's exposure to losses arising from its ownership of Portico is limited to £22.5m, 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 £3.4m* of income from Portico during 2025/26 (£3.1m in 2024/25); primarily from lease rentals, harbour & berthing dues, regularity compliance, and loan interest.

A copy of Portico's group accounts can be obtained from the company's offices at: Portico House, 2 Prospect Road, Portsmouth, PO1 4QY.

The expenditure and income of Portico Holdings Limited is as follows:

2024/25		2025/26
£000		£000
21,266	Gross Expenditure	25,348
(21,346)	Gross Income	(25,653)
(80)	**Net (Income)/ Loss**	**(305)**

* 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.

HCB 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 the cashflow position of Hampshire Community Bnk Limited, loans totalling £1.25m were advanced to HCB Holding Limited between 20/21 and 22/23 for lending on to Hampshire Community Bnk Limited via an inter-company loan agreement. Of the loans advanced £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 2025/26 year having redeveloped a site to provide 17 new homes at the Old Brewery House in Hambrook Street. During 2025/26 RHL has carried out the operational activities at the Old Brewery House. As at 31 March 2026 RHL had borrowed £5.3m from the City Council.

(b) RPL is a property management company but is currently dormant with no transactions during the 2025/26 year.

Hambrook Street Limited

HSL was established to operate and maintain the Old Brewery House site in Hambrook Street; however, during 2025/26 the site has remained with and operated 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 £6m in the Agency. The City Council is a shareholder in the Agency with a total investment of £0.15m which it acquired in October 2014.

36. Capital Expenditure and Capital Financing

2024/25 £000		2025/26 £000
968,982	**Opening capital financing requirement**	996,121
24,429	Opening Adjustment	2,460
993,411	**Adjusted capital financing requirement**	**998,581**
112,054	Long Term Assets	134,169
53,747	Revenue expenditure funded from capital under statute	47,626
165,801	**Capital Investment**	**181,795**
1,159,212		**1,180,376**
	Sources of finance	
(11,734)	Capital receipts (including capital receipts set aside to repay debt)	(13,109)
(106,458)	Other Grants & contributions	(119,921)
	Sums set aside from revenue:	
(15,323)	- Direct revenue contributions	2,385
(17,237)	- Use of Major Repairs Reserve	(23,431)
(12,339)	- Minimum Revenue Provision	(16,031)
-	Other Adjustments	(106)
(163,091)		**(170,213)**
996,121	**Closing capital financing requirement**	**1,010,163**
	The capital financing requirement is met by the following items in the balance sheet:	
2,407,128	Fixed assets including equity investments	2,479,820
14,531	Advances to subsidiaries	16,076
(338,206)	Revaluation Reserve	(385,345)
(1,094,314)	Capital Adjustment Account	(1,106,698)
6,982	Other (including Housing General Fund mortgages)	6,310
996,121		**1,010,163**

* *The Opening Adjustment relates to application of IFRS16 for Highways PFI. See Note 38*

The capital financing requirement increased by £14.0m in 2025/26 for the following reasons:

2024/25 £000		2025/26 £000
39,563	Increase in underlying need to borrow	32,118
(12,424)	Provision for the repayment of debt	(18,076)
27,139	**Increase in Capital Financing Requirement**	**14,042**

37. Leases

City Council as Lessee

Under the CIPFA Code, IFRS 16 Leases applies to Councils from 1 April 2024. 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) or they are outside of scope of IFRS16.

The City Council did not apply FRS 16 for the 2024/25 financial statements and has similarly not applied IFRS16 for the 2025/26 financial statements, as work undertaken continues to show that the impact of applying the standard is not material to the City Council's financial statements. This approach is in line with the CIPFA Code paragraph 1.62 which states that "the IFRSs are followed unless the authority has no material transactions or balances relevant to the specific standard". Furthermore, paragraph 2.1.2.14 states that " An Authority can comply with the Code, while not complying with specific disclosure and accounting requirements in the Code, if the information is not material to the 'true and fair' view of the financial position, financial performance and cashflows of the authority and to the understanding of users".

Work undertaken across 2024/25 and during the 2025/26 year assessing both contracts and leases for arrangements which met the IFRS 16 criteria, showed that the impact of applying IFRS 16 would result in the inclusion of circa 100 additional assets and associated liabilities on the balance sheet with a value of approximately £3.96m as at 31 March 2026. Therefore, compared with the City Council's preparer materiality of £7m the impact of IFRS 16 is not material for the 2025/26 year.

Each year, we will revisit the assessment of lease type arrangements, and depending on the outcome of this, the decision on whether to apply IFRS 16 will be made.

City Council as Lessor

a) **Finance Leases**

In 2025/26 the City Council has leased out property at 407 Middle Park Way, Crookhorn Golf Course, the Wightlink Terminal, Merefield House and St Wilfrid's Church.

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 2025 £000	31 March 2026 £000
Finance lease debtor (net present value of minimum lease payments):		
Current	1,123	1,098
Non current	10,021	10,050
Unguaranteed residual value of property	1	8
Gross investment in lease	**11,145**	**11,156**

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 2025 £000	**31 March 2026 £000**	**31 March 2025 £000**	**31 March 2026 £000**
Not later than one year	185	156	1,223	1,198
Later than one year and not later than five years	747	664	4,778	4,716
Later than five years	10,198	10,369	30,435	29,780
	11,130	**11,189**	**36,436**	**35,694**

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 2024/25 or 2025/26.

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 net book value of the associated non-current assets are shown below. These include all types of operating leases out (including leases, licences, wayleaves, easements, and similar arrangements):

	31 March 2025 £000	31 March 2026 £000
Other Land and Buildings	323,979	344,705
Infrastructure	316	259
Community Assets	1,321	1,309
Surplus Assets	2,015	14,762
Investment Properties	119,178	120,993
Heritage Assets	16,553	17,282
Assets Held for Sale	519	519
	463,881	**499,829**

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

	2024/25 £000	2025/26 £000
Not later than one year	29,524	30,306
Later than one year and not later than five years	85,005	89,323
Later than five years	326,835	326,311
	441,364	445,940

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 2025/26 no contingent rents were receivable by the City Council.

38. Private Financing Initiatives and Similar Contracts

As the City Council is deemed to control the services that are provided under its four PFI Contracts and similar arrangements. 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 new accounting standard IFRS16 Leases applies to material arrangements recognised on the Balance Sheet. IFRS16 requires the finance liability to be remeasured where indexation or changes in a rate affect future payments under the contract. On transition to IFRS16 the material finance liabilities have been remeasured as at 1 April 2025. For the City Council, IFRS16 has only been applied to the Highways PFI contract.

Milton Cross School was a local authority run community school, but the land and buildings were subsequently transferred to an Academy Trust in 2014. Although the assets have been transferred, 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 provision of the building and its associated servicing is provided by Grannag Limited for 30 years and became operational in 2003/04.

The Learning Disability Facility is for the provision of three buildings to support people with learning disabilities by Victory Support for 30 years. It became operational in 2003/04 and does not include a demand element.

The Highways Maintenance contract is provided by Ensign Highways for 25 years and became operational in 2004/05. The charge for the highways PFI scheme does not include a demand element. The cost of the highways PFI scheme increases if new roads are adopted. However, agreement has been reached that this additional cost will be met through commuted sums from either developers or the City Council. The contract is subject to an annual adjustment for inflation and due to this, is accounted for under IFRS16.

The Waste Disposal PFI managed by Hampshire County Council under the tripartite contract with Veolia ended on 30 April 2025. During 2025/26 the City Council has therefore derecognised its share of both the PFI asset and liability.

	Miltoncross Secondary School £000	Learning Disability Facilities £000	Highways Maintenance £000	Waste Disposal £000	Total £000
Cost or Valuation					
At 1st April 2025	-	5,725	119,336	12,968	138,029
Opening Adjustments*			2,460		2,460
Revised as at 1st April 2025	-	5,725	121,796	12,968	140,489
Additions	-	-	-	-	-
Revaluation increases/(decreases) to CIES and/or Revaluation Reserve	-	742	-	-	742
Disposals	-	-	-	(12,968)	(12,968)
Reclassifications	-	-	-	-	-
Remeasurement for IFRS16	-	-	(2,460)	-	(2,460)
At 31st March 2026	-	6,467	119,336	-	125,803
Depreciation and Impairment					
At 1st April 2025	-	(65)	(35,381)	(910)	(36,356)
Opening Adjustments					-
Revised as at 1st April 2025	-	(65)	(35,381)	(910)	(36,356)
Depreciation Charge in Year	-	(97)	(3,560)	(911)	(4,568)
Depreciation written out on revaluation	-	162	-	-	162
Impairment losses/(reversals) to CIES and/or Revaluation Reserve	-	-	-	-	-
Disposals	-	-	-	1,821	1,821
Reclassifications	-	-	-	-	-
At 31st March 2026	-	-	(38,941)	-	(38,941)
Net Book Value					
At 1st April 2025	**-**	**5,660**	**83,955**	**12,058**	**101,673**
At 31st March 2026	**-**	**6,467**	**80,395**	**-**	**86,862**

** The Opening Adjustment and subsequent re-measurement relates to application of IFRS16 for the Highways PFI.*

No asset is shown for Miltoncross Secondary School as the school converted to academy status so under the CIPFA Code there is no PFI asset anymore and instead we only account for the PFI liability.

The Waste Disposal PFI scheme ended on 30 April 2025 and the associated PFI scheme assets were derecognised.

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

	Liability as at 31 March 2025 £000	Opening Adjustment £000	Liability as at 1 April 2025 £000	Payments £000	Liability as at 31 March 2026 £000
Milton Cross School	(7,718)		(7,718)	628	(7,090)
Learning Disability Facilities	(2,693)		(2,693)	221	(2,472)
Highways Maintenance	(49,346)	(2,459)	(51,805)	5,424	(46,381)
Waste Disposal	(47)		(47)	47	-
Total	**(59,804)**	**(2,459)**	**(62,263)**	**6,320**	**(55,943)**

** The Opening Adjustment relates to the application of IFRS16 for Highways PFI*

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	11,916	5,848	17,931	35,695	4,660	40,355
Within 2 to 5 years	41,245	8,263	61,171	110,679	8,282	118,961
Within 6 to 10 years	2,782	345	-	3,127	-	3,127
	55,943	**14,456**	**79,102**	**149,501**	**12,942**	**162,443**

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 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:

(a) 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.

(b) LGPS 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.

(c) 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 determined 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.

(d) 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 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:

	2024/25 £000	2025/26 £000
Comprehensive Income and Expenditure Statement:		
Cost of services		
Current service cost	25,032	19,646
Past service cost	172	671
Settlements/Curtailments #	(723)	-
Financing and Investment Income and Expenditure		
Net Interest Expense	578	(8,592)
Total Post Employment Benefit charged to the Surplus of deficit on the Provision of services	**25,059**	**11,725**
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	7,094	19,029
Actuarial (gains) / losses due to changes in financial assumptions	(151,212)	(20,670)
Actuarial (gains) / losses due to changes in demographic assumptions	(1,784)	(36,539)
Actuarial (gains) / losses due to liability experience	(10,659)	50,518
Total (gains) / losses from reclassification	-	-
Asset ceiling adjustments	161,948	1,273
	5,387	13,611
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**30,446**	**25,336**
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	25,059	11,725
Actual amount charged against the General Fund and HRA Balances for pensions in the year:		
Employers' contributions payable to scheme	24,739	26,354
Retirement benefits payable to pensioners	1,279	1,206
	26,018	**27,560**

The settlement in 2024/25 is in respect of Mayfield Secondary School converting to academy status and therefore leaving the control of the City Council. This resulted in a transfer of pension assets and liabilities to the respective new academy trust with a corresponding reduction in the City Council's pension assets and liabilities. No such transfers occurred in the 2025/26 year.

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 up to 31 March 2026 is a gain of £362.6m (2024/25 gain of £376.2m).

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 obligations in respect of its defined benefit schemes is as follows:

	2024/25 £000	2025/26 £000
Present value of funded and unfunded liabilities (LGPS and Teachers):	(1,048,805)	(1,084,910)
Present value of funded liabilities (Pilot Pension Scheme)	(3,091)	(2,994)
Fair value of assets (LGPS):	1,038,553	1,075,848
Fair value of assets (Pilot Pension Scheme)	2,105	3,042
Surplus/(deficit) in the scheme:*	(11,238)	(9,014)

* - The figures shown in the note above are based on information produced by the actuary.

The net liability for 2024/25 shown in the note above differs from the amount shown on the balance sheet by £0.17m due to a historic difference linked to using actual rather than actuarial employers contribution figures. This difference is not material, especially bearing in mind that IAS19 entries are estimates, and this difference has been corrected in 2025/26 through the actuarial gains/losses line.

The liabilities show the underlying commitments which the City Council is expected to have in the long term to pay post-employment (retirement) benefits. The total liability, after an asset ceiling adjustment#, of £9.0m (£11.2m in 2024/25) is much lower than in previous years but nonetheless still impacts the net worth of the City Council as recorded in the Balance Sheet. Statutory arrangements for funding the deficit, means that the financial position of the City Council remains healthy. Where there are fund deficits, these will be made good by increased contributions over the remaining working life of employees (i.e., before payments fall due), as assessed by the respective schemes' actuaries (Hymans Robertson LLP and Lane Clark & Peacock LLP).

> # Asset Ceiling Adjustment - An asset ceiling adjustment has been made to the funded LGPS figure as the funded LGPS is showing as a net pension asset. Under IFRIC14 where there is a minimum funding requirement we are required to reflect the net defined benefit as the lower of the asset ceiling or the surplus in the defined benefit plan.
>
> In line with guidance from CIPFA we have determined that there is a minimum funding requirement so we have engaged the pension fund's actuary to calculate the asset ceiling. This calculation shows the asset ceiling is £0. Therefore, as the asset ceiling is lower than the surplus on the funded LGPS, the pension asset needs reducing to £0. To bring the pension asset to zero, a further adjustment has been made to the pension asset value by £1.3m this year on top of the previous year's adjustment of £161.9m reflected in this year's opening position.

The asset ceiling only applies to funded schemes so the unfunded element of the LGPS is not impacted by this change.

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

2024/25	LGPS and Teachers Funded and Unfunded Liabilities £000	PNPF Funded Liabilities £000	Total £000
Opening balance at 1 April	(1,008,270)	(3,542)	(1,011,812)
Current service cost	(24,992)	(40)	(25,032)
Interest Expense	(48,738)	(147)	(48,885)
Contributions by scheme participants	(8,803)	(16)	(8,819)
Actuarial gains and (losses) - Financial Assumptions	150,941	271	151,212
Actuarial gains and (losses) - Demographic Assumptions	1,778	6	1,784
Actuarial gains and (losses) - Liability Experience	10,566	93	10,659
Benefits paid	37,375	284	37,659
Benefits paid - unfunded	1,279	-	1,279
Past service costs Incuding curtailments	(172)	-	(172)
Net Increase in assets from reclassification	-	-	-
Settlements	2,179	-	2,179
Asset ceiling adjustment	(161,948)	-	(161,948)
Closing balance at 31 March	(1,048,805)	(3,091)	(1,051,896)

2025/26	LGPS and Teachers Funded and Unfunded Liabilities £000	PNPF Funded Liabilities £000	Total £000
Opening balance at 1 April	(1,048,805)	(3,091)	(1,051,896)
Current service cost	(19,608)	(38)	(19,646)
Interest Expense	(51,187)	(153)	(51,340)
Contributions by scheme participants	(9,417)	(19)	(9,436)
Actuarial gains and (losses) - Financial Assumptions	20,635	35	20,670
Actuarial gains and (losses) - Demographic Assumptions	36,562	(23)	36,539
Actuarial gains and (losses) - Liability Experience	(50,532)	14	(50,518)
Benefits paid	38,180	281	38,461
Benefits paid - unfunded	1,206	-	1,206
Past service costs Incuding curtailments	(671)	-	(671)
Net Increase in assets from reclassification	-	-	-
Settlements	-	-	-
Asset ceiling adjustment	(1,273)	-	(1,273)
Closing balance at 31 March	(1,084,910)	(2,994)	(1,087,904)

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

2024/25	**LGPS**	**PNPF**	**Total**
	£000	**£000**	**£000**
Opening balance at 1 April	1,002,663	2,339	1,005,002
Interest Income	48,219	88	48,307
Remeasurement gains / (losses)	(6,971)	(123)	(7,094)
Contributions by employer	24,670	69	24,739
Contributions by participants	8,803	16	8,819
Net benefits paid out	(37,375)	(284)	(37,659)
Settlements	(1,456)	-	(1,456)
Administration costs incurred	-	-	-
Net increase in assets from disposals / acquisitions	-	-	-
Net increase in assets from re-classification	-	-	-
Closing balance at 31 March	1,038,553	2,105	1,040,658

2025/26	**LGPS**	**PNPF**	**Total**
	£000	**£000**	**£000**
Opening balance at 1 April	1,038,553	2,105	1,040,658
Interest Income	59,840	92	59,932
Remeasurement gains / (losses)	(20,011)	982	(19,029)
Contributions by employer	26,229	125	26,354
Contributions by participants	9,417	19	9,436
Net benefits paid out	(38,180)	(281)	(38,461)
Settlements	-	-	-
Administration costs incurred	-	-	-
Net increase in assets from disposals / acquisitions	-	-	-
Net increase in assets from re-classification	-	-	-
Closing balance at 31 March	1,075,848	3,042	1,078,890

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 £4.5m (£6.9m in 2024/25) for the LGPS and £1.1m (£(0.04)m in 2024/25) for the PNPF.

LGPS assets comprised:

Asset Type:	Value at 31 March 2025		Value at 31 March 2026	
	%	**£'000s**	**%**	**£'000s**
Cash	2.00%	20,034	2.00%	20,750
Cash equivalents	0.00%	-	0.00%	-
Equities	33.00%	344,092	33.00%	356,392
Bonds - Corporate	10.00%	95,553	9.00%	98,970
Bonds - Government Gilts	15.00%	150,547	15.00%	155,929
Property	9.00%	94,324	9.00%	97,696
Private equity	9.00%	92,180	9.00%	95,475
Other investment funds	22.00%	236,416	23.00%	265,618
Total	100.00%	1,033,145	100.00%	1,090,830

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

PNPF assets comprised:

Asset Type:	Value at 31 March 2025		Value at 31 March 2026	
	%	**£'000s**	**%**	**£'000s**
Cash	2.00%	36	3.00%	80
Cash equivalents	13.50%	243	18.60%	495
Equities	0.00%	-	0.00%	-
Bonds - Corporate	20.90%	376	21.00%	561
Bonds - Government Gilts	16.80%	303	17.60%	469
Property	0.00%	-	0.00%	-
Private equity	0.00%	-	0.00%	-
Other investment funds	46.80%	843	39.80%	1,063
Total	100.00%	1,801	100.00%	2,668

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 Lane Clark & Peacock LLP (PNPF). The 2025/26 figures are based on estimates for the City Council fund derived from the latest triennial valuation of the LGPS as at 31 March 2025 and the latest valuation of the PNPF as at the 31st December 2022. These calculations have been updated to 31 March 2026 by the respective actuaries, allowing for the IAS 19 financial and demographic assumptions.

The principal assumptions used by the actuaries are shown below:

2024/25	LGPS Funded and Unfunded Schemes	PNPF Funded Pilots Pension Scheme
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	22.0	22.5
Women	24.7	24.5
Longevity at 65 for future pensioners (years):		
Men	22.5	24.0
Women	25.6	26.4
Rate of inflation (CPI)	2.8%	2.4%
Rate of increase in salaries	3.8%	2.4%
Rate of increase in pensions	2.8%	2.4%
Rate for discounting scheme liabilities	5.8%	5.4%

2025/26	LGPS Funded and Unfunded Schemes	PNPF Funded Pilots Pension Scheme
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	22.1	22.3
Women	24.7	23.7
Longevity at 65 for future pensioners (years):		
Men	22.8	23.2
Women	25.9	24.9
Rate of inflation (CPI)	3.0%	2.2%
Rate of increase in salaries	4.0%	2.2%
Rate of increase in pensions	3.0%	2.2%
Rate for discounting scheme liabilities	6.2%	5.4%

Virgin Media v NTL Pension Trustees - In July 2024 the Court of Appeal upheld the judgement of the UK High Court (in Virgin Media Limited v NTL Pension Trustees II Limited). The ruling was that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmations under section 37 of the Pension Schemes Act 1993.

This judgement has created uncertainty across the pensions industry regarding the validity of historic scheme amendments and the potential impact on defined benefit obligations.

The City Council partcipates in the Local Government Pension Scheme, which is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits.

The Government has subsequently introduced legislation (Pension Schemes Act 2026) to address the implications of the judgement. This legislation enables pension schemes to obtain retrospective actuarial confirmation in respect of certain historic amendments, such that they are treated as valid where conditions are met.

As at 31 March 2026, the City Council does not have information to conclude whether there is any material impact to the pension liabilities of the judgement or if this can reliably be estimated. Therefore the City Council currently does not consider it necessary to make any allowance for the potential impact. There, however, remains uncertainty as to whether all historic scheme amendments meet the legislative requirements or will require validation under the new provisions.

The City Council will therefore continue to monitor developments, including actions taken by the administering authority (Hampshire County Council) and scheme actuary (Hymans Robertson LLP), and will reflect any implications in future accounting periods when they become known.

Sensitivity Analysis:

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions shown in the tables above. The sensitivity analysis, set out below, has 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 are 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%	14,009
Post retirement mortaility assumption (increase of 1 year)	4.0%	36,886
Rate of salaries inflation (increaseby 0.1%)	0.0%	521
Rate of increases to pensions in payment (increase by 0.1%)	1.0%	13,476

Note - Assumes a baseline figure of £922,158k 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 £130,000.

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 £60,000.

Average life expectancy - if this were to increase by 1 year the defined benefit obligation would increase by around £100,000.

Commutation:

LGPS: Each member was assumed to surrender part of their pension on retirement, such that the total cash lump sum received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum (no change from 2024/25).

PNPF: It is assumed that 100% of members take the maximum cash lump sum available upon retirement (previously assumed 90% members take the maximum cash lump sum).

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 2025 triennial valuation a fund surplus was identified with funding being 129% of the liabilities, with this improvement from the previous triennial valuation (107%) primarily being down to better investment returns. The strategy agreed between Hampshire County Council (the scheme's administering authority) and the previous actuary was to achieve a 106% 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 31 March 2028 with the results expected during 2029.

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 employer's contributions expected to be made by the City Council in the year to 31 March 2027 are £59.4m for the LGPS with the increase reflecting payments being made in advance for three years. The equivalent figure for the PNPF is £69,000 including for ongoing and deficit contributions.

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 2025/26, the City Council paid £4.1m (2024/25 £4.9m) to the Teachers' Pensions Scheme in respect of teachers' retirement benefits and owed a further £0.5m of contributions at the 31st March 2026 in respect of the 2025/26 year. This outstanding amount was paid in April 2026. Additionally, £0.5m of Added Years Benefits were paid during the year directly to pension beneficiaries.

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 additional benefit costs are accounted for on a defined benefit basis and included in the entries in Note 39.

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 2025/26 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/NNDR.

2024/25 £000	Council Tax	2025/26 £000
	Income	
(127,208)	Council Tax	(132,120)
	Transfers from the General Fund	
(70)	Council Tax write ons	(412)
	Contributions received towards the estimated (deficit)/surplus	
2,357	Council Tax - Portsmouth City Council	2,432
360	Council Tax - Hampshire Police and Crime Commissioner	367
115	Council Tax - Hampshire & IOW Fire & Rescue Authority	116
(124,446)		**(129,617)**
	Expenditure	
	Distribution of estimated Council Tax Surplus	
-	Council Tax - Portsmouth City Council	-
-	Council Tax - Hampshire Police and Crime Commissioner	-
-	Council Tax - Hampshire & IOW Fire & Rescue Authority	-
-		-
	Precepts	
100,925	Council Tax - Portsmouth City Council	107,858
15,243	Council Tax - Hampshire Police and Crime Commissioner	16,346
4,830	Council Tax - Hampshire & IOW Fire & Rescue Authority	5,212
120,998		129,416
	Bad and Doubtful Debts	
1,449	Council Tax - amounts written off	2,735
2,557	Council Tax - change in provision	1,363
125,004		**133,514**
558	**(Surplus) / deficit for the Year**	3,897
(3,158)	(Surplus) / Deficit brought forward 1 April	(2,600)
558	(Surplus) / Deficit for the Year	3,897
(2,600)	**Council Tax balance as at 31 March - (Surplus) / Deficit**	**1,297**
	Apportioned :	
(2,168)	Portsmouth City Council	1,082
(328)	Hampshire Police and Crime Commissioner	163
(104)	Hampshire & IOW Fire & Rescue Authority	52
(2,600)		**1,297**

Business Rates / NNDR

2024/25 £000		2025/26 £000
	Income	
(93,176)	Income from Business Ratepayers (inc. Appeals Provision offset)	(98,251)
4,180	Less: Increase / (Decrease) Provision for Losses on Appeals	(1,157)
(88,996)		(99,408)
	Contributions received towards estimated (Deficit) / Surplus	
5,124	MHCLG	1,272
5,021	Portsmouth City Council	1,246
102	Hampshire & IOW Fire & Rescue Authority	25
10,247		2,543
(78,749)		**(96,865)**
	Business Rates Apportioned to:	
42,863	MHCLG	45,342
42,006	Portsmouth City Council	44,435
857	Hampshire & IOW Fire & Rescue Authority	907
(869)	MHCLG - Transitional Surcharge / (Relief)	(193)
289	Cost of Collection	276
188	Interest Paid on Overpayments Refunded	207
	Bad and Doubtful Debts	
950	NNDR - Amounts written off	623
346	NNDR - Increase / (Decrease) in Provision	852
86,630		**92,449**
7,881	**(Surplus) / Deficit for the year**	(4,416)
(10,919)	(Surplus) / Deficit b/fwd 1 April	(3,038)
7,881	(Surplus) / Deficit for the Year	(4,416)
(3,038)	**Non Domestic Rates as at 31st March - (Surplus) / Deficit**	**(7,453)**
	Apportioned:	
(1,519)	MHCLG	(3,727)
(1,489)	Portsmouth City Council	(3,652)
(30)	Hampshire & IOW Fire & Rescue Authority	(75)
(3,038)		**(7,454)**
(5,638)	**Total Collection Fund (Surplus) / Deficit**	**(6,157)**

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	16,698	6/9	11,126
B	25,466	7/9	19,807
C	18,987	8/9	16,877
D	5,584	9/9	5,584
E	3,380	11/9	4,131
F	1,554	13/9	2,245
G	598	15/9	997
H	33	18/9	66
	72,300		60,833
Less: adjustment for non-collection			(2,129)
Add: MoD dwellings contribution			637
2025/26 tax base			**59,340**

Multiplying the 2025/26 tax base of 59,340 by the standard council tax of £2,180.92, gives the total in-year precepts on the Collection Fund of £129.4m.

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.

- Ministry Of Housing, Communities and Local Government (MHCLG) - 50%
- Portsmouth City Council - 49%
- Hampshire & IOW Fire and Rescue Authority (HF&RA) - 1%

Portsmouth's total non-domestic rateable value as at 31 March 2026 was £229.2m. The non-domestic rates multiplier for the year was 49.9 pence for small businesses and 54.6 pence for other non-domestic properties. After the granting of various reliefs and exemptions the net rates due totalled £97.6m.

In closing the 2025/26 accounts it was necessary to make a provision of £5.6m 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 deficit of £1.3m as at 31 March 2026. The Council Tax side of the Collection Fund was estimated to result in a deficit of £1.8m in January 2026. The reduction on outturn is attributable to a slightly lower than anticipated increase to the Council Tax Bad Debt Provision.

Business Rates

The Business Rates part of the Collection Fund has realised a surplus of £7.5m as at 31 March 2026. The Business Rates side of the Collection Fund was estimated to result in a surplus of £8.2m in January 2026. The reduction on outturn is attributable to a higher number of appeals being lodged than previously anticipated.

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 however from the accounting cost. The resulting increase or decrease in the year on the HRA is shown in the HRA Movement in Reserves Statement.

2024/25 £000		2025/26 £000
	Expenditure	
31,843	Repairs & Maintenance	32,260
	Supervision & Management:	
19,393	- *General*	18,299
19,983	- *Special Services*	21,055
3,913	Rent rates taxes & other charges	4,359
	Depreciation/Impairments/Revaluations of Non-current Assets:	
(23,737)	- *Dwellings*	73,077
2,665	- *Other Assets*	139
33	Amortisation of Intangible Assets	-
(3)	Amortisation of Revenue Expenditure Funded from Capital Under Statute	-
(1,852)	Revenue Contributions	(2,526)
61	Debt management costs	59
460	Movement in allowance for bad debts	1,114
-	Sums directed by the secretary of state	-
52,759	Total Expenditure	**147,836**
	Income	
(88,395)	Dwelling rents (gross)	(90,815)
(3,478)	Non-dwelling rents	(3,543)
(16,294)	Service charges (Tenants charges for services)	(17,203)
(108,167)	**Gross rents**	**(111,561)**
(2,074)	Leaseholders charges for services & facilities	(2,110)
(1,180)	Other Charges for Services & Facilities	(1,426)
(411)	Contributions toward expenditure	(476)
(111,832)	**Total Income**	**(115,573)**
(59,073)	**Net Cost of HRA Services as included in the CIES**	**32,263**
169	HRA's share of corporate & democratic core	192
(58,904)	**Net cost of HRA Services**	**32,455**
(1,360)	(Gain) or loss on the sale of HRA non-current assets	(3,118)
10,981	Interest payable & similar charges	11,085
(1,929)	Interest and investment income	(1,957)
76	Pensions interest cost and expected return on pensions assets	(1,275)
-	Income, expenditure changes in the fair value of investment	-
(3,073)	Capital grants and contributions receivable	(6,710)
(54,209)	**(Surplus) / Deficit for the year on HRA services**	**30,480**

Movement on the HRA Statement

2024/25 £000		2025/26 £000
(25,599)	**Balance on the HRA at the end of the previous year**	**(25,750)**
(54,209)	(Surplus) or deficit for the year on the HRA Income & expenditure account	30,480
53,938	Adjustments between accounting basis & funding basis under statute	(30,326)
(271)	**Net (Increase) or decrease before transfers to or from reserves**	**154**
120	Transfers to / (from) reserves	(24)
(151)	**(Increase) / decrease in HRA in year**	**130**
(25,750)	**Balance on the HRA at the end of the current year**	**(25,620)**

The Income & Expenditure account shows the HRA'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 account for certain items on a different accounting basis than reported internally, with the main differences being:

- Capital investment is accounted for as it is financed, rather than when the assets are consumed. In particular; a debit of £43.1m (2024/25 credit of £52.2m) of net downward revaluations were charged to Income & Expenditure in 2025/26. This charge to the Income and Expenditure Account is reversed out by an equivalent credit 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 entries which comprise the Adjustments Between the Accounting Basis and Funding Basis Under Statute figure.

Notes to the Housing Revenue Account

H1. Note to the Movement on the HRA Statement

2024/25 £000		2025/26 £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	
52,154	Charges for revaluations and impairments of non-current assets	(43,085)
-	Charges for revaluations of investment properties	-
(33)	Charges for amortisation of intangible non-current assets	-
1,360	Net gain/loss on disposal of non current assets	3,118
3	REFCUS written down	-
	Inclusion of items not debited or credited to the Comprehensive Income and	
-	Sums set aside from revenue to fund capital expenditure	-
	Other Adjustments	
3,073	Capital grants and contributions credited to the HRA	6,710
(4,253)	Reversal of Major Repairs Allowance credited to the HRA	(1,842)
(3,775)	Reversal of items relating to retirement benefits debited or credited to the HRA	(1,702)
3,651	Employer's pension contributions and direct payments to pensioners payable in the	3,982
(72)	Transfer from accumulated absences	(163)
-	Reversal of finance leases	-
1,733	Capital Expenditure charged to Revenue	2,549
97	Other adjustments	107
53,938		**(30,326)**

H2. Gross Rent Income

This is the gross rent income for the year after allowance is made for voids etc. During the year, 1.33% of lettable dwellings were vacant. In 2024/25 the figure was 0.91%. The average dwelling rent was £113.19 per week in 2025/26, (£109.18 per week in 2024/25), an increase of £4.01 over the previous year. The gross arrears as at the end of the financial year was £5.2m (£4.9m in 2024/25).

H3. Depreciation of non-current assets

The depreciation charge to the HRA is broken down as follows:

	2024/25 £000	2025/26 £000
Council Houses	26,805	28,361
Other Assets	4,253	1,842
Intangible Assets	33	-
	31,091	**30,203**

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:

H4 - This table provides a breakdown across asset categories of revaluation entries charged to the HRA Income & Expenditure statement.

	2024/25	2025/26
	£000	£000
Council Houses	(50,542)	44,717
Other Assets	(1,612)	(1,632)
Intangible Assets	-	-
	(52,154)	**43,085**

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 charge 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 £0.6m 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 as set out below:

	2024/25 Total	Houses	Repayment of borrowing	Set Aside to Repay Debt	2025/26 Total
	£000	£000	£000	£000	£000
Balance at 1 April	(15,370)	(28,019)	-	-	(28,019)
Transferred from HRA	(29,887)	(30,308)	-	(3,135)	(33,443)
Transferred to HRA	-	-	-	.	-
Financing of capital expenditure	17,237	23,430	-	-	23,430
Balance at 31 March	(28,020)	(34,897)	-	(3,135)	(38,032)

H8. Housing stock

The City Council was responsible for managing an average of 15,436 dwellings (excluding mobile homes) during 2025/26. The stock as defined by the Housing Revenue Account Subsidy regulations at 31 March 2026 was as follows:

	No.of dwellings	
	2024/25	**2025/26**
Houses	4,466	4,422
Flats	10,956	11,028
	15,422	**15,450**

The change in stock can be summarised as follows:

	No. of Dwellings	
	2024/25	**2025/26**
Stock at 1 April	**15,430**	**15,422**
Sales	-	-
Bedsit conversions	(47)	(100)
Demolitions	-	-
Repurchases	-	-
Additions	37	122
New builds	2	6
Change in use	-	-
Stock at 31 March	**15,422**	**15,450**

Note - The numbers above do not include 41 properties which have been leased by the HRA purely for use by the General Fund for Temporary Accommodation.

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
Cost or Valuation									
At 01/04/2025	838,003	67,739	7,511		652	1,620	1,046	60,304	976,875
Opening Adjustments	-		(1)		-	-	-	-	(1)
Revised 1st April 2025	838,003	67,739	7,510		652	1,620	1,046	60,304	976,874
Appropriations to/from HRA	-	-	297		-	-	-	-	297
Additions (Including to WIP)	20,718	-	-		-	-	-	8,604	29,322
Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve	(72,872)	5,155	-		-	-	-	-	(67,717)
Disposals	(6,022)	(82)	(2,839)		-	-	(357)	-	(9,300)
Reclassifications	38,086	113	79		-	-	-	(17,543)	20,735
Transfers in Class	-	(725)	-		-	725	-	-	-
Reclassification from HRA WIP to GF WIP	-	-	-		-	-	-	-	
At 31/03/2026	817,913	72,200	5,047		652	2,345	689	51,365	950,211
Depreciation and Impairment									
At 01/04/2025	-	(4,540)	(7,081)		-	-	(1,046)	-	(12,667)
Opening Adjustments	-	-	(1)		-	-	-	-	(1)
Revised 1st April 2025	-	(4,540)	(7,082)		-	-	(1,046)	-	(12,668)
Appropriations to/from HRA	-	-	(89)		-	-	-	-	(89)
Depreciation Charge in Year	(28,361)	(1,685)	(153)		-	-	-	-	(30,199)
Depreciation written out on revaluation	28,157	6,224	-		-	-	-	-	34,381
Impairment losses/(reversals) to SDPS and/or Revaluation Reserve	-	-	-		-	-	-	-	-
Disposals	204	-	2,839		-	-	357	-	3,400
Transfers in Class	-	-	-		-	-	-	-	-
At 31/03/2026	-	(1)	(4,485)		-	-	(689)	-	(5,175)
Net Book Value									
At 01/04/2025	838,003	63,199	428		652	1,620	-	60,304	964,206
At 31/03/2026	817,913	72,199	562		652	2,345	-	51,365	945,036

For infrastructure assets please see separate disclosure below.

*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	2024/25 £000	2025/26 £000
Net Book Value (Modified Historic Cost)		
At 1st April	**33**	**32**
Additions	-	-
Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve	-	-
Disposals	-	-
Reclassifications from Assets Under Construction	-	-
Reclassifications between categories	-	-
Depreciation Charge in Year	(1)	(3)
Depreciation written out on revaluation	-	-
At 31st March	**32**	**29**

H10. Vacant possession value of dwellings within the HRA

The vacant possession value of dwellings held within the HRA amounts to £2,477m as at 1 April 2025. The substantial difference between this figure and the net book value figure of £818m (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 (known as the Existing Use Value - Social Housing).

H11. Capital expenditure within the HRA

Capital expenditure during the 2025/26 financial year and its financing is shown below:

	Non-Current Assets			
	Land	Houses	Other property & Equipment	Total
	£000	£000	£000	£000
Borrowing	-	20,097	-	20,097
Usable capital receipts	-	934	-	934
Revenue contributions	-	226	641	867
Major Repairs Reserve	-	23,431	-	23,431
Grants and contributions	-	4,199	465	4,665
	-	48,888	1,106	49,994

H12. Bad Debt Provision

	31 March 2025	Additions and reductions	Write-offs	31 March 2026
	£000	£000	£000	£000
Housing rents provision	(2,661)	(1,114)	299	(3,476)
Sale of flats provision	-	-	-	-
Provision for other HRA bad debts	(35)	19	-	(16)
	(2,695)	(1,095)	299	(3,492)

Independent Auditors Report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF PORSTMOUTH CITY COUNCIL

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Glossary of Terms

Accruals - The concept that income and expenditure is recognised as it is earned or incurred; not as money is received or paid.

Amortised Cost - Some of the City Council's assets and liabilities are 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).

Asset Management - The process of maintaining, upgrading, and operating assets cost-effectively.

Audit Opinion - The formal statement issued by external auditors on whether the financial statements give both a true and fair view and have been properly prepared in accordance with CIPFA's Code of Practice on Local Authority Accounting.

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, like land and buildings.

Capital Receipts Reserve - This is a statutory reserve used to hold the proceeds received from the sale of non-current assets which have not yet been applied to finance capital expenditure or to repay debt.

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.

Collection Fund Deficit - This represents a shortfall between the income collected from local taxation (council tax or business rates) and the amounts which were forecast to be collected and distributed to the City Council and precepting bodies at the end of the financial year. The shortfall can be due to factors such as non-payment, successful appeals, or changes in the tax base.

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.

Council Tax Requirement - The amount of money the City Council needs to raise from council tax to fund its services.

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 reduction in the value of the City Council's non-current assets over time due to use, wear and tear, reduction in useful economic life, 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 estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable and willing market participants at the measurement date.

Fair Value through Profit and Loss - Some of the City Council's 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 is ring-fenced and 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.

Investment Property - A property held solely to earn rentals or for capital appreciation and not used to either deliver services or achieve City Council objectives.

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.

Major Repairs Reserve - This is a statutory ring fenced reserve held within the Housing Revenue Account which is used to fund capital expenditure on repairs and other capital works to council housing.

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.

Medium Term Financial Strategy - A forward-looking plan that sets out the City Council's financial planning over a 3-5 year period.

Minimum Revenue Provision (MRP) - The statutory 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. It ensures that borrowing is not left unpaid indefinitely but is charged to revenue over time.

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 of non-current assets after accounting for changes to their historic cost or current value and depreciation, impairments, and revaluations.

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.

Outturn - The actual income and expenditure for a financial year compared to the budget.

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.

Prudential Code - A CIPFA framework which ensures the City Council borrows responsibly and sustainably.

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.

Reserves - Funds set aside for future spending or to cover unexpected costs. These can be either general or earmarked for specific purposes.

Revaluation Gain - An increase in the carrying value of a non-current asset following an in year revaluation. Basically the asset is now worth more than it was last year.

Revaluation Loss - A decrease in the carrying value of a non-current asset following an in year revaluation. Basically the asset is now worth less than it was last year.

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, such as staffing, utilities, and supplies.

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.

Section 151 officer - The officer legally responsible for the proper administration of the City Council's financial affairs.

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.

Statement of Accounts - The formal annual financial report of the City Council including the balance sheet, income and expenditure statement and supporting disclosure notes.

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 amount by which either income exceeds (surplus) or falls short of (deficit) expenditure. Basically, it is the total of income less expenses but excludes certain 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 cash, debt/borrowing and investment of surplus funds.

Treasury Management Strategy - A formal document setting out the City Council's approach to managing its cashflows, investments and borrowing for the forthcoming financial year(s).

Trust Funds - Independent funds administered by the City Council for prizes, charities, specific projects and on behalf of minors.

Unusable Reserves - Accounting reserves not available for spending, such as the Revaluation Reserve.

Usable Reserves - Funds available to support future spending, such as the General Fund balance.

Useful Economic Life (UEL) - Period over which the City Council will derive benefit from the use of a non-current asset.

Value for Money (VfM) - The optimal use of resources to achieve the best outcomes for residents and taxpayers.