
NOTICE OF MEETING

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

FRIDAY, 27 JULY 2018 AT 10.30 AM

THE EXECUTIVE MEETING ROOM - THIRD FLOOR, THE GUILDHALL

Telephone enquiries to 023 9283 4058
Email: Vicki.plytas@portsmouthcc.gov.uk

If any member of the public wishing to attend the meeting has access requirements, please notify the contact named above.

Membership

Councillor Will Purvis (Chair)
Councillor Simon Boshier
Councillor Ken Ellcome
Councillor John Ferrett
Councillor Ian Lyon
Councillor Hugh Mason

Standing Deputies

Councillor Jennie Brent
Councillor Jason Fazackarley
Councillor David Fuller
Councillor Ben Swann
Councillor Tom Wood

(NB This Agenda should be retained for future reference with the minutes of this meeting.)

Please note that the agenda, minutes and non-exempt reports are available to view online on the Portsmouth City Council website: www.portsmouth.gov.uk

Deputations by members of the public may be made on any item where a decision is going to be taken. The request should be made in writing to the contact officer (above) by 12 noon of the working day before the meeting, and must include the purpose of the deputation (for example, for or against the recommendation/s). Email requests are accepted.

AGENDA

1 Apologies for Absence

2 Declarations of Members' Interests

3 Minutes of the meeting held on 8 June 2018 (Pages 7 - 14)

RECOMMENDED that the minutes from the meeting held on 8 June 2018 be confirmed and signed by the Chair as a correct record.

4 Annual Audit Report 2017/18 (Pages 15 - 36)

The purpose of the report is to update the Governance and Audit and Standards Committee on the completion of the Internal Audit Plan for 2017/18 and provide the Authority with the required Annual Audit Opinion which feeds into the Annual Governance Statement, as required under the Local Government Act 1999.

RECOMMENDED that Members note

- (1) the completion of the Audit Plan for 2017/18**
- (2) the Annual Audit Report and Opinion for 2017/18**
- (3) the audits completed since the last meeting in relation to the 2017/18 Audit Plan**

5 Annual Governance Statement (Pages 37 - 76)

The purpose of the report is to seek approval from the Governance and Audit and Standards Committee for the council's Annual Governance Statement (AGS) for 2017/18.

RECOMMENDED that the Committee

- (1) Agree the Annual Governance Statement 2017/18 (Appendix 2) and**
- (2) Approve the refreshed Local Code of Governance set out in Appendix 1.**

6 Annual Statement of Accounts 2017/18 (Pages 77 - 234)

The final version of the Statement of Accounts will be tabled on the day for the Chair to sign off. The draft is attached.

(Note that the Annual Governance Statement must be signed off first.)

The purpose of the report is to ask the Committee to consider the Statement of Accounts for 2017/18.

RECOMMENDED

- (1) That the Statement of Accounts be approved**
- (2) That authority be delegated to the Chair of the Governance and Audit and Standards Committee to sign an amended 2017/18 Statement of Accounts after 27 July 2018 should this be required following comments by the auditor.**

7 External Audit Results Report (Pages 235 - 288)

Chair to sign the Letter of Representation.

Portsmouth City Council's Audit Results report for noting.

8 Risk Policy and Procedures (Pages 289 - 300)

The purpose of the report is to present the council's risk and assurance management policy to the Governance and Audit and Standards Committee for approval.

RECOMMENDED that the Committee

- (1) Approves the attached Risk and Assurance Management Policy**
- (2) Agrees to review the risk management policy in June 2020, including risks current at the time and lessons learnt over the previous year.**

9 Treasury Management Monitoring Report Qtr 1 2018/19 (Pages 301 - 310)

The purpose of the report is to inform members and the wider community of the Council's Treasury Management position at 30 June 2018 and of the risks attached to that position.

RECOMMENDED that the Committee notes

- (1) That there have been no breaches of the Treasury Management Policy 2018/19 in the period up to 30 June 2018.**
- (2) The actual Treasury Management indicators for June 2018 in Appendix A.**

10 Revised Corporate Complaints Policy (Pages 311 - 328)

The purpose of this report is to introduce a revised policy for dealing with corporate complaints, including the management of vexatious and persistent complaints and seeks approval of the new policy.

RECOMMENDED that the revised policy at Appendix 1 is approved.

11 Report of urgent decision taken in accordance with Standing Order 58 of the Council's Procedure Rules

This item is included to fulfil the requirement to report instances where Standing Order 58 has been used to give effect to an urgent decision rather than taking it through the Governance & Audit & Standards Committee. Following consultation with the previous Chair and Vice-chair of this committee, the Chief Executive was satisfied that it was necessary to invoke Standing Order 58 to appoint a Data Protection Officer in accordance with the General Data Protection Regulations (GDPR). The reason for urgency was in order to meet the deadline set in the GDPR of 25 May 2018.

12 Exclusion of Press and Public

In view of the contents of the following item on the agenda the Committee is RECOMMENDED to adopt the following motion:

"That, under the provisions of Section 100A of the Local Government Act, 1972 as amended by the Local Government (Access to Information) Act, 1985, the press and public be excluded for the consideration of the following item on the grounds that the appendices contain information defined as exempt in Part 1 of Schedule 12A to the Local Government Act, 1972"

The public interest in maintaining the exemption must outweigh the public interest in disclosing the information.

Under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012, regulation 5, the reasons for exemption of the listed items is shown below.

(NB The exempt/confidential committee papers on the agenda will contain information which is commercially, legally or personally sensitive and should not be divulged to third parties. Members are reminded of standing order restrictions on the disclosure of exempt information and are invited to return their exempt documentation to the Senior Local Democracy Officer at the conclusion of the meeting for shredding.)

Item	Exemption Para No.*
13. Procurement Management Information (Exempt Appendices 1, 4 and 5 only)	3

***3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).**

13 Procurement Management Information (Pages 329 - 352)

(NB Appendices 1, 4 and 5 are exempt and provision has been made on the agenda for the meeting to be moved into exempt session if required)

The purpose of this report (that is for information and noting only) is to provide evidence to allow the committee to evaluate the extent that Portsmouth City Council is achieving value for money in its contracts for goods, services and works.

The Committee is asked to note the report.

Members of the public are permitted to use both audio visual recording devices and social media during this meeting, on the understanding that it neither disrupts the meeting nor records those stating explicitly that they do not wish to be recorded. Guidance on the use of devices at meetings open to the public is available on the Council's website and posters on the wall of the meeting's venue.

Whilst every effort will be made to webcast this meeting, should technical or other difficulties occur, the meeting will continue without being webcast via the Council's website.

This meeting is webcast (videoed), viewable via the Council's livestream account at <https://livestream.com/accounts/14063785>

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Agenda Item 3

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Friday, 8 June 2018 at 10.30 am in The Executive Meeting Room - Third Floor, The Guildhall

(NB These minutes should be read in conjunction with the agenda for the meeting which can be found at www.portsmouth.gov.uk.)

Present

Councillor Will Purvis (in the chair)

Councillor Simon Boshier
Councillor Ken Ellcome
Councillor John Ferrett
Councillor Ian Lyon
Councillor Hugh Mason

Officers

Julian Pike, Deputy Head of Finance & S151 Officer
Michael Lloyd, Directorate Finance Manager (Technical & Financial Planning)
Michael Lawther, City Solicitor, Deputy Chief Executive
Elizabeth Goodwin, Deputy Chief Internal Auditor
Paul Somerset, Principal Auditor
Jon Bell, Director of HR Legal and Performance
Kelly Nash, Corporate Performance Manager
Greg Povey, Assistant Director of Contracts, Procurement and Commercial

External Auditors

Helen Thompson, Executive Director, EY.
David White, Manager, Assurance - Government and Public Sector, EY.

30. Apologies for Absence (AI 1)

The Chair, Councillor Will Purvis, welcomed everyone to the meeting and advised that it is being livestreamed and would be available on the website. The Chair then read out the housekeeping rules relating to evacuation procedures in the event of an emergency. Introductions were then made round the table.

There were no apologies for absence.

31. Declarations of Members' Interests (AI 2)

There were no declarations of members' interests.

32. Minutes from the Meeting held on 9 March 2018 (AI 3)

RESOLVED that the minutes from the meeting held on 9 March 2018 be confirmed and signed by the Chair as a correct record.

Members asked for updates on some matters referred to in the minutes.

- (minute 21) - Michael Lloyd advised that he had secured 0.8% interest fixed for one year on money lodged with Lloyds Bank (to guarantee MMD's Banking limits)

ACTIONS:

- (minute 21) It was confirmed that the Chair of Governance & Audit & Standards Committee would be advised immediately of variances from the Treasury Management Policy and this Committee would also receive notice of any breach by way of an update to its next meeting
- (minute 22) The City Solicitor agreed that an update on progress concerning the Municipal Energy Supply Company would be included on future agendas to include how it is performing in relation to international and national energy markets so that the Committee can be kept informed about whether the company is or is not on track.

DEPUTATIONS were made at this point in the meeting by Mr Jerry Brown on the following items on the agenda

Item 6 - Treasury Management Outturn report
Item 7 - Annual Audit Plan report
Item 8 - Performance Management Update Q4

These have been referred to at the beginning of each item concerned and can be viewed in full using the following link

<https://livestream.com/accounts/14063785/GAS-08Jun2018>

33. External Audit Progress Report (AI 4)

(TAKE IN REPORT)

David White, Manager, Assurance, Government and Public Sector, EY, introduced this item advising that a summary is provided on page 22 of matters brought to a previous meeting of this committee when they were considered in depth. The summary covers the key dates for the 2017/18 year-end audit, 2018/19 fee letter and an update on housing benefit subsidy claim certification.

In response to questions it was confirmed that

- No particular issues had become apparent in relation to the housing benefit subsidy claim certification - there were some small errors in previous years but nothing to cause concern from current year testing undertaken to date (work is ongoing).
- A detailed report on timescales for the Statement of Accounts sign off had been brought to the last meeting and the external auditors said they were as confident as they could be that the accounts would be completed by the deadline.
- Missing the deadline remained a reputational matter and there were no actual penalties.

In response to a query Mr White outlined the method of sampling in respect of the housing benefit subsidy claim certification.

RESOLVED that the Audit progress report was noted.

34. External Audit Fee Letter (AI 5)

(TAKE IN FEE LETTER)

Helen Thompson, Executive Director, EY (External Auditors) introduced this item advising that for the 2018/19 financial year, PSAA has set the scale fee for each audited body that has opted into its national auditor appointment scheme. PSAA has reduced the 2018/19 scale audit fee for all opted-in bodies by 23 per cent compared against the fees applicable for 2017/18.

In response to a query about whether this meant the external auditors would do less work, the Committee was advised that the necessary work would be done - it is a case of how the work is done not what work is done.

RESOLVED that the Committee noted the External Audit Fee Letter.

35. Treasury Management Outturn Report 2017/18 (AI 6)

(TAKE IN REPORT)

A deputation was made by Mr Brown concerning the Local Enterprise Partnership (LEP) underspend.

<https://livestream.com/accounts/14063785/GAS-08Jun2018>

Michael Lloyd introduced the report and explained that it is before this committee for scrutiny before going on to Cabinet and then Council for approval and decision.

He confirmed that reference on page 40 to the years 2918, 2919, 2920 and 2921 should have read 2018, 2019, 2020 and 2021. This would be corrected before the report went on to Cabinet and Council.

Following discussion it was agreed that the report would benefit from more explanatory notes such as in relation to the current report

- to explain the amount of capital underspend (timing issue around procurement of investment properties)
- to explain the reasons why PCC has surplus cash and why measures are being taken to reduce it
- to include more detail about where money is invested
- To explain that investment is based on security of return above other considerations

In response to queries members were advised

- That MMD loans were not included in the Treasury Management Policy as they are accounted for as part of the Capital Programme. The Treasury Management Strategy is different from that of MMD and the objectives of each were different.
- That the over borrowing extent is falling and that it was hoped that this would be close to zero by the end of the financial year, subject to the capital programme being spent.

The Chair re-iterated that future reports should include more notes to explain and clarify matters contained within it.

RESOLVED that the actual prudential and treasury management indicators based on the unaudited accounts, as shown in Appendix D, be noted.

**36. Annual Audit Plan Report 2017/18 & Audit Plan 2018/19 (AI 7)
(TAKE IN REPORT)**

Mr Jerry Brown gave a deputation on this item that can be viewed using the following link <https://livestream.com/accounts/14063785/GAS-08Jun2018>

The Chief Internal Auditor, Elizabeth Goodwin introduced the report explaining that this updates the committee on the completion of the internal audit plan for 2017/18, highlights areas of concern and areas where assurance can be given on the internal control framework. In addition the audit plan for 2018/19 is presented. The Chief Internal Auditor explained that in 2017/18 a total of eight no assurance audits were issued with one critical risk exception raised. Information on four of the no assurance audits has been reported to the committee in previous reports. Details of the additional four "no assurance" audits are contained within this report.

During discussion the following matters were clarified:

- A position update on the IT procurement inventory and disposal referred to in section 6 of the report was given on 7 June and Internal Audit has not yet verified this position. IT has moved quickly to redress the issues raised but the actions will need to be independently verified and will be included in a follow-up report. Greg Povey, Assistant Director of Contracts, Procurement and Commercial added further

points of clarification in respect of paragraph 6.1.2 of the report. To summarise he said that a huge number of actions were underway to address the issues raised.

- When asked about the potential location of the remaining £8,000 worth of stock the Chief Internal Auditor said that the system in place was poor and that no assurance could be provided. Mr Povey stated that £5,500 of this amount related to iron key memory sticks that were found in the warehouse when the corrective plan relayed the shelving.
- The Chief Internal Auditor agreed to find out whether the £20,000 worth of equipment was a cumulative figure over the last 12 months or a single purchase.
- Mr Povey said that the contract that had expired had not been picked up as it was within another contract that was varied. He agreed that this should have been noticed. It was confirmed that no contract was in place for two years before this was picked up.
- The City Solicitor said that owing to the circumstances, he would detail how the breach of data protection had happened and would report back to this committee. The Chief Internal Auditor said that the level of encryption is very high so considered the risk of a data breach to be very low. ICO advice is that where items are encrypted then they are sufficiently secure. The City Solicitor said that the greater concern was the lack of a proper contract being in place and said he would look at all the issues raised at this meeting and would report back to members of the committee by way of an explanatory note before the next meeting.

With regard to queries raised about MMD, the Chief Internal Auditor explained

- that there had been a cultural change within MMD following the appointment of a new Director and Port Manager.
- that more audits would be carried out and the results would be reported back to this committee.
- that with regard to concerns raised about the wider point of culture and governance not being included in the general audit procedures, the Chief Internal Auditor said that the port board members themselves were looking at this. Internal audit would give their help where reviews have been undertaken and where issues had been uncovered. This will ensure greater transparency in terms of greater input from internal audit that would be reported back to the committee.
- that changes in who sits on the Board were underway to include more councillor representation on the Board.
- When asked to confirm whether civil action was in the pipeline the Chief Internal Auditor stated that she was not aware of any.
- The Chief Internal Auditor said that the external audit role was to look at the finances of the company and the role of internal audit is different. Internal audit will liaise with external auditors to check no overlap of work going forward

With regard to 4.3 of the report, the Chief Internal Auditor said that sufficient resources were available to conduct the work specified. She said that Internal Audit was more efficient than previously following the agreement to invest in analytical software. Internal Audit had also reviewed how it carried out audits and this had resulted in a more efficient process. The City Solicitor said he would be happy to meet individually with councillors to explain the process in detail.

- Confirmation was given that with regard to the GDPR (General Data Protection Regulations) issue regarding legacy systems this was already underway and an update will be provided to this committee at a future meeting.
- Members asked for some changes to be made to the report in future to include the date when the audit took place and to clearly show which items were historic and which are new as they seem to be mixed up in the Appendix A of the report detailing outstanding issues.
- With regard to page 57 of the documents pack concerning the two high risk exceptions against Community & Communications, the Chief Internal Auditor explained that this was in relation to the Regulation of Investigatory Powers Act (RIPA) and although there had been no breach, Internal Audit said that there was a need to tighten up on procedures and that it was likely that these would be inspected again soon.

RESOLVED that members

- (1) Noted the completion of the audit plan for 2017/18;**
- (2) Noted the highlighted areas of control weakness from the 2017/18 audit plan;**
- (3) Endorsed the audit plan for 2018/19.**

37. Performance Management Update - Quarter 4, 2017 - 18 (AI 8)
(TAKE IN REPORT)

Mr Jerry Brown made a deputation on this item that can be viewed in full using the following link <https://livestream.com/accounts/14063785/GAS-08Jun2018>

Kelly Nash, Corporate Performance Manager, introduced the report and invited members to comment on the way the information was presented with a view to tailoring it to meet members' expectations. The following comments were made:

- Members agreed that the level of detail was about right and that where there were multiple concerns with a particular directorate the committee might consider inviting the director concerned to a meeting to focus on those issues.

- General concern was expressed about the red, amber, green (RAG) ratings as they seemed to be too subjective and often appeared to be contradictory. Members suggested that an executive-level meeting should be convened before the report was finalised to determine RAG ratings.
- With regard to the energy company, members felt that this was a significant risk and that more information generally should be brought to this committee. The members were aware that there could be difficulties in assigning a RAG rating to an item in that it could be given a green rating in terms of performance but a different RAG rating in terms of risk.
- Members commented that the narrative suggested that some directorates seemed to take the report more seriously than others.

The Corporate Performance Manager said that the full report could perhaps be taken to the briefing meeting and members could then decide which items to focus on at the main meeting.

The chair asked that in future all members of the committee be invited to the briefing meetings.

RESOLVED that the Committee

- (1) Noted the report;**
- (2) Noted the continued improvement in quality of reports from Directorates;**
- (3) Agreed if any further action is required in response to performance issues highlighted.**

38. Consideration of the Political Balance Rules in relation to the constitution of Sub-committees considering complaints against Members (AI 9)

(TAKE IN REPORT)

The City Solicitor explained that as there has been a change this municipal year in the political make-up of the Council, Members are asked to reaffirm the decision made in February 2018 to disapply the political balance rules in respect of its Sub-Committees which consider complaints against Members and to agree that the same arrangement shall apply to the Initial Filtering Panel.

He explained that the decision is one which only this Committee can make and that it must be made without any of the Members present voting against it.

Members voted unanimously in favour of the recommendation.

RESOLVED that the political balance rules are disappplied in respect of Governance and Audit and Standards Sub-Committees which are

considering complaints against Members and also the same arrangement should apply in respect of Initial Filtering Panel membership.

39. Exclusion of Press and Public (AI 10)

The City Solicitor was asked whether the exempt designation applying to the appendix to item 11 on Data Breaches could be lifted so that the document could be made public and this was agreed. Arrangements would be made to publish the item on the website.

The meeting remained in open session.

40. Data Security Breach Report (AI 11)

(TAKE IN REPORT)

The City Solicitor introduced the report which informed the Committee of any Data Security Breaches and actions agreed/taken since the last meeting. During discussion it was confirmed that

- The rules around reporting to the Information Commissioner's Office had changed and it was likely that more breaches would need to be reported in future following GDPR
- Staff have been given clear advice on how to deal with data breaches- employees must report any breach to their manager in the first instance.
- The City Solicitor agreed to check the redress available where an employee's data has been breached.

RESOLVED that Members of the Committee noted the breaches (by reference to Appendix A) that have arisen and the action determined by the Corporate Information Governance Panel (CIGP).

The meeting concluded at 1.20 pm.

Councillor Will Purvis
Chair

Agenda Item 4



Portsmouth
CITY COUNCIL

Title of meeting:	Governance & Audit & Standards Committee
Date of meeting:	27 th July 2018
Subject:	Annual Audit Report 2017/18
Report by:	Chief Internal Auditor
Wards affected:	All
Key decision:	No
Full Council decision:	No

1. Summary

- 1.1 This is the Annual Audit report for 2017/18 which includes the Annual Audit Opinion of limited assurance. The full details are contained within Appendix A.
- 1.2 There were 68 Full Audits and 43 Follow ups, planned for 2017/18, totalling 111 reviews.
- 1.3 To date, 111 (100%) have been completed.
- 1.4 In addition to the planned audits there are 11 areas of on-going work and 2 continuous audits which contribute to risk assurance.
- 1.5 Completed Audits since the last meeting are included in Appendix B

2. Purpose of report

- 2.1 This report is to update the Governance and Audit and Standards Committee on the completion of the Internal Audit Plan for 2017/18 and provide the Authority with the required Annual Audit Opinion which feeds into the Annual Governance Statement, as required under the Local Government Act 1999.

3. Recommendations

- 3.1 That Members note the completion of the Audit Plan for 2017/18
- 3.2 That Members note Annual Audit Report and Opinion for 2017/18
- 3.3 That Members note the audits completed since the last meeting in relation to the 2017/18 Audit Plan

4. Equality impact assessment (EIA)

4.1 The contents of this report do not have any relevant equalities impact and therefore an equalities assessment is not required.

5. Legal Implications

5.1 The City Solicitor has considered the report and is satisfied that the recommendations are in accordance with the Council’s legal requirements and the Council is fully empowered to make the decisions in this matter.

5.2 Where system weaknesses have been identified he is satisfied that the appropriate steps are being taken to have these addressed.

6. Finance Comments

6.1 There are no financial implications arising from the recommendations set out in this report.

6.2 The S151 Officer is content that the progress against the Annual Audit Plan and the agreed actions are sufficient to comply with his statutory obligations to ensure that the Authority maintains an adequate and effective system of internal audit of its accounting records and its system of internal control.

.....
 Signed by: Elizabeth Goodwin, Chief Internal Auditor

Appendices:

Appendix A – Annual Audit Report 2017/18

Appendix B - Completed Audits since last meeting in relation to 2017/18 Audit Plan

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

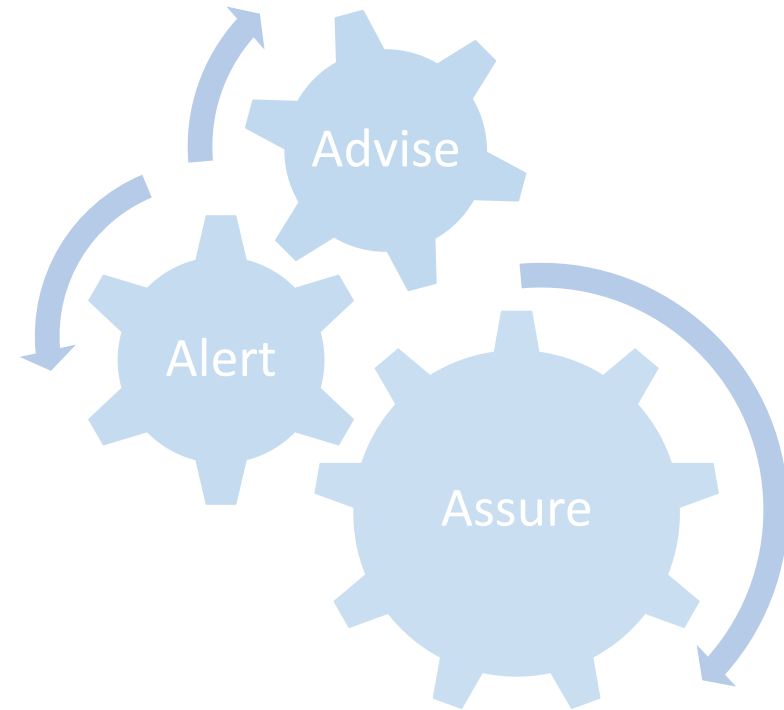
Title of document	Location
1 Accounts and Audit Regulations	http://www.legislation.gov.uk/ukxi/2011/817/contents/made
2 Previous Audit Performance Status and other Audit Reports	Refer to Governance and Audit and Standard meetings – reports published online http://democracy.portsmouth.gov.uk/ieListMeetings.aspx?Committeeld=148
3 Public Sector Internal Audit Standards	http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards

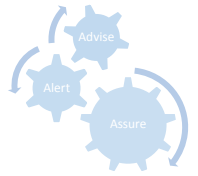
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2017/18

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Elizabeth Goodwin

Chief Internal Auditor





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Page 10 - Follow up analysis

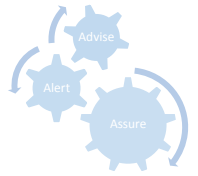
Page 11 - Data analytics & continuous auditing

Page 12 - Unplanned reactive work

Page 13 - External Client Analysis & Performance

Pages 14-18 - Public Sector Internal Audit Standards

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1. Background

1.1 Public Sector Internal Audit Standards

1.2 On 1st April 2013 the 'Public Sector Internal Audit Standards' (PSIAS) were formally adopted in respect of Local Government across the UK. The PSIAS apply to all internal service providers, whether in-house, shared services or outsourced. The Standards were revised from 1 April 2016 to incorporate the mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing.

1.3 The Accounts and Audit Regulations 2015 Section 5, define the requirement for an internal audit function within Local Government stating that:

'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'

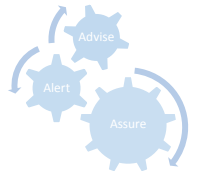
1.4 The responsibility for maintaining an adequate and effective system of internal audit within Portsmouth City Council lies with the Director of Finance & Information Services (S151 Officer).

1.5 The Chief Internal Auditor is responsible for effectively managing the internal audit activity in accordance with the '*Definition of Internal Auditing*', the '*Code of Ethics*' and '*the Standards*'.

1.6 In accordance with the PSIAS the definition of Internal auditing is;

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

1.7 In addition the Chief Internal Auditor will provide an Annual Internal Audit Opinion based on an objective assessment of the Authority's framework of governance, risk management and control.



1.8 The Annual Internal Audit Opinion must incorporate;

- The Opinion;
- A summary of the work that supports the Opinion; and
- A statement on conformance with PSIAS and the results of the quality assurance and improvement programme.

1.9 Statement of Organisational Independence

1.10 The Internal Audit & Counter Fraud Section has no operational responsibilities for any financial systems, including system development and installation. It does however provide advice on control implementation and risk mitigation where relevant and throughout the design and implementation stages of new systems.

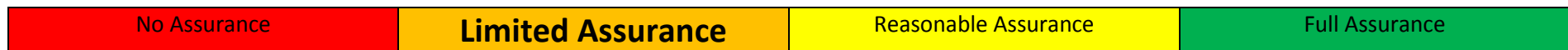
1.11 The Chief Internal Auditor is free from interference, although has due regard for the Authority's key objectives and risks and consults with Members and Officers charged with governance, when setting the priorities of the annual audit plan, for example; in determining the scope and objectives of work to be carried out and in performing the work and communicating the results of each audit assignment. There must be and is no compromise on the ability of Internal Audit to provide an independent assurance on the control framework.

1.12 The Internal Audit Section has free and unfettered access to the s151 Officer, Chief Executive, Monitoring Officer the Leader of the Council and the Chair of the Governance and Audit and Standards Committee.

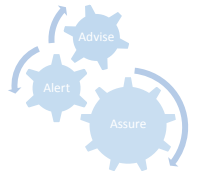


2. Annual Opinion

- 2.1 During 2017- 18 Internal Audit & Counter Fraud completed 68 full audits and 43 follow up reviews to plan. The results show a high level of high risks identified and a drop in critical risks from the previous year. Due to the number of exceptions raised overall the audit opinion for 2017/18 will remain at limited assurance as an assessment of the effectiveness of the internal control framework.
- 2.2 Last year the annual opinion was presented that the direction of travel was that of, deteriorating not improving, for this year the position appears to have stabilised. In forming this opinion consideration has been given to the use of a data analytics software tool that has enabled us to extend the level and depth of testing performed. This has identified higher failure rates in testing which over time is expected to subside. In addition to this we have been able to place an element of reliance on our analysis of the effectiveness of other assurance work carried out. This assessment will be extended during 2018-19 across the authority.
- 2.3 The results of follow up work also show that only 41% of agreed actions have been fully implemented. It is not clear at this stage the root cause of why 59% of agreed actions have not been implemented and additional time will be allocated to understand why.
- 2.4 Four audit opinion levels are in place and these are: no assurance, limited assurance, reasonable assurance and full assurance. Where there are mainly medium or low risk exceptions the annual audit opinion would be reasonable or full assurance.

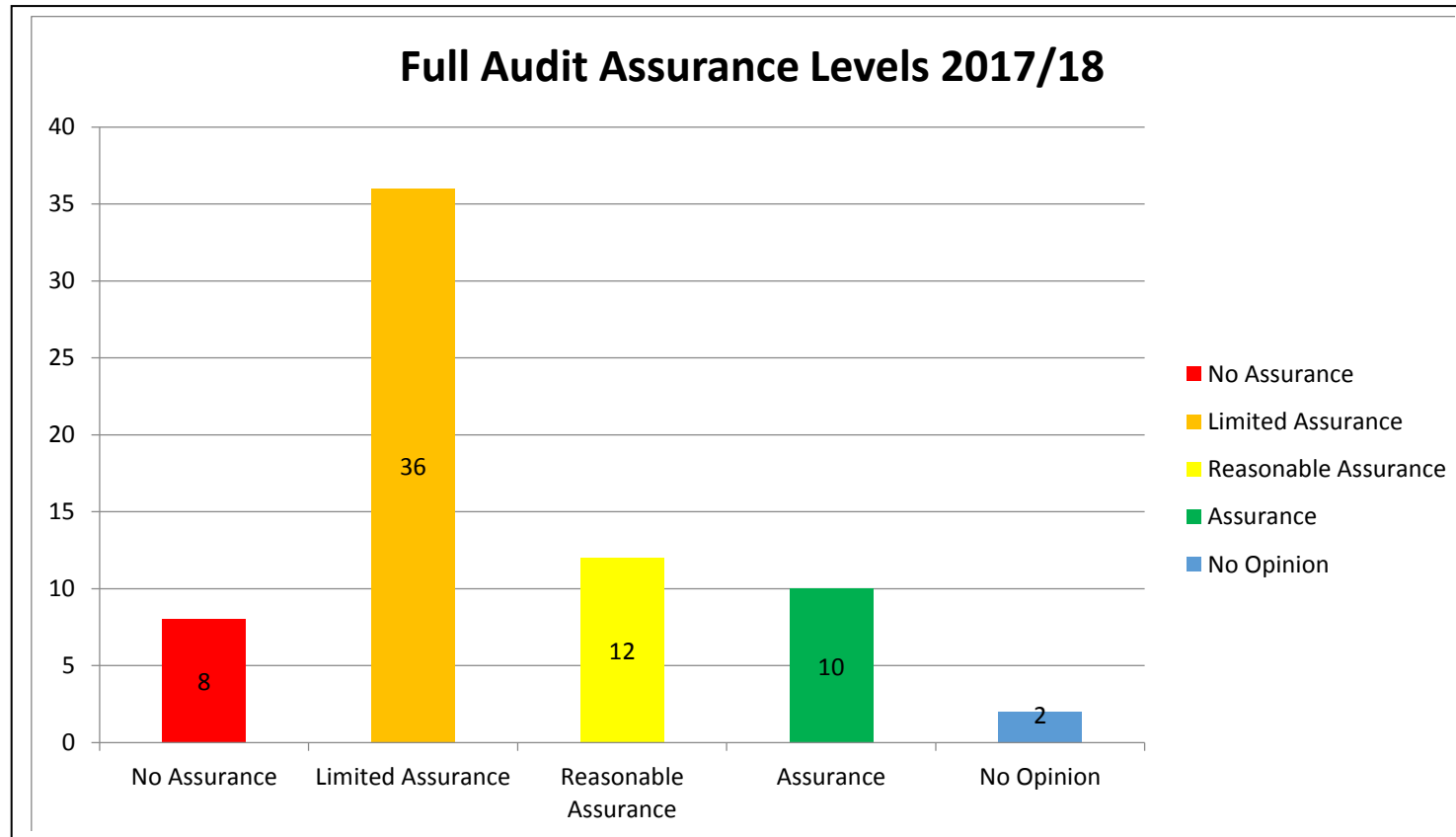


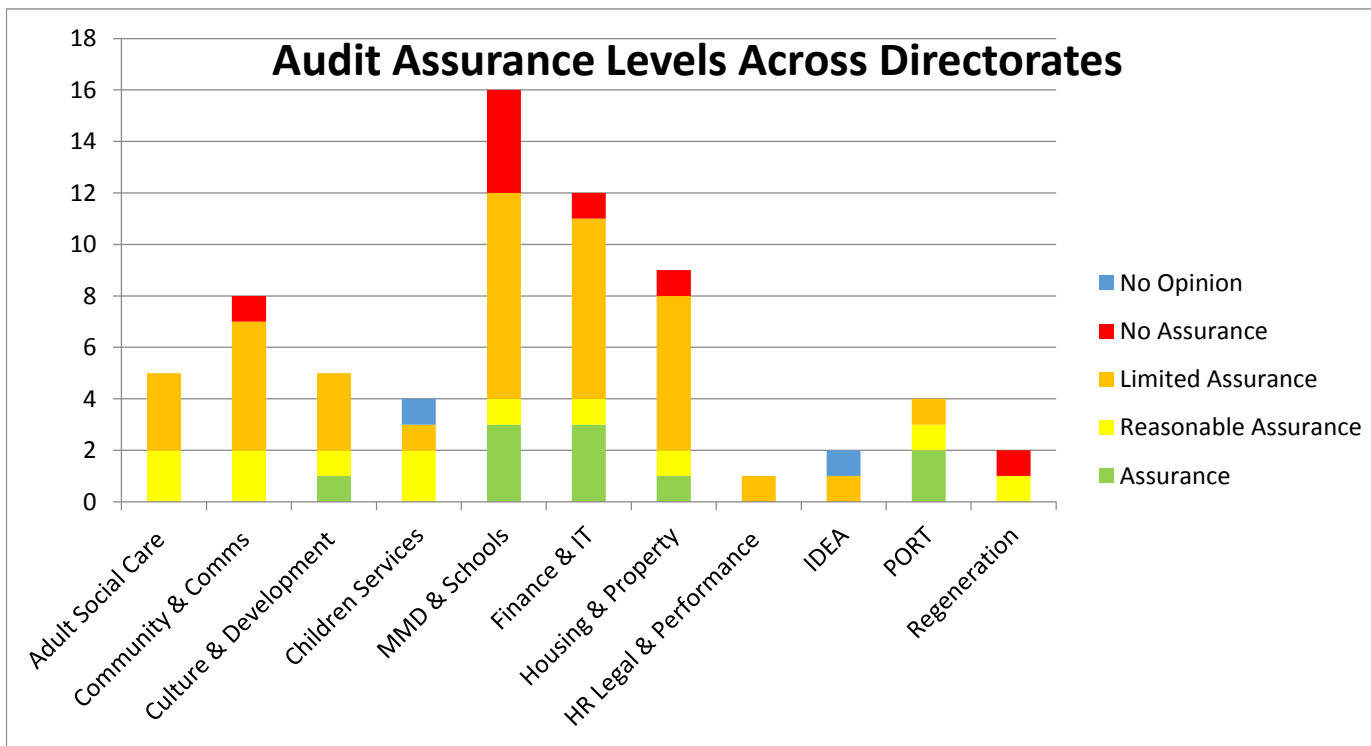
- 2.5 Internal Audit & Counter Fraud will continue to work with Directors, the Deputy Chief Executive and the Chief Executive to improve on specific areas of control, risk management and governance weaknesses.
- 2.6 Any significant corporate weaknesses and agreed actions will be reflected in the Annual Governance Statement. The impact of the Internal Audit work for 2017/18 may affect that year's work for External Audit. It may also inform their work for 2018/19 and where they consider there are weaknesses in control that could materially affect the accounts they may need to carry out further work to gain the necessary audit assurance required for a true and fair view of the financial position and compliance with professional codes of practice.



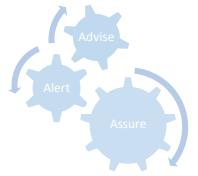
3. Results of the work carried out against plan

3.1 During 2017/18, 68 audit reviews were performed with the following assurance levels noted.





Row Labels	Assurance	Reasonable Assurance	Limited Assurance	No Assurance	No Opinion	Grand Total
Adult Social Care		2	3			5
Community & Comms		2	5	1		8
Culture & Development	1	1	3			5
Children Services		2	1		1	4
MMD & Schools	3	1	8	4		16
Finance & IT	3	1	7	1		12
Housing & Property	1	1	6	1		9
HR Legal & Performance			1			1
IDEA			1		1	2
PORT	2	1	1			4
Regeneration		1		1		2
Grand Total	10	12	36	8	2	68



4. Key areas of concern

4.1 The 'no assurance' audits noted above relate to the following areas:

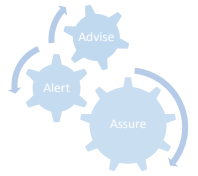
- Information Governance Data Sharing (Community & Communications)
- Procurement (MMD)
- Recruitment (MMD)
- St George (School)
- Mayfield (School)
- IT Procurement, Inventory & Disposal (Finance & IT)
- Youth Centres/ Community Centres (Housing & Property)
- Parking SIM Card, Inventory & Stock Control (Regeneration)

4.2 Follow up audits to ascertain the current position of all 'no assurance' areas are either underway or pending. Until this work is completed they will remain as an area of concern.

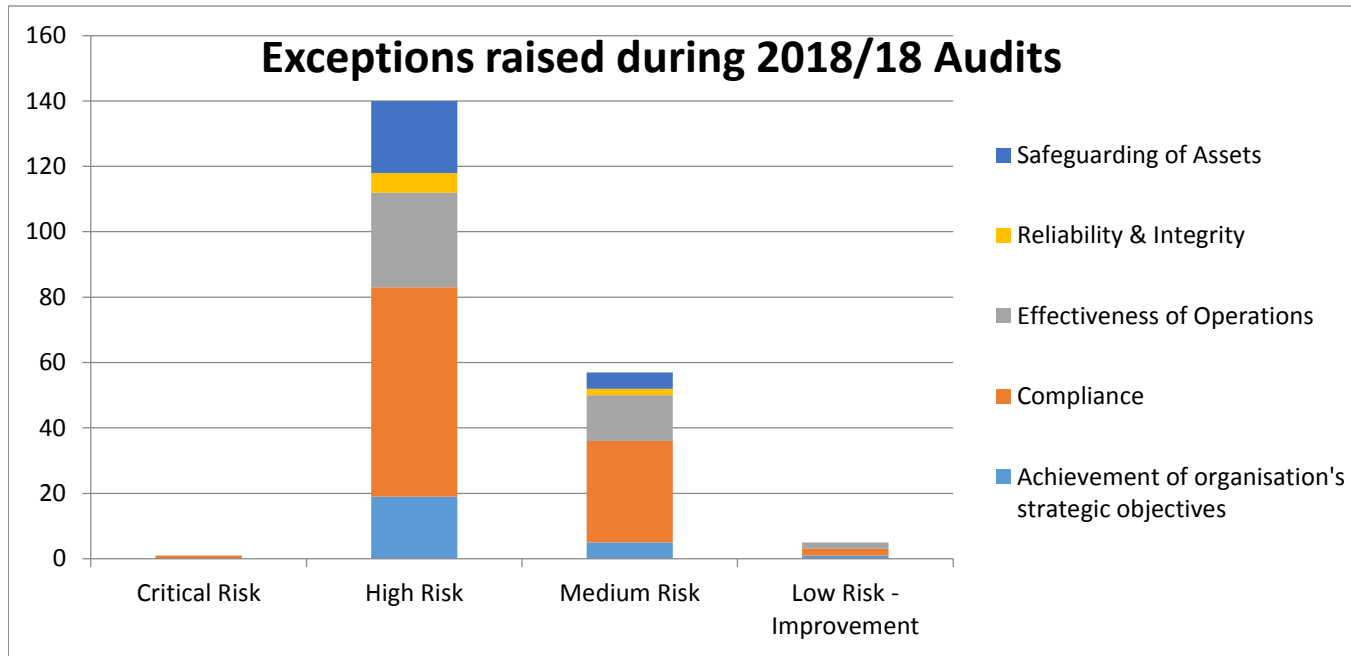
4.3 All exceptions raised by Internal Audit are categorised under one of five headings, these are;

- Achievement of organisational strategic objectives
- Compliance
- Effectiveness of operations
- Reliability & integrity
- Safeguarding of assets

4.4 The results noted on the following page show that 48% (98) of the 203 exceptions raised during 2017/18 are noted under the 'compliance' category, however this does not reflect the level of testing naturally carried out in this area and is therefore provided for information only.

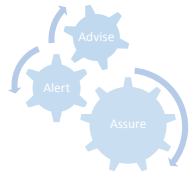


5. Exception Analysis

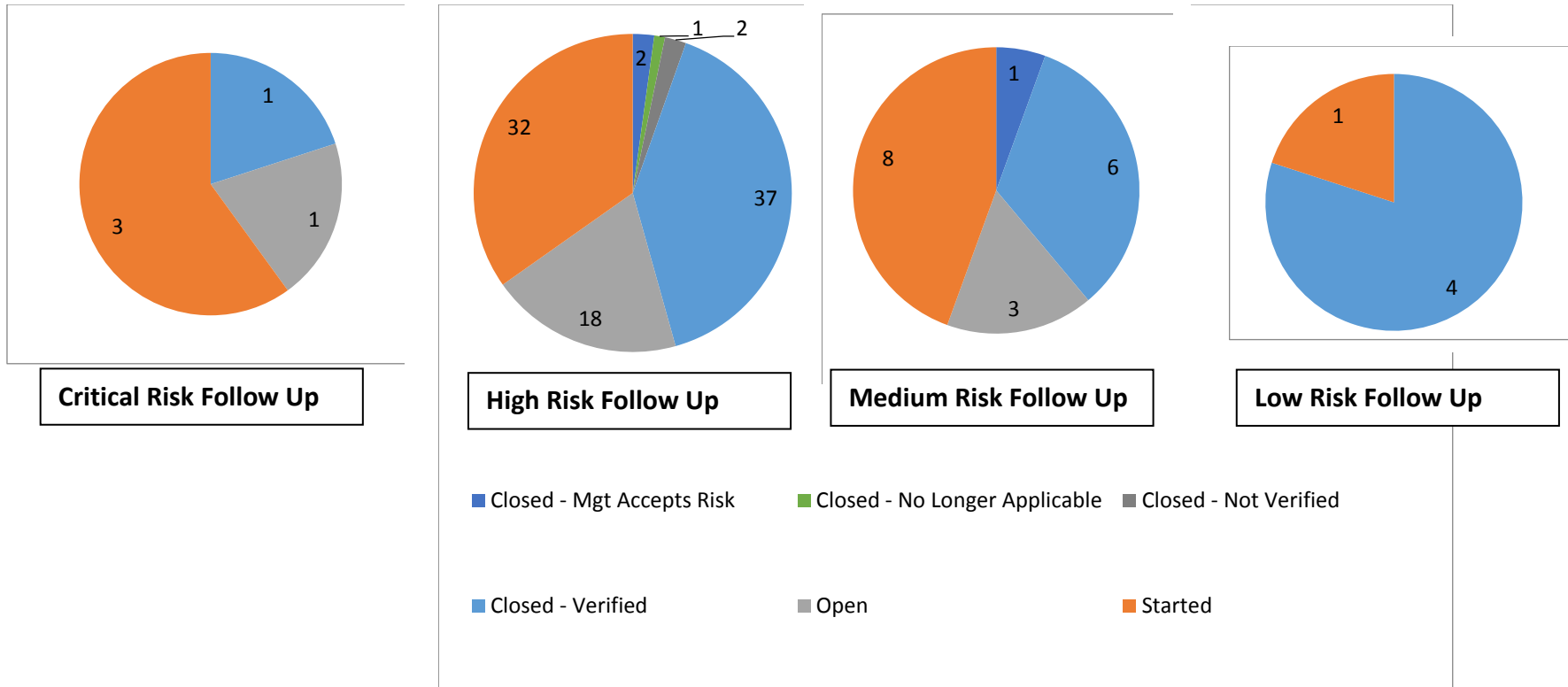


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Risk	Risk Categories					Grand Total
	Achievement of Organisation's Strategic Objectives	Compliance	Effectiveness of Operations	Reliability & Integrity	Safeguarding of Assets	
Critical Risk		1				1
High Risk	19	64	29	6	22	140
Medium Risk	5	31	14	2	5	57
Low Risk - Improvement	1	2	2			5
Grand Total	25	98	45	8	27	203

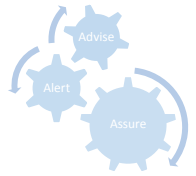


6. Follow up Analysis



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- 6.1 The Internal Audit Service follows up all audits where at least 1 high risk exception has been raised. These audits are followed up in the next financial year to allow for agreed actions to be sufficiently implemented. Any critical risk exceptions or No Assurance audits are followed up within 3 months due to the potential severity of the risks identified.
- 6.2 The overall position of the exceptions followed up in 2017/18 show that 41% have been closed and verified by audit, however 59% remain open and or are in progress.



7. Data Analytics / Continuous Auditing

7.1 IDEA data analytics was used extensively throughout the 2017/18 financial year in order to aid Internal Audit & Counter Fraud use resources efficiency. These include:

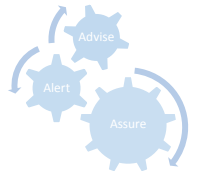
- Continuous Auditing
- Audit Testing
- Audit Sampling
- Fraud Testing
- Data Analysis

7.2 Out of 68 Full audits undertaken at PCC in 2017/18, IDEA was used in 27 separate audits, equating to 39% of the full audits undertaken. Specifically, 100% population testing was undertaken in certain areas of the testing for Purchase Cards, Accounts Payable, iExpenses and Accounts Receivable.

7.3 Two specific audits were undertaken to use IDEA for the identification of error and the collection of tax.

7.4 Internal Audit has also created a continuous auditing process in relation to the identification of potential duplicate payments at PCC. A series of 6 tests are run on a two weekly basis on all invoices within the EBS system. During 2017/18 the tests identified the following:

Row Labels	Sum of Amount
Not Validated Duplicate Invoice Value	£ 323,822.76
Validated Duplicate Invoice Value	£ 66,230.42
Unknown	£ 55,976.35
Grand Total of the value of the duplicate invoices found	£ 446,029.53

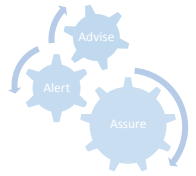


7.5 IDEA has also been used in 9 external client audits during 2017/18 with proposals to set up similar continuous auditing projects in two other Local Authorities.

8. Unplanned Reactive work

8.1 Throughout the financial year 2017/18, Internal Audit conducted 12 corporate investigations (outside of Council Tax Support, Right to Buy and Tenancy Fraud).

8.2 Internal Audit also provided services across the council with 12 items of advice. Advice is recorded if the time spent to conduct the required work exceeds 1 hour of officer time.



9. External Client Analysis and Performance

9.1 The Internal Audit & Counter Fraud service at Portsmouth City Council increased their undertaking of external work by 166% in the financial year 2017/18. This is due to the service obtaining a substantial contract with Southampton City Council for both Chief Internal Auditor duties and a significant proportion of their required audit days. Counter Fraud services have also been sold to other authorities covering investigations, National Fraud Initiative, policy revision and bespoke training.

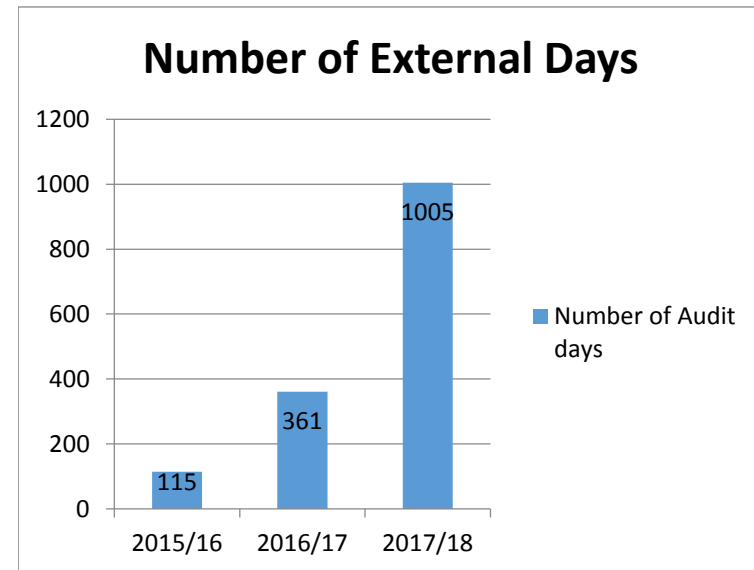
9.2 During the financial year 2017/18, the Internal Audit & Counter Fraud service completed 89 Full Audits, 7 pieces of consultancy work and 5 investigations at the external client bases noted below. In addition, audit plans and opinions have been produced for the Authorities where the role of Chief Internal Auditor is required.

9.3 Current External Client Base:

- Southampton City Council
- Fareham Borough Council
- Solent Local Enterprise Partnership
- Gosport Borough Council
- Eastleigh Borough Council
- Various PCC Schools
- Isle of Wight Council
- Langstone Harbour Board

9.4 Chief Internal Auditor role is covered for the following organisations;

- Portsmouth City Council
- Southampton City Council
- Isle of Wight Council
- Solent Local Enterprise Partnership





10. Public Sector Internal Audit Standards

Background

- 10.1 Under the Public Sector Internal Audit Standard (PSIAS) 1310 requires that, as part of the quality assurance and improvement programme internal and external assessments (of conformance with the Standards) must be undertaken. Standard 1311 allows for periodic self-assessments, which for Portsmouth City Council has been carried out each year since the standards were introduced. The results of the self-assessments have been communicated annual alongside the annual audit opinion to this committee.
- 10.2 Standard 1312 requires that an external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Standards state that a qualified assessor demonstrates competence in two areas; the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. An independent assessor means not having an actual or perceived conflict of interest and not being part of, or under the control of, the organisation to which the internal audit activity belongs. For 2017-18 an external assessment has been undertaken in agreement with the standards and key individuals within the Authority.

Introduction

- 10.3 The Public Sector Internal Audit Standards, updated April 2017, state that "A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector."
- 10.4 The Relevant Internal Audit Standard Setters (RIASS) (as recognised by the Account and Audit Regulations) for local government across the UK, is the Chartered Institute of Public Finance and Accountancy (Cipfa).
- 10.5 These common set of Public Sector Internal Audit Standards (PSIAS) encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF).
- 10.6 The Standards include a Code of Ethics covering:
- Integrity



- Objectivity
- Confidentiality
- Competency

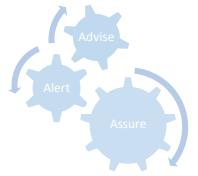
10.7 The Standards cover 11 key areas:

- 1000 Purpose, Authority & Responsibility
- 1100 Independence & Objectivity
- 1200 Proficiency & Due Professional Care
- 1300 Quality Assurance & Improvement Programme
- 2000 Performance Standards- Managing the Internal Audit Activity
- 2100 Performance Standards- Nature of Work
- 2200 Performance Standards- Engagement Planning
- 2300 Performance Standards- Performing the Engagement
- 2400 Performance Standards- Communicating Results
- 2500 Performance Standards- Monitoring Progress
- 2600 Performance Standards- Communicating the Acceptance of Risks

Scope

10.8 The scope of the review was agreed with the Monitoring Officer, Director of HR, Legal and Performance, s151 Officer and the previous chair of the Governance & Audit & Standards Committee (GAS) and was as follows:

- Evidence that the Internal Audit & Counter Fraud Service at Portsmouth City Council (PCC) complies with current Public Sector Internal Audit Standards, including the Code of Ethics; by evaluating:
 - Relevant documentation
 - Discussions with the Chair of the Governance & Audit & Standards Committee, Senior Management (including the CX, s151 and Monitoring Officers and Director of HR & Performance), external audit and members of the Internal Audit Staff
- Review of capacity in relation to resources v work required for PCC and externally contracted to others.



Findings

10.9 It was found that the service complies with all the Standards and Code of Ethics with the following three exceptions:

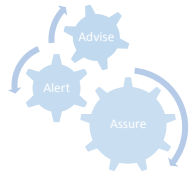
- (a) Standard 1100 requires that the Chief Internal Auditor (CIA) confirms annually to the board (GAS) the organisational independence of the internal audit activity. Although the Charter and Strategy affirm the definition of Internal Audit, reports to the GAS do not specifically refer to audit independence as an on-going assurance and this could be included as part of the Annual Audit Opinion.
- (b) Standard 1110 (public sector requirements) states that the Chief Executive undertakes, countersigns, contributes feedback or reviews the performance appraisal of the CIA and that feedback is also sought from the Chair of the G&A&S. currently there is no input from these sources. An annual PDR (Performance Development Review) is undertaken by the Director of HR, Legal and Performance as the Chief Internal Auditor's line manager. An enhancement to this suggested by the CX was that the Director of Finance and s151 Officer as the main client of the Service and the Deputy Chief Executive and Monitoring Officer as another key client, be asked for feedback as part of the PDR process. Discussions with the relevant officers (except s151) and the previous GAS Committee Chair revealed that they were all in accordance with having input.
- (c) Standard 1320 requires that the CIA must report the results of the quality assurance and improvement programme to senior management including conclusions and any corrective action and include in the annual report to the board (GAS). Whilst there is evidence of day to day supervision and measurement of activity achieved to planned, there is no formalised assurance programme to demonstrate on going improvement which could include a stated aim of a quality assurance programme to demonstrate the efficiency and effectiveness of the IA activity. This could be included as part of the Audit Strategy or Charter reports to G&A&S.

10.10 Discussions with the Deputy Chief Executive and Monitoring Officer, the Chief Executive as Head of Paid Service, the Chair of the Governance and Audit and Standards Committee, the Director of HR and Performance and the External Auditor for PCC (Ernst & Young) demonstrated that the IA Service is highly regarded as professional, is trusted to inform and alert senior management and the GAS to significant matters, in a timely fashion and delivers on its purpose. The s151 Officer views are still to be obtained.

10.11 There were a number of areas of good practice identified namely:

Audit Management

- The Audit skills gap analysis,



- Management of individual performance,
- The audit universe risk assessment,
- Team Mate electronic files and processes

Contribution to good governance

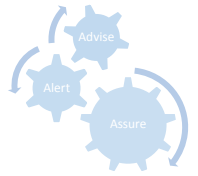
- The use of a Corporate Governance Group, consisting of The CX, Deputy CX, Directorate of Finance, Director of HR, Legal & Performance and the CIA which meets regularly to discuss matters of governance,
- The monthly meetings the CIA has with the s151 Officer,
- Ad-hoc meetings between the CIA and Chair of the Governance and Audit and Standards Committee,
- The Investigation Steering Panel consisting of the deputy CX as monitoring Officer, the Director of Finance as s151 Officer and the Director of HR, Legal & Performance, the Deputy CIA and the Internal Audit Counter Fraud Officer which determines the investigation of any suspected fraud in accordance with the Counter Fraud Policy and Response Plan,
- Assurance Mapping- whilst this is still in its infancy it is a good start and will hopefully enable a wider Annual Audit Opinion to be given using the whole of the organisation's assurance framework.

Capacity

10.12 There are currently 14 members of staff within the Audit and Counter Fraud Service at Portsmouth City Council which provides services to Portsmouth City Council and eight other organisations in the capacity of either CIA services, Counter Fraud Services and or general auditing. For 2017-18 this equated to an allocation of days, with a current level of approximately 1000 reserved under various contracts.

10.13 The nature of audit work and the close supervision required ensuring quality and compliance with Standards, relies on a significant level of management oversight. Any further expansion of the Service would require a review of management hierarchy and capacity.

10.14 Any loss of Audit staff could leave PCC exposed to the risk of not achieving PCC's agreed Audit Plan, as resources would have to meet the requirements of the external contracts first.



Conclusion

10.15 It is considered that whilst it is important to action the three areas of non-compliance, it has not had a significant impact on the overall ability of the Internal Audit and Counter Fraud Service to deliver the Service as specified by their Charter and Code of Ethics. They can demonstrate that they deliver a professional, independent and objective activity that contributes to the good governance of the organisation and are able to deliver an annual audit opinion in accordance with the Standards.

Resources in delivering the contracted services have reached capacity at a management level. The organisation may wish to review the current provision as a whole and the hierarchy, if it wishes to expand the Service and their current contracts; with a view to ensuring that income is equitable, sufficient and sustainable and that risks are shared equally amongst the contracted organisations.

APPENDIX B - Audits Completed Since The Last Meeting (22nd May 2018)

Audit Title	Director	Critical Risk	High Risk	Medium Risk	Low Risk - Improvement	Total Exceptions	Achievement of organisation's strategic objectives	Compliance	Safeguarding of Assets	Effectiveness of Operations	Reliability & Integrity	Audit Assurance	Summary	Agreed Actions to be completed by:
Adult Social Care - Learning Disabilities Spend	Innes Richens	0	0	1	0	1	NAT	NAT	NAT	1	NAT	Limited Assurance	One medium risk exception has been raised as a result of this review in relation to; invoices being paid late due to differences between the invoice amount and the Swift order amount.	01 September 2018
Adult Social Care - Domiciliary Care	Innes Richens	0	5	0	0	5	NAT	2	1	2	NAT	Limited Assurance	5 high risk exceptions arose. These related to high waiting times in the period tested, lack of clear authorisation in provider selection for a small number in the sample tested, use of providers with poor Care Quality Commission (CQC) ratings, monitoring of hours provided and issues regarding the accuracy of complaints monitoring	01 April 2019
Finance and Information Services - General Ledger, Main accounting and budget monitoring	Chris Ward	0	0	0	0	0						Assurance	Review of Business Intelligence in relation to budget monitoring	
Finance and Information Services - Data Archiving	Chris Ward	0	1	1	0	2	NAT	2	NAT	NAT	NAT	Limited Assurance	1 High risk relating to PCC have a number of applications/systems that are not currently General Data Protection Regulation (GDPR) compliant.	01 October 2018
Finance and Information Services - Email and Internet Security	Chris Ward	0	0	2	0	2	NAT	1	1	NAT	NAT	Reasonable Assurance	Two medium risk exceptions have been raised as a result of this review in relation to; expired policies being kept on the intranet and access to restricted sites.	30 May 2018
Finance and Information Services - Disaster recovery/Business Continuity	Chris Ward	0	1	0	0	1	NAT	NAT	NAT	1	NAT	Limited Assurance	One high risk as a result of this review which related to outstanding risks which had yet to be fully rectified from an external review of the disaster recovery arrangements	End of 2019/2020
Housing, Neighbourhood & Building - Rent Income	James Hill	0	2	3	0	5	NAT	3	NAT	2		Limited Assurance	Two high risk exceptions arose. These related to PCC overcharging rent to tenants due to a rounding error when applying the 1% reduction. The second high risk relates to a number of write offs not being suitably authorised prior to final approval.	Onoing
Port - Interreg Grant	Mike Sellers	0	0	0	0	0						Assurance	Grant sign off	

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Title of meeting: Governance and Audit and Standards Committee

Date of meeting: 27th July 2018

Subject: Annual Governance Statement

Report by: Director of HR, Legal and Performance

Wards affected: n/a

Key decision: No

Full Council decision: No

1. Purpose of report

- 1.1 The report seeks approval from the Governance and Audit and Standards Committee for the council's Annual Governance Statement (AGS) for 2017/18.

2. Recommendations

- 2.1 The Governance and Audit and Standards Committee are asked to:
- 1) Agree the Annual Governance Statement 2017/18 (Appendix 2)
 - 2) Approve the refreshed Local Code of Governance set out in Appendix 1.

3. Background

- 3.1 The authority has a duty to produce and publish an Annual Governance Statement (AGS). This sets out how Portsmouth City Council has complied with the Local Code of Governance, and how the authority meets the requirements of Regulation 4 (3) of the Accounts and Audit (England) Regulations 2011.
- 3.2 The purpose of the AGS is to set out the systems and processes in place to ensure that Council business is conducted lawfully and in accordance with proper standards. Compliance helps ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. It also acknowledges the Council's responsibility to secure continuous improvement in the way in which its functions are exercised by outlining significant governance issues facing the organisation, and setting out how these will be addressed.
- 3.3 It is a key role of the Governance and Audit and Standards Committee to monitor governance issues across the authority and ensure they are performance managed. The Governance and Audit and Standards Committee receive regular updates on the development of the Annual Governance Statement. Governance issues are also reviewed regularly by the Corporate Governance Group which is

attended by the Chief Executive, Deputy Chief Executive, Director of HR, Legal and Performance, Director of Finance and IS and the Chief Internal Auditor.

3.4 The AGS reports against seven core principles of governance set out in the International Framework for Good Governance in the Public Sector. The detail of how the organisation addresses these principles is set out in the Local Code of Governance, which has been refreshed and is attached at Appendix 1. Every year, a number of sources are analysed, including the Annual Audit Letter, in order to review the council's practices and highlight further governance issues where the authority may be exposed.

3.5 The Annual Governance Statement also includes the annual opinion on the effectiveness of the internal system of control from the Chief Internal Auditor, shared verbally with the committee at the last meeting. There are no other amendments.

4. Reasons for recommendations

4.1 The 2017/18 Annual Governance Statement has been prepared according to the proper practice framework - Delivering Good Governance in Local Government issued jointly by SOLACE (Society of Local Authority Chief Executives and Senior Managers) and CIPFA (Chartered Institute of Public Finance and Accountancy) in 2007(addendum issued in 2012).

5. Equality impact assessment

5.1 An equality impact assessment is not required as the recommendations do not have a negative impact on any of the protected characteristics as described in the Equality Act 2010.

6. Legal implications

6.1 Legal considerations have been taken into account in the preparation of this report and where appropriate embodied within it.

7. Director of Finance's comments

7.1 There are no financial implications arising from the recommendations in this report.

.....
Signed by: Jon Bell, Director of HR, Legal and Performance

Appendices:

Appendix 1 - refreshed Local Code of Governance

Appendix 2 - Annual Governance Statement 2017/18

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

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Appendix 1 - Local Code of Governance Table

Ref	Portsmouth City Council (PCC) Commitments	Current Governance Arrangements
A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	
	Behaving with Integrity	
	<ul style="list-style-type: none"> • Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation 	<ul style="list-style-type: none"> - PolicyHub is an application that delivers an effective and measurable compliance operation. From updating and managing policies to knowledge assessments and reporting. It ensures the right policies and procedures get to the right people, that they become accountable by signing up to them and that the entire process is recorded and auditable. - All new members are required to attend a mandatory induction programme, which covers the code of conduct, principles of public life, keeping yourself and others safe, support available, PCC and how decisions are made and the future vision for PCC and Portsmouth. All new staff are required to complete mandatory e-learning courses including health and safety, equalities and diversity, financial rules and information governance.
	<ul style="list-style-type: none"> • Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. They should build on the Seven Principles of Public Life (the Nolan principles) 	<ul style="list-style-type: none"> - PCC's organisational goal (established 2012) is 'working together to shape the great waterfront city.' This reflects that everything the council does should be to help to make the city a better place and improve life outcomes for its residents. We have set clear priorities about the way we will work and what we want to achieve, although these are in the process of review by the new administration: <ul style="list-style-type: none"> • Be entrepreneurial and efficient so we can meet our financial challenges and continue to deliver services that meet our customers' needs • Provide excellent customer service: our customers deserve excellent service, as although they may not have a choice in using our services, we must do all we can to help as best we can. • Raise education standards: education is the stepping stone for children

		<p>to achieve success in later life.</p> <ul style="list-style-type: none"> • Encourage regeneration and investment: regeneration and encouraging investment is key to creating aspirations and opportunities that all our residents can benefit from and to enhance Portsmouth to be a greater place to live • Empower residents to be healthy and independent: for residents to be able to make the most of their opportunities and live independently they must be safe and healthy <p>- Part 4d of the City Constitution sets out a protocol for member/officer relations. Within the protocol general principles of conduct, roles and responsibilities, support services, access to information, officer correspondence, public relations and cabinet member and chairman relationships are clearly set out. The protocol guides members and officers of the council in their relations with one another in such a way to ensure the smooth running of the council.</p>
	<ul style="list-style-type: none"> • Leading by example and using these standard operating principles or values as a framework for decision making and other actions 	<p>- Decision making practices are set out in the City Constitution.</p>
	<ul style="list-style-type: none"> • Demonstrating, communicating, and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively 	<p>- Members are required to declare any interests at the start of every meeting that they attend in accordance with Standing Orders.</p> <p>- Officers are required to complete a gifts and hospitality register.</p> <p>- The Council's Whistleblowing policy sets out how to report concerns and how they will be handled. This whistleblowing policy is primarily for a serious concern, which affects the interests of others, such as service users, the public, colleagues or the council itself.</p> <p>- The council operates a complaints procedure to deal with failures in service delivery. If residents/service users are not happy with how their complaint has been handled by the Council, they can contact the Local Government Ombudsman who will investigate complaints in a fair and independent way.</p>
	Demonstrating strong commitment to ethical values	
	<ul style="list-style-type: none"> • Seeking to establish, monitor and maintain the organisation's ethical standards and performance 	<p>- The City Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are</p>

		efficient, transparent and accountable to local people.
	<ul style="list-style-type: none"> • Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation 	- Portsmouth City Council wants to ensure that equality considerations are embedded in the decision making and applied to everything the Council does.
	<ul style="list-style-type: none"> • Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values 	- Systems of financial control are developed in line with ethical standards.
	<ul style="list-style-type: none"> • Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation 	<ul style="list-style-type: none"> - Each of the councils key strategic partnerships (the Health and Wellbeing Board, the Children's Trust and the Safer Portsmouth Partnership) have priorities and objectives set out in strategies that have been developed and agreed with the appropriate partners. - Individual partnerships have terms of references. They outline key legal obligations of parties within the partnership. - We are currently in the process of undertaking a review of strategic partnership arrangements in the city, with a view to streamlining these.
	Respecting the rule of Law	
	<ul style="list-style-type: none"> • Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations 	- The City Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for us to choose. The Constitution is divided into 16 articles which set out the basic rules governing the council's business. It provides a summary of key officer, member and committee roles and responsibilities.
	<ul style="list-style-type: none"> • Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements 	- The City Constitution provides a summary of key officer, member and committee roles and responsibilities.
	<ul style="list-style-type: none"> • Striving to optimise the use of the full powers available for the benefit of the citizens, communities and other stakeholders 	- All reports to decision making meetings clearly set out legal, financial and equalities implications to ensure that decision makers are fully informed about potential issues in approving the recommendations.
	<ul style="list-style-type: none"> • Dealing with breaches of legal and regulatory provisions effectively 	- The Monitoring Officer is a statutory function and ensures that the Council, its Officers, and its Elected Councillors, maintain the highest

		standards of conduct in all they do. The Monitoring Officer is assisted when required by appointed deputies. The role of the Monitoring Officer is set out in 12.4 of PCC's Constitution. The Monitoring Officer's legal basis is found in Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000.
	<ul style="list-style-type: none"> Ensuring corruption and misuse of power are dealt with effectively 	<ul style="list-style-type: none"> The council operates an Anti-Fraud, Bribery and Corruption policy, which sets out the requirements for the Council in relation to combating fraud, bribery, corruption and dishonest dealings within and against the council.
B	Ensuring openness and comprehensive stakeholder engagement	
	Openness	
	<ul style="list-style-type: none"> Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness 	<ul style="list-style-type: none"> The Governance and Audit and Standards Committee inform, review and agree the Annual Governance Statement, which includes a review of effectiveness of the system of internal control. Key plans, strategies and proposed changes to services are put out for consultation and published on the Council's website. The Freedom of Information Act (2000) gives anyone the right to ask for any information held by a public authority, including PCC. The information must be in a recorded form, so it can include documents, minutes of meetings, e-mails, handwritten notes, videos, letters and audio recordings. PCC is committed to being an open organisation and delivering the best public services. This is reflected in the Council's FoI Policy.
	<ul style="list-style-type: none"> Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided. 	<ul style="list-style-type: none"> Key decision meetings are held in public, minutes are recorded including key decisions, and those minutes are published on the PCC website; meetings are held in an open forum with a high degree of transparency.
	<ul style="list-style-type: none"> Providing clear reasoning and evidence for decision in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, 	<ul style="list-style-type: none"> Decision making practices are set out in the City Constitution.

	ensuring that the impact and consequences of those decisions are clear.	
	<ul style="list-style-type: none"> Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action. 	<ul style="list-style-type: none"> Local people have the option to engage in a dialogue through: social media sites, petitions schemes, neighbourhood forums (gives residents the opportunity to speak up about what's happening on their doorstep), healthwatch Portsmouth, the rant and rave forum, council meetings (open to the public), their local Councillor and through planned consultations.
	Engaging comprehensively with institutional stakeholders	
	<ul style="list-style-type: none"> Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. 	<ul style="list-style-type: none"> For each partnership there is: a clear statement of the principles and objectives; clarity of partner roles; line management responsibilities for staff who support the partnership; a statement of funding sources for joint projects and clear accountability for proper financial administration and a protocol for dispute resolution within the partnership.
	<ul style="list-style-type: none"> Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively 	<ul style="list-style-type: none"> Partnerships are about the council coming together with right organisations to deliver improved outcomes for local people. Portsmouth City Council is involved in many different partnerships at different levels, each with their own set of terms of reference for effective joint working.
	<ul style="list-style-type: none"> Ensuring that partnerships are based on: <ul style="list-style-type: none"> Trust A shared commitment to change A culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit 	<ul style="list-style-type: none"> Each of the councils key strategic partnerships have priorities and objectives set out in strategies that have been developed and agreed with the appropriate partners. They work together in an agreed way to ensure their work is underpinned by a common vision and agreed ways of working. Reviews of strategic priorities for each of the partnerships have been aligned in order to better understand shared priorities, reduce duplication and improve commissioning and delivery activity.
	Engaging stakeholders effectively, including individual citizens and service users	

	<ul style="list-style-type: none"> Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. 	<ul style="list-style-type: none"> PCC'S organisational goal with the support from the nine corporate principles; put customers first, provide value for money, be ambitious, use evidence to shape services, simplify, strengthen and share the process, get it right first time, support councillors as strategic leaders, value and support staff and listen and learn.
	<ul style="list-style-type: none"> Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement 	<ul style="list-style-type: none"> For each partnership there is: a clear statement of the principles and objectives; clarity of partner roles; line management responsibilities for staff who support the partnership; a statement of funding sources for joint projects and clear accountability for proper financial administration and a protocol for dispute resolution within the partnership.
	<ul style="list-style-type: none"> Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs 	<ul style="list-style-type: none"> The Joint Strategic Needs Assessment (JSNA) paints the 'big picture' of local needs so we can work together to improve the health and wellbeing of people in Portsmouth. A list of current consultations, as well as a list of past consultations explaining how the council has used public feedback is available on the council website.
	<ul style="list-style-type: none"> Implementing effective feedback mechanisms in order to demonstrate how their views have been take into account 	<ul style="list-style-type: none"> Meetings are advertised locally and anyone is welcome to attend and participate in discussion. Meetings are minuted and all key decisions recorded. There is a consultation process for staff to make sure their opinions, ideas and suggestions are listened to.
	<ul style="list-style-type: none"> Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity 	<ul style="list-style-type: none"> A list of current consultations, as well as a list of past consultations explaining how the council has used public feedback is available on the council website.
	<ul style="list-style-type: none"> Taking account of the interest of future generations of tax payers and service users 	<ul style="list-style-type: none"> Joint Strategic Needs Assessment
C	Defining outcomes in terms of sustainable economic, social, and environmental benefits	
	Defining outcomes	
	<ul style="list-style-type: none"> Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing 	<ul style="list-style-type: none"> PCC's organisational goal (established 2012) The City Constitution

	appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions	<ul style="list-style-type: none"> - The organisation has developed a set of values which should be embedded in ways of working: We focus on what's important; We take pride in our work; We value others; We make a positive difference.
	<ul style="list-style-type: none"> • Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer 	<ul style="list-style-type: none"> - The Medium Term Resources Strategy (MTRS) enables the council to make best use of financial, human, technological and other resources available to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders.
	<ul style="list-style-type: none"> • Delivering defined outcomes on a sustainable basis within the resources that will be available 	<ul style="list-style-type: none"> - Annual Governance Statement - Medium Term Resources Strategy - Capital Strategy
	<ul style="list-style-type: none"> • Identifying and managing risks to the achievement of outcomes 	<ul style="list-style-type: none"> - Risk is reviewed during the quarterly performance monitoring process and significant risks captured on the Risk and Assurance Directory. - A refreshed corporate risk management approach was agreed by Governance, Audit and Standards Committee in 2016.
	<ul style="list-style-type: none"> • Managing service users expectations effectively with regards to determining priorities and making the best use of the resources available 	<ul style="list-style-type: none"> - The Council operates a Governance and Audit Standards Committee. They inform, review and agree the Annual Governance Statement, which includes a review of effectiveness of the system of internal control.
	Sustainable economic, social and environmental benefits	
	<ul style="list-style-type: none"> • Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provisions 	<ul style="list-style-type: none"> - The City Constitution sets out how decisions are made. - High value procurement that goes through the procurement gateway must consider environmental sustainability as part of the gateway process
	<ul style="list-style-type: none"> • Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisations intended outcomes and short-term factors such as the political cycle or financial constraints 	<ul style="list-style-type: none"> - The Medium Term Resources Strategy (MTRS) - Capital Strategy
	<ul style="list-style-type: none"> • Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs 	<ul style="list-style-type: none"> - All reports to decision making meetings clearly set out legal, financial and equalities implications to ensure that decision makers are fully informed about potential issues in approving the recommendations. - Local residents can contact and communicate with the Council in person, by phone, by email, in writing, through social media, forums and

		public meetings.
	<ul style="list-style-type: none"> Ensuring fair access to services 	<ul style="list-style-type: none"> The Council and its decisions are open and accessible to the community, service users, partners and its staff.
D	Determining the Interventions necessary to optimise the achievements of the intended outcomes	
	Determining Interventions	
	<ul style="list-style-type: none"> Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including risks associated with those options. Therefore ensuring best value is achieved however services are provided 	<ul style="list-style-type: none"> All reports to decision making meetings clearly set out legal, financial and equalities implications to ensure that decision makers are fully informed about potential issues in approving the recommendations. Decision making practices are set out in the City Constitution.
	<ul style="list-style-type: none"> Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands with limited resources available including people, skills, land and assets and bearing in mind future impacts 	<ul style="list-style-type: none"> Directorates are asked to use comparative/benchmarking data on both cost and performance, as well as any other relevant data, such as customer feedback data or trends over time in order to make a judgement on value for money, during their planning processes. Our external Auditors issue an annual value for money opinion. In depth value for money reviews are carried out when deemed necessary.
	Planning Interventions	
	<ul style="list-style-type: none"> Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets 	<ul style="list-style-type: none"> Directors are responsible for preparing plans that set out core business that must be delivered; plans for improvement, development and disinvestment; financial planning; arrangements for addressing key governance issues; key service risks and management/mitigation activity and arrangements for robust performance management within the directorate. As part of the planning process, directors are expected to review the relationship between directorate expenditure and outcomes, and use benchmarking to ensure best use of resources and value for money.
	<ul style="list-style-type: none"> Engaging with internal and external stakeholders in determining how services and other course of action should be planned and 	<ul style="list-style-type: none"> For each partnership there is: a clear statement of the principles and objectives; clarity of partner roles; line management responsibilities for

	delivered	staff who support the partnership; a statement of funding sources for joint projects and clear accountability for proper financial administration and a protocol for dispute resolution within the partnership.
	<ul style="list-style-type: none"> Considering and monitoring risks facing each partner when working collaboratively including shared risks 	- Risk is reviewed during the quarterly performance monitoring process.
	<ul style="list-style-type: none"> Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances 	- As part of the planning process, directors are expected to review the relationship between directorate expenditure and outcomes, and use benchmarking to ensure best use of resources and value for money.
	<ul style="list-style-type: none"> Establishing appropriate key performance indications (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured 	- Plans for improvement, development and disinvestment; financial planning; arrangements for addressing key governance issues; key service risks and management/mitigation activity and arrangements for robust performance management within the directorate.
	<ul style="list-style-type: none"> Ensuring capacity exists to generate the information required to review service quality regularly 	- Scrutiny panels are in place to challenge and review.
	<ul style="list-style-type: none"> Preparing budgets in accordance with organisation objectives, strategies and the medium term financial plan 	<ul style="list-style-type: none"> The Chief Finance Officer provides financial advice and ensures the authority provides prudential financial framework. Procurement arrangements are in place to ensure that the organisation secures the right outcomes at the right price within a collaborative and consistent manner. Robust category management arrangements are in place to ensure the organisation maximises its spending power and minimises waste.
	<ul style="list-style-type: none"> Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy 	- The overall aim of the Medium Term strategy is to ensure that "in year" expenditure matches "in year" income over the medium term whilst continuing the drive towards regeneration of the city and protecting the most important and valued services.
	Optimising achievement of intended outcomes	
	<ul style="list-style-type: none"> Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints 	- The Medium Term Resource Strategy is a high level plan that sets out the City Council's Revenue Spending Plans for the next five years to deliver Council priorities.
	<ul style="list-style-type: none"> Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term 	- The Chief Finance Officer is the S151 Officer and is actively involved in all major decisions, advising on financial matters to both the Cabinet and Full Council. He is responsible for leading the promotion and delivery by

		the whole authority of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by the Council's services, and that the finance function is fit for purpose.
	<ul style="list-style-type: none"> Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage 	<ul style="list-style-type: none"> The Medium Term Resource Strategy is a high level plan that sets out the City Council's Revenue Spending Plans for the next five years to deliver Council priorities.
	<ul style="list-style-type: none"> Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes." 	<ul style="list-style-type: none"> As well as working together as a single organisation, it is important that members and officers continue to improve their working relations with other organisations too, both locally and sub-nationally, to achieve a common purpose of improved efficiency and effectiveness.
E	Developing the entity's capacity, including the capability of its leadership and the individuals within it	
	Developing the entity's capacity	
	<ul style="list-style-type: none"> Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness 	<ul style="list-style-type: none"> Directorates monitor their performance on a quarterly basis. Service performance is also reviewed on a quarterly basis at minimum. PCC ensures that there are opportunities for all employees to review their achievements and identify development needs.
	<ul style="list-style-type: none"> Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently 	<ul style="list-style-type: none"> As part of the planning process, directors are expected to review the relationship between directorate expenditure and outcomes, and use benchmarking to ensure best use of resources and value for money.
	<ul style="list-style-type: none"> Recognising the benefits of partnerships and collaborative working where added value can be achieved 	<ul style="list-style-type: none"> Each of the council's key strategic partnerships has priorities and objectives set out in strategies that have been developed and agreed with the appropriate partners. They work together in an agreed way to ensure their work is underpinned by a common vision and agreed ways of working.
	<ul style="list-style-type: none"> Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources 	<ul style="list-style-type: none"> Directorates monitor their performance on a quarterly basis.

	Developing the capability of the entity's leadership and other individuals	
	<ul style="list-style-type: none"> Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained 	<ul style="list-style-type: none"> Statutory Officers are only appointed if they have the right levels of skills and experience to effectively fulfil their role.
	<ul style="list-style-type: none"> Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body 	<ul style="list-style-type: none"> Delegations are set out in the City Constitution.
	<ul style="list-style-type: none"> Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority 	<ul style="list-style-type: none"> The Chief Executive's role and responsibilities are set out in the job description and City Constitution.
	<ul style="list-style-type: none"> Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis - ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external 	<ul style="list-style-type: none"> All new members are required to attend a mandatory induction programme, which covers the code of conduct, principles of public life, keeping yourself and others safe, support available, PCC and how decisions are made and the future vision for PCC and Portsmouth. Specific training for each committee is available on an annual basis. The Council operates an Induction Policy which applies to all new employees. All new staff are required to complete mandatory e-learning courses including health and safety, equalities and diversity, financial rules and information governance. Committee members are given specialist (non-political) training to ensure that they are effective in their role.

	<ul style="list-style-type: none"> Ensuring that there are structures in place to encourage public participation 	<ul style="list-style-type: none"> Work is on-going to ensure that clear communication channels are established with all local people and stakeholders. A number of publications are sent to residents to ensure they are being kept informed (Flagship magazine, House Talk magazine, Term Times magazine, and Something for the Weekend Newsletter.) There are a number of ways people can connect with the council, which are listed on the council website. Social media, neighbourhood forums, by person, phone, writing or email and public meetings are to name a few. Portsmouth City Council has developed a Community Engagement Statement, which reflects the council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive.
	<ul style="list-style-type: none"> Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections 	<ul style="list-style-type: none"> PCC operates a Development Policy which sets out the approach the organisation will take towards developing its employees and achieving the aims of the Council.
	<ul style="list-style-type: none"> Holding staff to account through regular performance reviews which take account of training or development needs 	<ul style="list-style-type: none"> PCC ensures that there are opportunities for all employees to review their achievements and identify development needs. Group leaders take responsibility for identifying member development needs. Portsmouth City Council has developed 'ways of working' as a tool to help staff manage themselves and others, evaluate performance and recruit new staff. Whilst members and officers are monitored on their standards of conduct and behaviour throughout the year, managers are required to hold good quality Personal Development Reviews with all of their staff on an annual basis, including a discussion on the ways of working.
	<ul style="list-style-type: none"> Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing 	<ul style="list-style-type: none"> All corporate HR policies can be found in the Manager's HR handbook.
F	Managing risks and performance through robust internal control and strong public financial management	

	Managing risk	
	<ul style="list-style-type: none"> Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making 	<ul style="list-style-type: none"> Risk is reviewed during the quarterly performance monitoring process and significant risks captured on the Risk and Assurance Directory.
	<ul style="list-style-type: none"> Implementing robust and integrated risk management arrangements and ensuring that they are working effectively 	<ul style="list-style-type: none"> A refreshed corporate risk management approach was agreed by Governance, Audit and Standards Committee in 2016.
	<ul style="list-style-type: none"> Ensuring that responsibilities for managing individual risks are clearly allocated 	<ul style="list-style-type: none"> As above.
	Managing performance	
	<ul style="list-style-type: none"> Monitoring service delivery effectively including planning, specification, execution and independent post implementation review 	<ul style="list-style-type: none"> Scrutiny panels are in place to challenge and review.
	<ul style="list-style-type: none"> Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook 	<ul style="list-style-type: none"> All reports to decision making meetings clearly set out legal, financial and equalities implications to ensure that decision makers are fully informed about potential issues in approving the recommendations.
	<ul style="list-style-type: none"> Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsive (OR, for a committee system) <p style="padding-left: 40px;">Encouraging effective and constructive challenge and debate on policies and objective to support balance and effective decision making</p>	<ul style="list-style-type: none"> Scrutiny panels are in place to challenge and review. Service delivery and performance is monitored quarterly. The Council operates the following Scrutiny Panels: <ul style="list-style-type: none"> Economic development, culture and leisure Education, children and young people Health overview Housing and social care Scrutiny management Traffic, Environment and community safety Each panel is governed by their own terms of reference. Topics that are chose to be 'scrutinised' will be looked at in depth by a cross party panel of councillors. They'll assess how the Council is performing and see whether they are providing the best possible, cost effective service for people in the city. The panel's findings will be reported to the cabinet and may result in changes to the way in which services are delivered.

	<ul style="list-style-type: none"> • Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement 	<ul style="list-style-type: none"> - The City Constitution sets out procedures
	<ul style="list-style-type: none"> • Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements) 	<ul style="list-style-type: none"> - Financial rules have been put in place by the S151 officer so that the Council can meet all of its responsibilities required by law. They set out the framework on how the Council manages financial dealings and are part of the City Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks.
Robust internal control		
	<ul style="list-style-type: none"> • Aligning the risk management strategy and policies on internal control with achieving the objectives 	<ul style="list-style-type: none"> - A refreshed corporate management approach was agreed by Governance, Audit and Standards Committee in 2016.
	<ul style="list-style-type: none"> • Evaluating and monitoring the authority's risk management and internal control on a regular basis 	<ul style="list-style-type: none"> - Risk is reviewed during the quarterly performance monitoring process and significant risks captured on the Risk and Assurance Directory.
	<ul style="list-style-type: none"> • Ensuring effective counter fraud and anti-corruption arrangements are in place 	<ul style="list-style-type: none"> - The Council operates an Anti-Fraud, Bribery and Corruption Policy, which sets out the requirements for the Council in relation to combating these issues.
	<ul style="list-style-type: none"> • Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control ins provided by the internal auditor 	<ul style="list-style-type: none"> - The Annual Governance Statement is approved by the Governance and Audit and Standards Committee in September along with the annual statement of accounts.
	<ul style="list-style-type: none"> • Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to be the governing body: <ul style="list-style-type: none"> ○ Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment ○ That its recommendations are listened to and acted upon 	<ul style="list-style-type: none"> - The Chair of the Governance and Audit Standards Committee is independent (i.e. he does not sit on any other regulatory committee.)
Managing data		
	<ul style="list-style-type: none"> • Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to 	<ul style="list-style-type: none"> - PCC processes personal information appropriately and legally in accordance with the Data Protection Act 1998, the National Fraud

	safeguard personal data	Initiative and other relevant legislation. The details provided will be held in a secure system or database and will only be shared with other organisations where the law allows.
	<ul style="list-style-type: none"> Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies 	<ul style="list-style-type: none"> The Freedom of Information Act 2000 (Fol) gives anyone the right to ask for any information held by a public authority, which includes PCC. The information must be in a recorded form, so it can include documents, minutes of meetings, e-mails, handwritten notes, videos, letters and audio recordings. PCC is committed to being an open organisation and delivery the best possible public services.
	<ul style="list-style-type: none"> Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring 	
	Strong public financial management	
	<ul style="list-style-type: none"> Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance 	<ul style="list-style-type: none"> The Chief Finance Officer is the S151 Officer and is actively involved in all major decisions, advising on financial matters to both the Cabinet and Full Council. He is responsible for leading the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by the Council's services, and that the finance function is fit for purpose.
	<ul style="list-style-type: none"> Ensuring well-developed financial management is integrated at all levels of planning and control including management of financial risks and controls 	<ul style="list-style-type: none"> Financial Rules have been put in place by the S151 Officer so that the Council can meet all of its responsibilities required by law.
G	Implementing good practices in transparency, reporting, and audit to deliver effective accountability	
	Implementing good practice in transparency	
	<ul style="list-style-type: none"> Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate 	<ul style="list-style-type: none"> Staff are required to use a report template for items being progressed to decision meetings. Key decision meetings are held in public, minutes and key decisions made are recorded, and those minutes are published on the PCC website; meetings are held in an open forum with a high degree of transparency, unless the topic is confidential.
	<ul style="list-style-type: none"> Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public 	

	scrutiny while not being too onerous to provide and for users to understand	
Implementing good practices in reporting		
	<ul style="list-style-type: none"> Reporting at least annually on performance, value for money and the stewardship of its resources 	<ul style="list-style-type: none"> A statement of accounts is published on an annual basis. The Medium Term Resource Strategy is a high level plan that sets out the City Council's Revenue Spending Plans for the next five years to deliver Council priorities.
	<ul style="list-style-type: none"> Ensuring members and senior management own the results 	
	<ul style="list-style-type: none"> Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement) 	<ul style="list-style-type: none"> The Governance and Audit Standards Committee inform, review and agree the Annual Governance Statement, which includes review of effectiveness of the system of internal control.
	<ul style="list-style-type: none"> Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate 	<ul style="list-style-type: none"> The s151 Officer together with finance staff ensure that new policies or service proposals are accompanied by a full financial appraisal which is properly costed, fully financed and identifies the key assumptions and financial risks that face the council.
	<ul style="list-style-type: none"> Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations 	<ul style="list-style-type: none"> Financial Rules were revised in 2013/14 by the s151 Officer so that Portsmouth City Council can meet all of its responsibilities under various laws. They set the framework on how we manage our financial dealings and are part of our City Constitution.
Assurance and effective accountability		
	<ul style="list-style-type: none"> Ensuring that recommendations for corrective action made by external audit are acted upon 	<ul style="list-style-type: none"> Our external auditors issue an annual value for money opinion but in depth value for money reviews are carried out when deemed necessary. Procurement arrangements are in place to ensure that the organisation secures the right outcomes at the right price within a collaborative and consistent manner. Directorates are asked to use comparative/benchmarking data on both cost and performance, as well as other data, such as customer feedback or trends over time in order to make judgements on value for money.
	<ul style="list-style-type: none"> Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon 	

	<ul style="list-style-type: none"> • Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations 	<ul style="list-style-type: none"> - Employees are regularly asked to complete opinion surveys so the council can get a better understanding of what's working and what's not. The results are carefully considered and used to address issues. - A list of current consultations, as well as a list of past consultations explaining how the council has used public feedback is available on the council website.
	<ul style="list-style-type: none"> • Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement 	<ul style="list-style-type: none"> - The Annual Governance Statement is approved by the Governance and Audit and Standards Committee along with the annual statement of accounts.
	<ul style="list-style-type: none"> • Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met 	<ul style="list-style-type: none"> - Portsmouth City Council is involved in many different partnerships at different levels, each with their own set of terms of reference for effective joint working. Reviews of strategic priorities for each of the partnerships have been aligned in order to better understand shared priorities, reduce duplication and improve commissioning and delivery activity.

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Annual Governance Statement 2017-18

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What is the annual governance statement?

Legislation¹ requires local authorities to prepare and publish an Annual Governance Statement, in order to report publically on the effectiveness of the Council's governance arrangements. The statement provides an overview of the current governance framework and a summary of the review on the effectiveness of Portsmouth City Council's governance framework for 2017/18 (which coincides with the annual statement of accounts). The statement openly communicates significant governance issues that have been identified during the review and sets out how the authority will secure continuous improvement in these areas during over the coming year.

What do we mean by governance?

By governance, we mean the arrangements that are put in place to ensure the intended outcomes for local people are defined and achieved. It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled. Good governance is about making sure the Council does the right things, in the right way for the right people, in a timely inclusive, open, honest and accountable manner.

Scope of responsibility

Portsmouth City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, Portsmouth City Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

About the Council

Portsmouth's Council comprises of 42 Councillors who represent 14 wards across the City. It currently operates a minority administration under a Leader) and Cabinet structure with Cabinet Members responsible for individual portfolios.

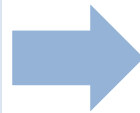
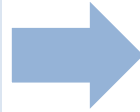
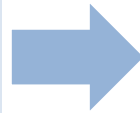
The Council employs around 3,600 members of staff and provides an extensive range of services to residents, businesses and visitors in the City, including: city development and cultural services, regulatory business and standards services, transport and environmental services, housing and property services, children's and adult's social care and safeguarding, education services, revenues and benefits and health and welfare services. The Chief Executive and Head of the Paid Service is David Williams.

¹ Accounts and Audit (England) Regulations 2011, regulation 4(3)

GOVERNANCE PRINCIPLES

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

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REVIEW
Monitor & enhance progress

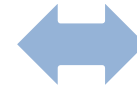
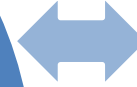
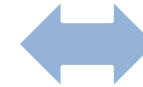
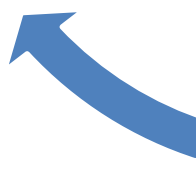
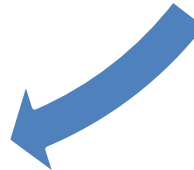
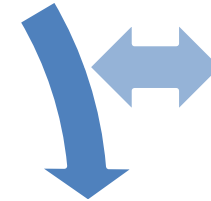
DEFINE
challenges & risks

IDENTIFY
compliance gaps

GOVERNANCE FRAMEWORK
Risk
Management
Compliance
Governance

REPORT
communicate & implement findings

RECOMMEND
best fit actions



INTERNAL CONTROLS

- Leadership, Culture and Planning**
Organisational goals and priorities
Strategic and operational plans
Performance management
Medium term financial strategy
- Statutory Officers & Decision Making**
The Constitution
The Monitoring Officer
Section 151 Officer
- Policies & Procedures**
Codes of conduct
Ways of working
Anti-fraud, Bribery and Corruption Policy
Whistleblowing Policy
HR Policies and procedures
- People, Knowledge, Finance, Assets**
Robust HR practices
Information governance
Performance monitoring and improvement
Financial management and reporting
Ethical & legal practices
- Scrutiny and Transparency**
Freedom of Information requests
Complaints procedure
Reports considered by legal and finance experts
Equality impact assessments
Corporate risk directory
Transparency duty publication
- Partnership Working**
Community engagement statement
'Have your say'
Consultations
Terms of reference for partnerships

CIPFA/SOLACE Good governance principles and the local code of governance

In 2016 CIPFA/SOLACE issued revised best practice guidance for 'Delivering Good Governance in Local Government'². The framework sets out seven principles that should underpin the governance of each Local Authority. The following sections look at how the Council is held to account for these seven principles.

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

The Constitution

The constitution³ sets out the how the Council operates; the roles and responsibilities of members, officers and the scrutiny and review functions; how decisions are made; and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Although there is no longer a statutory requirement, Portsmouth City Council has taken the decision to continue with this arrangement internally and is in the process of updating the constitution to ensure it reflects current practice. As well as working together as a single organisation, it is important that members and officers continue improve their working relations with other organisations too, both locally and sub-nationally, to achieve a common purpose of improved efficiency and effectiveness.

The Monitoring Officer

The Monitoring Officer is a statutory function and ensures that the Council, its officers, and its elected members, maintain the highest standards of conduct in all they do. The Monitoring Officer is assisted when required by appointed deputies. The Monitoring Officer ensures that the Council is compliant with laws and regulations, as well as internal policies and procedures. He is also responsible for matters relating to the conduct of Councillors and Officers, and for monitoring and reviewing the operation of the Council's Constitution. In PCC, the monitoring officer is Michael Lawther, the Deputy Chief Executive.

Section 151 Officer

Whilst all Council Members and Officers have a general financial responsibility, the s151 of the Local Government Act 1972 specifies that one Officer in particular must be responsible for the financial administration of the organisation and that this Officer must be CCAB qualified. This is typically the highest ranking qualified finance officer and in Portsmouth City Council this is Chris Ward, who is also the Director of Finance and Information Services.

Codes of conduct

On joining the Council, members and officers are provided with a contract outlining the terms and conditions of their appointment. All staff must sign a code of conduct and declare any financial interests, gifts or hospitality on a public register. Additionally, members are expected to declare any interests at the start of every meeting that they attend in accordance with Standing Orders. Members and officers are required to comply with approved policies. The Council uses a system called Policyhub that enables effective dissemination of general and job-specific policies, and has the built in functionality to measure compliance i.e. that a member of staff has read and agreed to the policy.

² <http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework>

³ A copy of the constitution can be found at <https://www.portsmouth.gov.uk/ext/the-council/policies-and-strategies/constitution.aspx>

Anti-fraud, bribery and corruption

The Council is committed to protecting any funds and property to which it has been entrusted and expects the highest standards of conduct from Members and Officers regarding the administration of financial affairs. The Council's Anti-Fraud, Bribery and Corruption Policy⁴ (revised in May 2016) conforms to legislative requirements and sets out steps to minimise the risk of fraud, bribery, corruption and dishonesty and procedures for dealing with actual or expected fraud.

Whistleblowing

The Council is committed to achieving the highest possible standards of openness and accountability in all of its practices. The Council's Whistleblowing policy⁵ sets out the options and associated procedures for Council staff to raise concerns about potentially illegal, unethical or immoral practice and summarises expectations around handling the matter. The Policy is kept under review by the Monitoring Officer, and reports (which include concerns raised and their outcomes) are submitted to the Governance and Audit and Standards Committee quarterly.

Governance and Audit and Standards Committee

As its name suggests, the Governance, and Audit and Standards Committee has the responsibility for receiving many reports that deal with issues that are key to good governance. The Committee undertakes the core functions of an Audit Committee identified in CIPFA's practical guidance⁶. The group has an agreed set of terms of reference⁷, which sets out their roles and responsibilities of its members⁸. On an annual basis the Chair of the Committee undertakes a self-assessment, which informs the overall review of effectiveness of the Council's governance arrangements.

B. Ensuring openness and comprehensive stakeholder engagement

Engagement and communication

It is recognised that people need information about what decisions are being taken locally, and how public money is being spent in order to hold the council to account for the services they provide. The views of customers are at the heart of the council's service delivery arrangements. Portsmouth City Council has developed a Community Engagement Statement⁹, which reflects the council's ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive. The Community Engagement Statement asserts the following objectives for the council's engagement activity:

- Active citizens and strong communities,
- Clearer links between consultation and decision-making,
- A City that reflects its diversity and improved use of resources and aims to build upon the council's commitment to finding ways to inform,
- Consult and involve local people in all areas of life.

⁵ A copy of the whistleblowing policy can be located at :

<http://democracy.portsmouth.gov.uk/Data/Governance%20&%20Audit%20&%20Standards%20Committee/20130314/Agenda/GAS20130314r10.pdf>

⁶ A copy of the guidance can be found at: <http://www.cipfa.org/Policy-and-Guidance/Publications/A/Audit-Committees--Practical-Guidance-for-Local-Authorities>

⁷ The Governance and Audit and Standards Committee Terms of Reference can be found at:

<http://www.portsmouth.gov.uk/media/SC20120716r5app4.pdf>

⁸ Membership can be found at: <http://democracy.portsmouth.gov.uk/mgCommitteeDetails.aspx?ID=148>

⁹ Community Engagement Statement: <https://www.portsmouth.gov.uk/ext/documents-external/cou-community-engagement-statement.pdf>

To be effective this process aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. There are a number of ways people can get involved and connect with the council, many of which are listed on the council webpage¹⁰. Local people have the option to engage in a dialogue through: social media sites (including Facebook and twitter), petition schemes, neighbourhood forums, Healthwatch Portsmouth, council meetings (open to the public), their local Councillor¹¹.

Consultations

The council keeps a forward plan of planned consultations. Internally, a consultation toolkit has been developed to guide council staff through the consultation process. The agreed process ensures that engagement activity is relevant, accessible, transparent and responsive. To increase awareness, consultations are proactively promoted.

The council issues a free copy of their Flagship magazine to all households keeping them up to date about what's going on in the City. The authority also issues other publications to specific groups, including "Term Times" for schools and "HouseTalk" for tenants.

Portsmouth City Council regularly engages with its employees to ensure they are kept informed about the council and the city. There are communication channels for "off-line" and online employees and a dedicated communications point of contact for staff. Employees are regularly asked to complete opinion surveys so the council can get a better understanding of what's working and what's not. The results are carefully considered and used to address issues.

Complaints

There is a clear and transparent procedure¹² for dealing with complaints. The Council operates a three-stage complaints procedure and promises to acknowledge complaints within 5 working days and respond fully within 10 working days for first-stage complaints, 15 working days for second-stage complaints and 20 working days for third-stage complaints. If complainants remain dissatisfied they have the right to refer the matter to the Local Government Ombudsman.

Partnership working

Partnerships are about the council coming together with right organisations to deliver improved outcomes for local people. Portsmouth City Council is involved in many different partnerships at different levels, each with their own set of terms of reference for effective joint working. There are 3 strategic partnerships in Portsmouth. The Health and Wellbeing Board, the Children's Trust Board, Safer Portsmouth Partnership, which are involved in delivering the city's desired outcomes. Reviews of strategic priorities for each of the partnerships have been aligned in order to better understand shared priorities, reduce duplication and improve commissioning and delivery activity.

The city also maintains a Public Service Board, providing a regular opportunity for key decision-makers to come together and discuss significant issues in the locality.

We are increasingly joining up working at an operational level with partner organisations, notably in respect of multi-agency teams for children and families, and locality teams to deliver Better Care. A range of mechanisms are used to support these arrangements.

¹⁰ Opportunities to have your say can be found at: <https://www.portsmouth.gov.uk/ext/community-and-environment/community/have-your-say.aspx>

¹¹ Who are your Councillors, MPs and MEPs: <http://democracy.portsmouth.gov.uk/mgMemberIndex.aspx?bcr=1>

¹² Complaints procedure: <https://www.portsmouth.gov.uk/ext/the-council/transparency/comment,-compliment-or-complaint.aspx>

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

Organisational goal and aspirations for the City



Portsmouth City Council; working together to shape the great waterfront city

Portsmouth City Council has a shared organisational goal (above), which is designed to be simple, reflecting the fact that although we are a diverse organisation, everything the council does is designed to make the city a better place and improve life for our residents. All of us are working together to shape Portsmouth, a great waterfront city that:

- Has a **sustainable economy** that delivers **regeneration** and **inward investment**, creates opportunities and **drives prosperity** for our residents
- Has **high quality homes**
- Is a **great place to live** that makes best use of our natural assets and supports a **vibrant and diverse culture**
- Offers **excellent education** and training so all our residents can achieve their full potential and businesses have the skills to grow
- **Protects and supports vulnerable residents**, encourages independence and enables them to achieve their full potential
- Keeps residents **healthy** and the city **safe**.

We have set clear priorities about the way we will work and what we be trying to achieve. We will:

- Be entrepreneurial and efficient - so we can meet our financial challenges and continue to deliver services that meet our customers' needs
- Provide excellent customer service - Our customers deserve **excellent service** and even though they may not have a choice to use our services, we must do all we can to help them as best we can.
- Raise education standards - education is the stepping stone for children to **achieve success** in later life.
Encourage regeneration and investment - **regenerating** and **encouraging investment** is key to creating aspirations and opportunities that all our residents can benefit from and enhancing Portsmouth as a great place to live
- Empower residents to be healthy and independent - for residents to be able to make the most of their opportunities and live independently they must be **safe and healthy**

Planning and monitoring

In order to secure these outcomes for residents and service users, the Council needs to respond to some tough challenges. Over the past 6 years (since 2011/12), Central Government funding to Portsmouth City Council has reduced by over £68m (amounting to a funding reduction of 44%). Taken together with other financial pressures, total savings over the period of £86m have been made by the Council, representing circa 42% of the Council's controllable spending. The Government published the provisional Local Government Finance Settlement 2017/18 in December 2016. In overall terms, the Settlement includes a further reduction in Government Funding over the three year period 2017/18 to 2019/20 of £16.5m representing a further 36% funding reduction.

This means that it is important that, whilst we focus on achieving the organisational goal and priorities, we plan services in detail on an annual basis, focusing on challenges over the coming year but also considering the medium term horizon.

Medium Term Financial Strategy

The Council's stated Medium Term Financial Strategy seeks to balance achievement of the organisational aspirations whilst delivering the necessary savings.

The overall aim of the strategy is to ensure that "in year" expenditure matches "in year" income over the medium term whilst continuing the drive towards regeneration of the city, being entrepreneurial and protecting the most important and valued services. There are four strands to the strategy:

- **1 - Transforming to an Entrepreneurial Council:** income generation; maximise the return on property and assets; invest for commercial gain; develop and establish commercial entities to sell services profitably; capital investment for jobs and business growth; establishing strategic partnerships/shared service arrangements to reduce costs and increase resilience
- **2 - Reduce the extent to which the population needs Council services:** re-direction of resources towards preventative services; design fees and charges policies to distinguish between want and need; capital investment towards jobs and skills to raise prosperity
- **3 - Increase the efficiency and effectiveness of the council's activity:** contract reviews; rationalisation of operational buildings; support to the voluntary sector; targeted efficiency reviews in resource hungry services; capital investment for on-going savings or costs avoidance
- **4 - Withdraw or offer minimal provision of low impact services:** strong focus on needs, priorities and outcomes; use the insights of councillors to inform priorities; use the results of public consultation to inform priorities.

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

Recruitment and induction

The Council operates a robust interview and selection process to ensure that Officers are only appointed if they have the right levels of skills and experience to effectively fulfil their role. If working with children and/or vulnerable adults they will be subject to an enhanced criminal records check prior to appointment. New Officers must attend an induction day, which provides information about how the organisation works. Newly elected Councillors are required to attend an induction which includes information on: roles and responsibilities; political management and decision-making; financial management and processes; health and safety; information governance; and safeguarding.

Training and development

All Officers are required to complete a number of mandatory e-learning courses including health and safety, equalities and diversity, financial rules, and information governance. Officers and Members have access to a range of IS, technical, soft skills and job specific training courses. Compulsory training is provided for Members who sit on the following committees: Governance and Audit and Standards Committee, Licensing Committee, and the Planning Committee. Other member-led training is available to Councillors through Democratic Services and Learning and Development. The package of support available gives Members the opportunity to build on existing skills and knowledge in order to carry out their roles effectively.

Performance monitoring

All Officers receive regular one to ones with their Manager in order to monitor workload and performance. Opportunities are provided for identifying future training and development needs, and to track progress against objectives. The effectiveness of individual performance monitoring is tracked in a number of ways, including by asking staff about it as part of regular employee opinion surveys.

F. Managing risks and performance through robust internal control and strong financial management

Risk management

The Council has reviewed its approach to managing risks over the last year and approved a revised Risk Management Policy, which seeks to embed a culture of risk awareness within everyday activities. All significant risks (defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage) must be logged on a Corporate Risk Directory, profiled (as high/medium/low), and mitigating measures/assurances must be put in place. The new approach minimises formal processes and unnecessary documentation, whilst ensuring that risk management remains an effective part of the governance framework.

Performance management

All directorates in the authority report on a quarterly basis against a full set of performance measures which reflect the functions and objectives of the directorates. These measures are reported to the Cabinet Members and considered in detail at the Governance and Audit and Standards committee. An annual overview of performance is produced.

Financial management

The s151 Officer is responsible for leading the promotion and delivery of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by our services, and that the finance function is fit for purpose. He advises on financial matters to both the Cabinet and full Council and is actively involved in ensuring that the authority's strategic objectives are delivered sustainably in line with long term financial goals. The s151 Officer together with finance staff ensure that new policies or service proposals are accompanied by a full financial appraisal which is properly costed, fully funded and identifies the key assumptions and financial risks that face the council.

Financial Rules were revised in 2013/14 by the s151 Officer so that Portsmouth City Council can meet all of its responsibilities under various laws, and continue to be updated on a rolling basis. They set the framework on how we manage our financial dealings and are part of our City Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks. The s151 Officer has a statutory duty to report any unlawful financial activity or failure to set or keep to a balanced budget. He also has a number of statutory powers in order to allow this role to be carried out, such as the right to insist that the local authority makes sufficient financial provision for the cost of internal audit.

The authority's financial management arrangements conform to the government requirements of the CIPFA Statement on "The role of the chief financial officer in local government (2010). The Director of Finance (Chief Financial Officer and s151 Officer) works with the Chief Executive and Deputy Chief Executive, helping to develop and implement strategy and deliver the strategic objectives. The Chief

Finance Officer has input into all major decisions, and advises on financial matters to the Cabinet. He is responsible for ensuring that budgets are agreed in advance and that the agreed budget is robust, to ensure value for money is provided by our services, and is responsible for ensuring the finance function is fit for purpose. A protocol for the Chief Financial Officer in Portsmouth was approved in November 2011.

Data Management

The organisation has a designated data protection officer and clear and established processes for ensuring data is handled appropriately. There is regular reporting to the Governance, Audit and Standards committee on matters of information governance. Preparation is underway for the introduction of the General Data Protection Regulation.

F. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Transparency

The Council and its decisions are open and accessible to the community¹³, service users, partners and its staff. The Freedom of Information Act 2000 (Fol) gives anyone the right to ask for any information held by a public authority, which includes Portsmouth City Council, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.

All reports requiring a decision are considered by appropriately qualified legal, and finance staff with expertise in the particular function area before they are progressed to the relevant committee/group. Portsmouth City Council wants to ensure that equality considerations are embedded in the decision-making and applied to everything the Council does. To meet this responsibility, equality impact assessments are carried out on all major council services, functions, projects and policies in order to better understand whether they impact on people who are protected under the Equality Act 2010 in order to genuinely influence decision making. Information required to be published in made public in timely and accessible fashion.

Effective scrutiny

The Council operates five Scrutiny Panels¹⁴, overseen by a Scrutiny Management Panel and governed by their own terms of reference. It is important that Scrutiny Panels act effectively as one of their key tasks is to review and challenge the policy decisions that are taken by Cabinet. Topics that are chosen to be 'scrutinised' are looked at in depth by a cross party panel of Councillors. They assess how the Council is performing and see whether they are providing the best possible, cost effective service for people in the city. The panel's findings are reported to the Cabinet and may result in changes to the way in which services are delivered.

¹³ Meetings, agendas and minutes: <http://democracy.portsmouth.gov.uk/uucoverpage.aspx?bcr=1>

¹⁴ Further information on our Scrutiny Panels can be found at: <http://democracy.portsmouth.gov.uk/mgListCommittees.aspx?bcr=1>

Monitoring and evaluating the effectiveness of the governance framework

Portsmouth City Council has the responsibility for conducting at least annually, a review of the effectiveness of its governance framework. The review of effectiveness is informed by the work of:

- The Chief Executive, Deputy Chief Executive and Directors within the Authority who have responsibility for the development and maintenance of the governance environment.
- The Chief Internal Auditor's annual report and opinion, and also by comments made by the external auditors and other review agencies and inspectorates.
- The Chief Financial Officer whose role is performed by the Director of Finance (and who is also Portsmouth City Council's Section 151 Officer) who has statutory responsibility for ensuring the proper management of all Portsmouth's financial affairs.
- The Corporate Governance Group, made up of the Chief Executive, the Deputy Chief Executive (monitoring officer), the Chief Internal Auditor, the Director of Finance (Section 151 Officer) and the Director of HR, Legal and Performance with input from others as relevant. This group meets regularly to discuss corporate governance arrangements and issues, and to reflect on recurring themes and spheres of activity relating to council improvement.
- The Governance and Audit and Standards Committee

There is clear framework for evaluating the effectiveness of internal control, and for 2017/18 this has included:

- An evaluation of progress against previously identified governance issues.
- Reviews of:
 - The effectiveness of Internal and External Audit.
 - External Audit's Annual Plan and opinion.
 - The Annual Internal Audit report and opinion.
 - The Corporate Risk Directory.
 - Issues identified through performance management.
 - Corporate complaints and any complaints regarding Members.
 - Freedom of information requests.
 - Data protection and information governance issues.
 - Employee Opinion Survey results.

Significant governance issues for 2018/19

Portsmouth City Council have completed a number of actions over the last year, that have addressed or alleviated significant governance issues identified in the 2016/17 Annual Governance Statement. The following significant governance issues have been identified and further actions have been put in place against each, in order to strengthen the Council's governance arrangements.

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
1	Information governance - significant new responsibilities and requirements under the General Data Protection Regulation (fines will increase from March 2018)	Risk Management	Corporate working group to drive preparation for the new responsibilities - the GDPR project will review and update the Information Asset Register and will capture (electronic) data flows into and out of the organisation	Good state of organisational readiness for the change and low risk of sanction.	Deputy Chief Executive	Ongoing progress reporting to portfolio holder and committees.
2	Surveillance - need for improved controls on use of CCTV (particularly Portsmouth International Port)	Internal Audit	Series of actions agreed in response to audit	Improved compliance on follow-up audit	Director of Property and Housing	Ongoing reporting through audit reports
3	Maintaining compliance across devolved operational bases	Highlighted through findings of Internal Audit	Various audits have found lower levels of compliance with corporate policies and procedures in devolved service units - work is underway in areas with a number of units to improve processes.	Improved levels of assurance on audits	Service Directors	Ongoing reporting through audit reporting
4	Disaster recovery - risk management activity has identified that improvements need to be made in our arrangements for recovery in the event of losing key systems.	Highlighted through risk management and business continuity activity	Disaster Recovery capability is under active review with Disaster Recovery as a Service (DRaaS) solutions being implemented.	Capability to restore key IT functions for the authority more quickly than the current 3-5 days.	Deputy Chief Executive and City Solicitor	Ongoing development and review
5	Cyber-security: Increasing risk of incidents leading to disruption of services, due to external threats in the	Risk management	a) Revised guidance to staff "Be Cyber Secure" is part of an ongoing campaign run by Corporate Comms.	Prevention of cyber attacks	Deputy Chief Executive and City Solicitor	Ongoing review

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
	form of "Ransomware" or "malware" and other kinds of malicious and deliberate attack.		<ul style="list-style-type: none"> b) IS Projects underway to implement enhanced technical and procedural measures to protect, defend and respond to cyber attacks. c) Strategic plans to migrate to cloud based services such as Office 365 and Azure will also provide additional protection and assurance. 			
6	The council continues to explore new ways of working, including partnering and alternative service delivery models and taking more commercial approaches	Internal and external audit; performance and risk management activity	<ul style="list-style-type: none"> a) Ensure arrangements for traded services and arms-length organisations are fit for purpose b) Ensure new partnering arrangements have full regard to legal, financial and HR implications 	Ongoing - various structures for different arrangements	Chief Executive and Deputy Chief Executive	Necessary changes reported on a regular basis to Cabinet, Governance, Audit and Standards Committee and Employment Committee.
7	Changes in statutory duties: ongoing changes in the work of local government and the role in relation to other agencies means that the organisation needs to monitor the scope of duties, powers and expectations.	Performance and risk management	Service and resource planning to set out scope of requirements and the needs to fulfil these.	n/a	Chief Executive / Deputy Chief Executive	Ongoing reports to portfolios and committees.
8	Addressing underlying budget pressures, notably in children's services and adult social care	External audit plan	Ongoing monitoring of progress - transformation strategies developed	Financial gaps closing and eliminated over the medium term	Director of Finance, Director of Children's Services and Director of	Ongoing quarterly reporting on financial position to Cabinet; updates to

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
					Adult's Services	portfolio holders

Effectiveness of the system of internal control

During 2017- 18 Internal Audit & Counter Fraud completed 68 full audits and 43 follow up reviews to plan. The results show a high level of high risks identified and a drop in critical risks from the previous year. Due to the number of exceptions raised overall the audit opinion for 2017/18 will remain at limited assurance as an assessment of the effectiveness of the internal control framework.

Last year the annual opinion was presented that the direction of travel was that of "deteriorating not improving"; for this year the position appears to have stabilised. In forming this opinion consideration has been given to the use of a data analytics software tool that has enabled us to extend the level and depth of testing performed. This has identified higher failure rates in testing which over time is expected to subside. In addition to this we have been able to place an element of reliance on our analysis of the effectiveness of other assurance work carried out. This assessment will be extended during 2018-19 across the authority.

The results of follow up work also show that only 41% of agreed actions have been fully implemented. It is not clear at this stage the root cause of why 59% of agreed actions have not been implemented and additional time will be allocated to understand why.

Four audit opinion levels are in place and these are: no assurance, limited assurance, reasonable assurance and full assurance. Where there are mainly medium or low risk exceptions the annual audit opinion would be reasonable or full assurance.

No Assurance	Limited Assurance	Reasonable Assurance	Full Assurance
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Internal Audit & Counter Fraud will continue to work with Directors, the Deputy Chief Executive and the Chief Executive to improve on specific areas of control, risk management and governance weaknesses.

Any significant corporate weaknesses and agreed actions are reflected in the Annual Governance Statement. The impact of the Internal Audit work for 2017/18 may affect that year's work for External Audit. It may also inform their work for 2018/19 and where they consider there are weaknesses in control that could materially affect the accounts they may need to carry out further work to gain the necessary audit assurance required for a true and fair view of the financial position and compliance with professional codes of practice.

Summary of significant governance issues for 2017/18

Over the coming year, Portsmouth City Council will take steps to address the issues that have been identified in order to improve the Council's governance arrangements and improve assurance in the areas of most concern. Progress will be monitored and reported to the Governance and Audit and Standards Committee regularly over the next year.

Signed on behalf of Portsmouth City Council

.....
Gerald Vernon-Jackson, Leader of the Council

.....
Date

.....
David Williams, Chief Executive

.....
Date

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Agenda Item 6

Title of meeting:	Governance and Audit and Standards Committee
Date of meeting:	Governance and Audit and Standards Committee 27 July 2018
Subject:	Statement of Accounts 2017-18
Report by:	Director of Finance and Information Services (Section 151 Officer)
Wards affected:	All
Key decision:	No
Full Council decision:	No

1. Purpose of report

To consider the Statement of Accounts for 2017/18.

2. Recommendations

- a) That the Statement of Accounts be approved
- b) That authority be delegated to the Chair of the Governance and Audit and Standards Committee to sign an amended 2017/18 Statement of Accounts after 27 July 2018 should this be required following comments by the auditor

3. Background

Under the Accounts and Audit Regulations 2015 the Director of Finance and Information Services was required to sign and date the statement of accounts, and confirm that he was satisfied that the accounts presented a true and fair view of the financial position of the authority at 31 March and of the authority's income and expenditure for 2017/18, by 31 May 2018.

From 1 June 2018 to 12 July 2018 any person was able to inspect the accounts of the Council for the year ended 31 March 2018 and certain related documents (comprising books, deeds, contracts, bills, vouchers and receipts and other documents relating to those records). From 1 June 2018 to 12 July 2018, a local government elector for the area of the Council, or his/her representative, could object to the Council's accounts asking that the auditor issue a report in the public interest (under schedule 7 of the Local Audit and Accountability Act 2014) and/or apply to the court for a declaration that an item in the accounts is contrary to law (under section 28 of the Local Audit and Accountability Act 2014). These rights were not exercised in respect of the Council's draft Statement of Accounts for 2017/18.

After considering comments from the auditors, and making adjustments that he felt were appropriate, the Director of Finance and Information Services (Section 151 Officer) has re-confirmed that he is satisfied that the statement of accounts presents a true and fair view of the financial position of the authority at 31 March and of the authority's income and expenditure for 2017/18. A list of non-trivial adjustments made by the Director of Finance and Resources (Section 151 Officer) is contained in the Appendix.

The Statement of Accounts 2017/18 includes an overview of the City Council's performance on pages 13 to 21 and a commentary on the financial statements on pages 22 to 34.

4. Reasons for Recommendations

The Accounts and Audit Regulations 2015 now require members of the Council to:

- a) consider the statement of accounts;
- b) approve the statement of accounts by a resolution
- c) ensure that the statement of accounts is signed and dated by the person presiding at the committee at which that approval is given

Portsmouth City Council discharges these responsibilities through its Governance and Audit and Standards Committee.

The Governance and Audit and Standards Committee now have two options:

- 1) Approve the statement of accounts
- 2) To identify areas of concern and not approve the accounts

In considering the statement of accounts the Committee should take into account any comments made by the auditor.

Under the Accounts and Audit Regulations 2015 the Council must publish its accounts together with any certificate or opinion entered by the auditor by 31 July.

The audit of the Statement of Accounts is ongoing. Therefore it is recommended that authority be delegated to the Chair of the Governance and Audit and Standards Committee to sign an amended 2017/18 Statement of Accounts after 27 July should this be required following comments by the auditor

5. Equality Impact Assessment

The contents of this report do not have any relevant equalities impact and therefore an equalities impact assessment is not required.

6. Legal implications

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2015 to ensure that the Council's budgeting, financial management, and accounting practices meet the relevant statutory and professional requirements. Members must have regard to and be aware of the wider duties placed on the Council by various statutes governing the conduct of its financial affairs.

If the statement of accounts is not approved by the Committee by 31 July the Council will be in breach of the Accounts and Audit Regulations 2015. Failure to approve and publish the accounts within the timeframe set out in the Accounts and Audit Regulations 2015 would represent a potential risk to the reputation of the Council.

7. Director of Finance & Information Services (Section 151 Officer) comments

All financial considerations are contained within the body of the report and the attached appendices

.....
Signed by Director of Finance & Information Technology (Section 151 Officer)

Appendix: List of non-trivial amendments made by the Director of Finance and Information Services (Section 151 Officer)

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<u>Title of document</u>	Location
1 Accounts and Audit Regulations 2015	Legislation.gov.uk website
2 Information pertaining to the audit in the possession of the Council	Financial Services

Non-Trivial Adjustments Made to the Accounts Since Publication on 31 May

Review of Provisions

As part of the proposed Northern Quarter Development the City Council acquired a number of properties on behalf of the developer through compulsory purchase orders. The cost of these acquisitions including the Council's costs were invoiced to the developer. The developer has reimbursed the Council for the cost of the properties but has not reimbursed the Council's costs. These costs have been fully provided for and were included under long term provisions. Following discussions with the auditors it was agreed that these should be provided for as part of the bad debt provision, ie. netted off short term debtors. This has resulted in both long term provisions and short term debtors being reduced by £2,069,000 on the balance sheet. This has no effect on either the Council's revenue accounts or its net worth.

Analysis of Long Term Debtors (Note 20)

The analysis between finance lease debtors and other long term debtors in note 20 has been amended. The finance lease debtor has been increased by £1,331,000 from £11,831,000 to £13,162,000. Other long term debtors has been reduced by £1,331,000. This has not affected the face of the Council's financial statements.

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Draft
Statement
Of
Accounts
2017/18

.....

Chris Ward
Director of Finance & Information Technology
(Section 151 Officer)

.....

Date

.....

Councillor Will Purvis
Chair of the Governance and
Audit and Standards Committee

.....

Date

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Narrative Statement

Financial Year Ended 31st March 2018

Introduction

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

Overview

Our context - the city

Portsmouth is the UK's **only** island city, with Portsea Island accounting for **62%** of the city's land mass. Portsmouth is **the most densely populated area in the UK outside London**, with an estimated population of **215,000** residing within **15.5 square miles**.

Portsmouth is ranked **63rd most deprived out of 326** local authorities in England (where 1 is the most deprived), with **15% of the city's population experiencing income deprivation**. Charles Dickens ward tends to be the most deprived ward in the city. 22% of all dependent children in the city are living in poverty (which is above the England average) and in some areas this rate is twice the national average (Charles Dickens). The percentage of children in the city known to be eligible for and claiming free school meals is higher than the national average, reflecting low incomes in the city.

The city is becoming more ethnically diverse. 16% of the City's overall population are not of White British ethnic origin, and this rises to 20% of school-age children. Over 100 languages are spoken by pupils attending Portsmouth schools.

There are approximately **88,000** dwellings in Portsmouth. **Private stock accounts for nearly 81%** of the dwellings in Portsmouth, with the remainder divided between the **local authority (13%)** and **registered social landlords (6%)**. Nearly **half** of the private sector housing stock was built before 1919, which is more than twice the English average. In terms of dwelling type, **63% of Portsmouth's private dwellings are terraced houses**, again twice the English 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 **24% of the city's workforce**. Unemployment in the city is typically on a par with the average for Great Britain, but around **1% higher than the South East region's average**. An estimated **4.9%** of the city's 16 - 18 year olds are NEET (not in education, employment or training). This is lower than both the England average and the south east regional average, and is reducing. Adults in Portsmouth have lower than average levels of skills and qualifications, with approximately **27% of the working age population having no or low qualifications (NVQ1 equivalent)**. We know that local resident earnings are significantly lower than local workplace salaries, suggesting that many of the higher level jobs are filled by people commuting into the city.

Portsmouth is well connected with strategic road and rail routes as well as domestic and international ferry routes to a range of destinations. There are five train stations in the city, with the railway line running through the heart of the city, north to south. However, intercity rail journeys from and to Portsmouth are relatively slow. The opening of the Hindhead Tunnel has **significantly improved road access to London**, shortening journey times by 20mins. Consultation with residents suggests that affordability of public transport – especially bus fares – is a major issue. We also have limited road capacity due to the "island" nature of the city, and only three road routes off Portsea Island, although congestion measures compare well with other cities. We were the first **20mph** city in the country.

Our context - the City Council and how it works

The people of Portsmouth obtained their charter from King Richard in 1194. There has been a Mayor in Portsmouth since at least the 13th century. With the municipal reforms of 1832, Portsmouth became a borough with an elected Council that in turn created a county borough in 1888. Portsmouth became a City by Royal Charter in 1926. In the local government reorganisation of 1974, Portsmouth became one of the thirteen districts within the county of Hampshire. With the further reorganisation of local government, **Portsmouth became a Unitary Authority on 1 April 1997**. Portsmouth City Council now provides the **full range of local government services** including Education, Social Services, Highways, Waste Management, Leisure, Libraries, Youth Services, Planning, Economic Regeneration, Public and Environmental Health, Trading Standards and the City Council also runs **the largest council owned commercial port in the UK**.

The City Council has **14 wards**, each served by **3 councillors**. We operate a decision-making system of a Leader and Cabinet.

The Cabinet currently consists of the **Leader of the Council** and **nine other Cabinet portfolios**. 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 City Council activities. In 2017/18 these were:

- Culture, Leisure and Sport
- Education
- Children and Families
- Environment and Community Safety
- Adult Social Care & Public Health
- Housing
- Planning, Regeneration and Economic Development
- Resources
- Traffic & Transportation

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

The staff of the City Council are managed by the **Chief Executive**, who is the Head of the Paid Service. The Chief Executive is supported by a **Deputy Chief Executive**, who is also the monitoring officer, and **directors** who have oversight of a number of services, each of which deals with a broad range of the functions of the authority. **These director posts are:**

- Director of Children, Families and Education (and statutory Director of Children's Services)
- Director of Adult Social Care - (statutory post - also Chief Operating Officer of the Clinical Commissioning Group)
- Director of Financial and Information Services (and statutory s151 officer)
- Director of Public Health (statutory post - also Director of Public Health at Southampton City Council)
- Director of Culture and City Development
- Director of Regeneration
- Director of Property and Housing
- Director of Community and Communication
- Director of HR, Legal and Performance
- Portsmouth International Port Director

Our context - our partners

The City Council has excellent partnership working, with other local authorities, particularly Gosport Borough Council, with whom we are sharing a senior management team, and with colleagues in health, including the Clinical Commissioning Group (CCG), the police, probation, fire and rescue service, university, the voluntary and community sector and with businesses.

We have three key theme-based strategic partnerships - the **Health and Wellbeing Board**, **Children's Trust**, and the **Safer Portsmouth Partnership**.

These three partnerships work together on an aligned strategic approach to many of the major issues facing people in Portsmouth. In addition, the **Public Service Board (PSB)**, chaired by the Leader of the Council, provides a mechanism for the leaders of public sector agencies in the city to work together outside of the formal partnership governance arrangements. We are looking to streamline the partnership arrangements of the city in 2018 to ensure that these are operating as effectively as possible.

The City Council is the accountable body for the Solent **Local Economic Partnership (LEP)**. There are other partnership arrangements around the city's regeneration efforts such as, Solent Transport, the Partnership for Urban South Hampshire (PUSH) and the business leaders group, Shaping the Future of Portsmouth.

In line with many councils nationally, Portsmouth is in discussion with other local authorities in the area about a devolution deal with government. We want to ensure that we can better serve our residents by getting more local control over services and responsibilities.

The unitary authorities of Portsmouth City Council, Southampton City Council and Isle of Wight Council have submitted a proposal to the Secretary of State for a Solent Mayoral Combined Authority. This proposal is still awaiting determination by the Secretary of State. In the meantime, local authorities in the area are exploring options for working together and the three unitary authorities are working together to pilot a business rates retention scheme.

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

Our context - finances

The largest share of the money which the City Council receives comes from government grants and reductions will continue to be made to this. Over the past seven years (since 2011/12), overall central government funding to the City Council has reduced by over £73m (amounting to a funding reduction of 48%). Taken together with other financial pressures (mainly relating to inflation, the effects of an ageing population on care services and the increased requirements for the safeguarding of vulnerable children), total savings over the period of £94m have been made by the council, representing around 44% of the City Council's controllable expenditure.

The Government published the provisional local government finance settlement for 2018/19 in December 2017. In overall terms, the settlement includes a further reduction in spending over the period to 2019/20 of £13.3m, which is broadly in line with our forecasts.

Essential care services consume 53% of the City Council's net controllable budget. Therefore the City Council is faced with a position where it not only has to meet these costs, or at the very least manage the demand for these services, but simultaneously find £12m of savings across all areas. It is also of significance that a further 22% of the City Council's controllable spend occurs in the Traffic & Transportation and Environment & Community Safety Portfolios where a large proportion of their activities are tied into long term contracts where the savings potential is more limited.

The City Council's Medium Term Financial Strategy (MTFS) has been developed to respond to these very challenging circumstances. The Strategy has a strong regeneration focus with a presumption that capital investment will be targeted towards economic growth. This is to improve the prosperity of the City through employment as an objective in itself and also because this will reduce the demand for Council services generally. Furthermore, regeneration creates the opportunity for additional business rates to be generated and retained by the City Council. The Capital Programme can also be a vehicle for Invest to Save schemes enabling the City Council to reduce its own costs in the future.

Equally prominent in the strategy is the strong focus on entrepreneurial activities leading to income generation as a means to make savings and avoid cuts to services.

The Strategy is underpinned by a financial framework that provides financial autonomy to Portfolios and Committees. Any underspending arising against their budgets is retained by them. This was deliberately designed to create the financial conditions that support responsible spending and promote forward financial planning. The implication of this is that the opportunity for future underspending to accrue and be available corporately is much reduced. It is vitally important therefore that the use of any corporate underspend is used wisely and in accordance with the City Council's Medium Term Financial Strategy aimed at meeting the future financial challenges of the City Council.

The Medium Term Resource Strategy (MTRS) Reserve is a fundamental component of the City Council's financial framework and is designed to provide funding for future redundancies, Spend to Save and Invest to Save initiatives. The current uncommitted balance on the MTRS Reserve amounts to £2.5m and is considered to be very modest in the context of the £12m of savings that the City Council is required to make over the next 3 years.

The City Council made a series of Budget decisions in December 2017 that were strongly aligned with the new Medium Term Financial Strategy. The approved proposals focussed on an "Avoidance to Cuts" approach in line with the Medium Term Financial Strategy. In overall terms, the proposed £4m of savings are characterised as follows:

- Efficiency Savings (little or no reduction in Services) £2.4m (60%)
- Additional Income £1.4m (36%)
- Service Reduction £0.2m (4%)

The approved proposals provide full protection from savings for Children's Social Care and significant protection from savings for Adult Social Care. As a necessary consequence, savings from other Portfolios are proportionally higher and significantly higher in some cases.

Medium Term Financial Strategy

The Council's stated Medium Term Financial Strategy seeks to balance achievement of the organisational aspirations whilst delivering the necessary savings.

The overall aim of the strategy is to ensure that "in year" expenditure matches "in year" income over the medium term whilst continuing the drive towards regeneration of the city, being entrepreneurial and protecting the most important and valued services. There are four strands to the strategy:

- **1 - Transforming to an Entrepreneurial Council:** income generation; maximise the return on property and assets; invest for commercial gain; develop and establish commercial entities to sell services profitably; capital investment for jobs and business growth (increased business rates); establishing strategic partnerships/shared service arrangements to reduce costs and increase resilience
- **2 - Reduce the extent to which the population needs City Council services:** re-direction of resources towards preventative services (avoid greater costs downstream); design fees and charges policies to distinguish between want and need; capital investment towards jobs and skills to raise prosperity
- **3 - Increase the efficiency and effectiveness of the City Council's activity:** contract reviews; rationalisation of operational buildings; support to the voluntary sector; targeted efficiency reviews in "resource hungry" services; capital investment for on-going savings or costs avoidance
- **4 - Withdraw or offer minimal provision of low impact services:** strong focus on needs, priorities and outcomes; use the insights of councillors to inform priorities; use the results of public consultation to inform priorities.

What the City Council does and why

These are challenging times for local government. At a time of unprecedented pressure on public finances, we need to tackle huge need in the community, some key barriers to economic growth and continue to deliver the services that support a vibrant city.

In Portsmouth, we are rising to the challenge. We have set clear priorities that, as an organisation, we will:

- Be entrepreneurial and efficient
- Provide excellent customer service
- Raise education standards
- Encourage regeneration and investment
- Empower residents to be healthy and independent

As well as delivering the essential services we are required by law to do, we are focusing on these areas and making sure that everything we do is in line with achieving these priorities.

Be entrepreneurial and efficient

Given the financial context, and the significant levels of savings that we have had to find, we have to be more entrepreneurial and efficient in how we deliver our services.

To achieve this we are working to:

- Bring new money into the City Council
- Increase our own role as a developer and investor
- Work with other partners and other authorities to ensure our services are joined up
- Be creative, smart and efficient in how we work.

We bring in over £0.2m every year by selling advertising space. We have reduced internal printing and advertising by spend from around £1.6m in 2012 to £0.3m in 2015/16 through the marketing, advertising and print project.

Our strategy to increase the number of digital customer service channels, enabling customers to contact us when and how they want to, has created £1.7m of savings so far.

We are also reducing costs by sharing management services, most extensively with Gosport Borough Council.

Providing excellent customer service

Our customers deserve excellent service. Even though they may not have a choice about using some of our services, we must do all we can to help them as best we can.

This means that we are working to:

- Recognise that whether they are residents, tenants, service users, clients, parents or carers, everyone we work with deserves excellent customer service
- Put our customers first
- Understand what are our customers' needs are, and aim to meet these when they need it, in the way that is best for them
- Ensure the information we give customers is clear, helpful and easy to understand
- Ensure our services and buildings are accessible to all our customers.

In order to deliver these aims, we are developing digital channels and we are also using a systems approach to improve the quality of service from the point of view of the customer. We are also using feedback from our new customer feedback scheme 'How did we do today' to inform our working, and helping our customers understand what to expect and to hold us to account if we don't deliver our customer promise.

Raising educational standards

Education is the foundation stone to give our children and young people the best chances in life. We must make educational achievement for all our young children the very best it can be. This will give our children the best opportunities in life and in the longer term, reduce the need for our services. We want to raise education standards so our children and young people achieve their full potential. We know that despite children getting off to a really good start in their education, 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 Portsmouth, there are 50 primary schools, 10 secondary schools and four special schools in the city (including one multi-site provision). In addition there are two further education colleges, one maintained nursery school and a university technical college (UTC), which opened in 2017.

The UTC is a new school for young people aged 14-19 interested in pursuing a technical career. It offers a "hands on" education alongside a traditional academic education. UTCs are expected to help meet the national skills gap and students who follow the UTC education will benefit from teaching and mentoring from specialists who currently work in industry, specialist facilities, real-life employer projects and opportunities to progress to higher apprenticeships, higher education or jobs in growing sectors. UTC Portsmouth has specialisms in Electrical & Mechanical Engineering and in Advanced Manufacturing. These specialisms are key to helping our economy to grow.

Around 16% of all children in Portsmouth have some level of special educational need, and about 3% of children with the most complex needs have an Education, Health and Care Plan to help support their needs around their education. Portsmouth is fortunate to have some outstanding special school provision (including Mary Rose Academy and Cliffdale Primary Academy).

We are working to:

- help families and children in their Early Years so they are ready for school
- meet the need for more school places
- help schools and colleges to recruit and retain high quality teachers
- support schools and colleges, including the new University Technical College, to give young people the skills and resilience they need.

There are some really strong achievements in this area. We have more schools in the city rated by Ofsted as Good or better, than ever before, including our first outstanding mainstream secondary school (St Edmunds). We supported the development of the new University Technical College in a successful launch, with all places allocated months before the school opened in September 2017. We are providing 30 hours of free childcare for over 400 families through a national pilot scheme, which will support children in their early years. We are driving a Teach Portsmouth campaign to recruit the best teachers to the city.

Encouraging regeneration and investment in the city

A great city has a thriving and sustainable economy, which creates opportunities and generates wealth for its residents. In the longer term, this reduces the need for our services. In the short term, a greater share of the City Council's funding will come from business rates so a strong local economy is essential to delivering local services. That's why the council and partners are working to make the city an attractive place to live, work and visit. We are encouraging businesses to locate, invest and grow in Portsmouth. We are working hard to make sure our residents benefit from these opportunities, through better education and training.

The story in Portsmouth is positive, with lots of reasons to be very optimistic about regeneration of the City. Portsmouth Naval Base is the base port for the new aircraft carriers and the majority of the surface fleet. The reputation of Portsmouth as an international centre in the strategic defence arena, is also enhanced through the city being host to the Centre for Marine Intelligence Systems, a research centre based on Portsdown Hill.

To continue encouraging regeneration and investment in the City we are:

- Promoting the city as a world class destination holding world class events
- Encouraging growth in key employment sectors and supporting business start-ups
- Securing investment in the city's infrastructure
- Encouraging more sustainable development
- Enabling more choice in how to travel, and improving the transport network
- Improving air quality and protecting the city from flood risk.

There are significant achievements in this area of activity. Portsmouth is now the home to a number of high-profile events, including the Victorious Festival, which boost the economy and raise the profile of the city.

We are delivering improved coastal defences in the north of the island and work is underway to unlock investment in coastal flood and erosion risk management measures in Southsea.

A new transport interchange has been developed at the Hard, as part of a wider masterplan to improve this area - one of the major gateways to the city.

We have opened the first unit at our brand new 45-acre business park in Havant - Dunsbury Park. This is now home to the international clothing brand, Fat Face. We are confident that this high-quality strategic site will attract many other investors.

There are lots of other projects in development including:

Tipner and Horsea Island

As part of the City Deal in 2014, the Tipner/Horsea development site is being unlocked for future development.

Areas of Tipner have long been largely derelict, but the land has massive potential to form a key gateway to Portsmouth. Regenerating the area will bring major benefits to the City, most notably, free up the road network; encourage sustainable transport; clean-up contaminated land; create new open spaces, parks and waterside walks; create much needed homes and jobs.

The Department for Transport awarded the City Council £19.5m funding, which with £8.5m of council money, has delivered a new junction on the M275, access to key sites and a park and ride with more than 650 spaces.

Eventually it is planned to develop the entire Tipner site, on both sides of the motorway with a bridge link to Horsea Island enabling Bus Rapid Transit. We are working with partners to develop a mixed development of housing and business space. As part of the City Deal, the City Council will receive land from the Ministry of Defence and has received a grant of £49m to develop out the site.

City Centre Road - The M275 is the major route providing access to the heart of the city. The M275 suffers significant congestion and the road network within the city centre creates a poor quality environment. It is not ideal for any road user, creates barriers which make it difficult to access several parts of the centre, and subdivides major parcels of land.

Major growth is planned for the city centre but without improvements to the road access, there will be insufficient capacity in the network to support growth with land that could be developed remaining fragmented.

A new road layout will offer an ideal opportunity to improve the area for all road users but particularly to increase public transport priority, create routes that bring pedestrians, cyclists and bus passengers into the heart of Commercial Road. It could also improve the connectivity of the city centre, allowing easy access to the whole city centre and opening up a number of sites for development.

Portsmouth is seeking a transformational change to the city centre to enable it to perform a pivotal role in delivering the growth and increased productivity that the city needs to achieve. The proposed scheme will use the investment in the infrastructure as a catalyst for securing jobs, homes and a sustainable future for the city.

The main objectives of the city centre proposals are to:

- Minimise traffic congestion into the city centre and improve the reliability of journey times
- Prioritise cyclists and pedestrians at junctions and crossing points
- Simplify the road network to make it easier for residents, business and visitors to enter the city
- Open up significant areas of land for potential new development and public space
- Improve the quality of the environment and create a sense of place.

A public consultation on the scheme took place in Autumn 2017. Feedback received resulted in several changes to the proposed scheme, including improved and purpose built cycle routes through the city centre; a new cycle route on the eastern side of the proposed dual carriageway; improved access to Victory Retail Park and improved access to car parks in Church Street. Work is now underway to secure funding and consent for the scheme.

Empowering our residents to be healthy and independent

A great city supports those who are most in need, and works to provide opportunities for everyone. We need to help all our residents make the most of opportunities so they can live independently and be safe and healthy.

We know that there are major inequalities in health and wellbeing outcomes across the city and in particular, between genders (shorter male life expectancy). The most deprived areas are affected by higher rates of unemployment, smoking, alcohol consumption, mental ill-health.

To ensure that we support our most vulnerable and in-need residents, we are working to:

- Help people achieve a safe, resilient and healthier lifestyle
- Provide good quality housing options
- Working closely with the NHS and other partners to offer joined-up services
- Facilitate environments and opportunities that support wellbeing
- Help communities to help themselves
- Ensure our most vulnerable children and adults are supported and protected.

Examples of what we are doing include building more than 200 new homes, part of the most ambitious council home building programme in Portsmouth since the Second World War. We are providing wellbeing services which in their first year have supported 856 people to quit smoking, and 426 people to reduce alcohol consumption. We have increased volunteering in the City, including launching a Be There for Care campaign to support Portsmouth City Council care homes. We have used additional resources to create a Transformation Fund to help Adult Social Care services develop more sustainable working, and established a single early help and early intervention service for children and families.

The aims set out above are extensive and challenging, particularly because need and demand continue to rise as resources decline. We need to ensure we minimise the negative impacts of these challenges to ensure that we protect the most vulnerable in society, whilst at the same time capitalising on opportunities to deliver economic expansion and job creation, through the delivery of new homes, skills and businesses. This means changing the things we do and the way we do things.

Portsmouth is an extraordinary city that is on a journey to becoming a truly great waterfront city. But if that ambition is to be delivered, then the local authority needs to continue working effectively, innovating, simplifying and sharing so that we can confront the challenges of strained public finances, ensure that no one is left behind, and ensure that the City continues to thrive.

Performance

The City Council is a diverse organisation, and performance is monitored on a quarterly basis against business plans set by the directorates. This performance is reported to portfolio holders; to the full Cabinet as part of the quarterly finance and performance reports; and in detailed reports to members of the Governance and Audit and Standards Committee.

Key issues relating to our performance in 2017/18 are:

Adult Social Care

Adult Social Care is an increasingly high profile area of local authority business. There is an acknowledgement from national the Government that social care is under increasing pressure, for a variety of reasons, including increasing demand and cost pressures. Furthermore the quality of the social care system is critical to ensuring the health services remain viable in the medium to long term.

The then Department for Communities and Local Government produced a pre-budget report in March 2017 highlighting some of the national drivers of demand and cost, in particular:

- Demographic changes - the King's Fund report that the number of people in their 80s and 90s has increased by almost a third in the last 10 years, and is set to double in the next 20 years. It is highlighted that many people in this age bracket will have at least two health conditions, and many will have dementia. This requires a mixture of healthcare and social care. As well as helping people to live for longer, improved medical science and living conditions also mean that younger people live longer with disabilities or complex health conditions, requiring complex health and social care responses.
- The Care Act 2014 reformed and modernised social care law, and whilst the sector was broadly enthusiastic about the changes introduced, there were concerns about potential increases in demand for services, leading to higher costs. The King's Fund highlighted that the legislation had "substantially added to both the expectations and statutory duties of local authorities without necessarily being reflected in the money they get."
- National Living Wage (NLW) - In July 2015, the Government announced the National Living Wage for those aged 25 and over. While the NLW gave care workers, amongst whom recruitment and retention is a significant issue, a needed increase in pay, it did add to the funding pressures on councils.
- Deprivation of Liberty safeguards - A Supreme Court judgement in March 2014 changed the definition of "deprivation of liberty" under the Mental Capacity Act 2005, resulting in more people who have been deprived of their liberty for treatment, care or protection from harm coming forward for council safeguarding assessments. Some funding was made available in 2015-16 to meet increased costs, but not to the level required (a national pot of £25m against a requirement estimated at £127m).

A number of measures have been introduced in the recent past to try and address some of these challenges, including:

- Better Care Fund - the Spending Round 2013 announced the creation of a Better Care Fund (BCF): local health bodies and councils would pool existing funding into the BCF and agree joint plans for closer working between health and social care. In 2015, the Government announced that additional funding for social care would be made available in an "improved BCF" although this was "backloaded", commencing at very modest levels in 2017/18 and rising in 2018/19 and 2019/20.
- The social care precept - the social care precept allows councils to raise council tax by up to 6% over the 3 year period 2017/18 to 2019/20 with a maximum increase of 3% in any single year to fund social care. This for example could be 2% each year, or 3% in 2017-18 and 2018-19 only, or any other combination not exceeding 6% in aggregate.
- The adult social care support grant - A "one-off" £240m national funding allocation funding for adult social care support grant for 2017-18, distributed according to relative need, as a short term measure. Intended to compensate, in part, for the "backloading" of the "improved Better Care Fund".

The commissioning and provision of adult social care and support is a vital council service that can transform people's lives. It is a crucial public service that supports working age disabled adults, older people and their carers, as well as promotes their wellbeing and independence. Despite major funding pressures, councils have worked hard to preserve adult social care outcomes, as reported nationally:

- In 2016-17, 86.4 per cent of service users in England reported that the services they received helped make them feel safe and secure. This compares to the 84.5 per cent reported in 2014-15.
- The proportion of people who use services who say they have control over their daily lives has remained stable (77.7 per cent in 2016/17 compared to 76.6 per cent in 2015/16).
- Overall satisfaction of people who use services has remained stable (64.7 per cent in 2016/17 compared to 64.4 per cent in 2015/16).

The cumulative effect of these high-level changes on Portsmouth means that the amount of savings to be found over the 3 years to 2019/20 is estimated to be £4.6m, relating to budget savings required to contribute to the Council's overall Corporate Savings requirements (£3.8m) and the demographic cost pressures (£0.8m).

However, there are also opportunities, as the following additional funding is expected to be available:

- Grant for Adult Social Care as announced in the Spring budget 2017 of £7m over 3 years will be available, on a reducing basis to 2019/20.
- In 2018-19 the Social Care precept will generate a further £1.1m and an additional £1.1m is estimated for 2019/20; and both will be on-going.

It has been assumed that the identified demographic pressures of £0.8m and other, as yet unidentified but likely cost pressures can be funded from the Adult Social Care precept. The service is investing in the transformational change of adult social care services, in order to deliver the ongoing £3.8m remaining savings requirement (i.e. after funding all likely demographic and other cost pressures). As at 31 March 2018, £4.52m had been committed to transformational initiatives.

The service is now embarked on a number of projects to substantially change the way that responses for vulnerable adults are delivered.

For our domiciliary, residential and nursing care responsibilities, capacity continues to be tight, although there are sufficient residential home beds available in Portsmouth. However, three residential homes in Portsmouth closed over the winter and the need to deliver new placements placed additional strain on the financial position. A process has been underway to transfer the running of the Harry Sotnick House provision from Care UK to Hampshire County Council.

In domiciliary care, the market has been challenging, although an ongoing backlog has been reduced due in part to City Council housing delivering their own domiciliary care in a sheltered block, releasing significant capacity. In quarter 3, a suspension was placed on new business with a local provider in response to an adverse Care Quality Commission (CQC) report, and reviews of 50% of service users placed led to a cautious purchasing approach as a result. Transformation Fund agreement has been given to develop a new model for domiciliary care, for implementation by the end of 2018. The cumulative effect of review work and placing people due to home closures has impacted on the ability of the service to deliver assessments, and a waiting list has built up.

The City Council's own residential units have presented significant challenges in 2017/18, with a number of critical CQC reports. There are challenges with recruitment and retention of residential care staff, and a campaign has been devised to deal with this, and improve the quality of care in homes and reduce agency dependency. A corporate programme has also been developed for energising people around the idea of support for the care homes under the banner 'Be there for Care' and includes a volunteering project, a corporate social responsibility project, intergenerational projects and income generation to sustain change. We have considered environments and activities, a vintage tea room and sweet shop have been opened in Edinburgh House and Hilsea Lodge, and a "Magic Table" has been sourced for two of the homes, to promote stimulation and interaction for people with dementia.

Alongside these initiatives, a turnaround team for City Council homes has been established which has the two main aims of ensuring the Harry Sotnick House transfer is well managed, and reviewing the current City Council residential homes and plan and support the implementation of the changes that ensure Care Quality Commission compliance and sustainable quality change.

In the field of Learning Disabilities, we are refocusing our model of services across the four Preparing for Adulthood outcomes:

- Work
- Health
- Independence/Learning
- Relationships and Community

A day service review has been completed for people who would be described as 'at risk' under Transforming Care and there has been significant growth in social enterprises and work related activity. A 5 year day service strategy and action plan has been developed, with an emphasis on sustainable growth, diversity and a move to non-service, low cost, socially inclusive solutions. The work so far has generated improvements in confidence, independence and customer and carer satisfaction, and the increased spending over several years has ceased.

Whilst there has been significant progress, we still need to establish fair and sustainable funding arrangements. We need to develop the market further and continue to work with an outcome focus.

The multi-agency safeguarding hub (MASH) continues to work well, although we are seeking dedicated health input. The MASH has enabled timely discussions with the police to determine any criminal investigation element to concerns raised and to establish whether there is a need for a joint enquiry under section 42 of the Care Act. However, there is a challenge in that the volume of inappropriate referrals into the MASH needs to be reduced.

Children's Social Care

The level of demand for children's social care continues to rise with the number of looked after children at an all-time high, driven largely but not entirely by unaccompanied asylum seekers and more children becoming the subject of child protection plans. The increased demand means that the investment in 8 additional posts authorised in summer 2017 has only maintained rather than reduced case-loads, as originally intended. We are expecting Ofsted inspection of children's services imminently and are very determined to demonstrate the high quality practice taking place in Portsmouth.

We are getting better at identifying earlier the families who need social care support, with a decrease in the number of families open to social care without previously having received targeted early help support. The targeted early help service has only been operating fully since summer 2017 and needs more time and continued investment to embed before we can expect to see an impact on social care demand. Good progress has been made on the redesign of the Health Visiting service to create a targeted Health Visiting response for children aged pre-birth to 5 delivered at home and in the Family Hubs. The new service is being rolled out in the South locality and will be monitored closely.

Funding from the Public Health Transformation Fund and from the South East Migration Partnership has enabled us to strengthen expert support, and skills development, for social workers in "Trauma Informed" practice, essentially working more effectively with children and young people who have had traumatic, adverse experiences either over a sustained or short period. This should help us keep children in stable placements that promote the best outcomes for them.

While the right systems for collecting data for the Troubled Families payment by results scheme are now in place, we remain behind most areas of the country in being able to make claims and this creates a financial risk that we are monitoring closely.

Continuing demand pressure on children's social care is a financial and potentially service risk if caseloads rise, which we are monitoring carefully. Continuing reductions in the Public Health grant will require difficult choices with potential risk to demand management through early intervention.

Education

There continue to be significant variations in performance between schools, in relation to inclusion as well as attainment indicators; we continue to focus attention on the schools with low performance. The national Strategic School Improvement Fund (SSIF) funded programme to reduce attainment gaps in Portsmouth between disadvantaged and non-disadvantaged students, secured through the Portsmouth Education Partnership, began in September 2017. In Q3 further SSIF funding was also secured for an additional programme to improve the attainment of children and young people on "SEN support" in mainstream schools.

The Government's policy statement "Promoting Social Mobility through Education" published in December 2017 promised that resources would be targeted on areas needing the greatest improvement and we are seeing the benefits in Portsmouth. There is a significant local challenge in attracting sufficient high quality applicants for teaching and school leader posts. The Portsmouth Education Partnership has a priority workstream with a number of actions to mitigate the risk but Portsmouth shares the national demographic challenge of a decreasing pool of newly qualified teachers.

A comprehensive secondary school sufficiency strategy was developed and formed the basis for bids for capital expenditure to support 3 expansion schemes (approved by full council in February 2018). A bid was also submitted (also approved) for expansion of the Willows special nursery school to accommodate additional children, against the background of rising demand for specialist places for young children with complex needs. This is critically important as the number of Education, Health and Care Plans continue to rise, creating an additional and continued pressure on the high needs block of the Dedicated Schools Grant.

Our overall strategy is to enable more children to attend school locally rather than in "out of city" places. This puts further cost pressure on the City Council and is not always the best solution for children. Implementing the strategy depends on being able to remodel buildings at Redwood Park Academy. This will require a £1m contribution from the Schools Forum to supplement £2m allocated by the Council.

We are also working to develop a special free school. Following detailed work, the former Wymering Community Centre is now the favoured site for the free school and feasibility work based on this site has begun.

Public Health

The service is focusing strongly on the need to reduce smoking and tobacco use in the city, as a major driver of poorer population health outcomes in the City. The service is taking a wide-ranging approach to this work, including:

- Working with trading standards colleagues to limit the trade of illicit tobacco
- Supporting the inclusion of stop smoking support in the 0-19 healthy child programme
- Delivering smoking cessation through locally commissioned services and the wellbeing service
- Working with maternity services and within secondary care, promoting screening, brief advice and referral

Another focus of work, as key determinant of health outcomes in the city, is the rate of physical activity, with a focus on developing walking and cycling in particular. The service also takes a lead in the reduction of unwanted pregnancy, through its role in commissioning sexual health services and improving population vaccination coverage. The service also works to reduce the impact of the "toxic trio" of substance misuse, domestic abuse and mental health, through its work with the wellbeing service and commissioning support services.

Culture and City Development

The directorate oversees a wide range of services that are incredibly important to the experience of living in the city.

The Library service is changing to respond to the increased demand for services on-line, but also to support people in their lives (for example, through launching the Wellbeing Hub). The annual Summer Reading challenge was a great success. The city museum service achieved the transformation of the D-Day museum, and the delivery of a new Butterfly House at Cumberland House. There was an overall reduction in visitor numbers because of the D-Day museum closure. An increase in visitors has been achieved elsewhere as the offer is continually improved.

The directorate continues to ensure safe, accessible and life-enhancing parks and open spaces for the city. In 2017/18 the directorate undertook a programme of activity that included:

- Opening a nursery and growing operation on the Seafront,
- Starting to replant the Rock Gardens,
- Working with Fratton Big Local to deliver improvements to Kingston Recreation Ground,
- Landscaping the new D-Day museum, including a new water feature.

Urban meadows are under development and in the 2018 growing season, 90 new and replacement trees will be planted.

The Directorate retains responsibility for maintaining the flagship Seafront area. Opportunities to enhance and develop the area are being identified. An example is the plans to bring Lumps Fort back into use.

As well as open spaces, the directorate oversees the sports and leisure facilities offer in the City, and following the change of operator for facilities to BH Live, a number of changes to sites have started to take place to improve the City's offer. A process to procure a new provider for the Watersports Centre also took place and resulted in the Andrew Simpson Foundation being appointed as the operator, to build on the strategy for watersport in the city.

Regulatory services have experienced a challenging year, with high demand for Environmental Health and Trading Standards services. Our coroners and registrars continue to deliver an excellent and efficient service, achieving all target times for activity.

The City Council entered into a partnership with Southampton City Council for the delivery of emergency planning services and working together to develop a fully shared service. The team have been active on a whole range of issues in 2017/18, including:

- Adverse weather events,
- Oil pollution,
- Supporting newly arrived unaccompanied asylum seeking children,
- An elevation of the national terror threat level,
- Contingency arrangements to support the local response in the wake of the Grenfell Tower fire and
- The first exit of the new QE2 aircraft carrier from Portsmouth Harbour.

Housing and Property Services

The occupancy rate of local authority housing remains at just under 99% while our rent arrears is less than 2% of the Gross Annual Debt (GAD) owed and continues to reduce. The number of repairs completed first time shows a slight improvement from 83.7% in Q2 to 83.8% in Q3. Given the wide range and complex nature of the repairs that are undertaken on these properties this is considered to be a realistic target.

We have improved monitoring over the year of a range of compliance issues, including Legionella risk assessments, Gas and Electrical Safety Certificate checks. Despite the very high percentage of compliance, we continue to aim for full coverage.

The roll out of Universal Credit is a major project for those working in the Housing Management service and is due to commence in September 2018 in Portsmouth and November 2018 in Havant. Plans for staff training and raising tenant awareness are underway.

The Housing Options Service is undertaking significant preparations to ensure smooth implementation of the Homelessness Reduction Act.

In relation to Environment & Community Safety, officers from a number of services are coordinating their efforts to focus on street homeless issues. This includes the introduction of new High Street Wardens and a review of Supported Housing. A strategic programme manager has been appointed to coordinate efforts and create a strategy.

The performance of the waste management service continues to be good and ongoing problems of high levels of rubbish and low recycling rates continue to be addressed through trials to provide wheelie bins to limit waste and improve recycling around the city.

Regeneration

In 2017, the City Council restructured to bring together a group of services into a new Regeneration Directorate. This directorate includes Transport, Environment and Business Support services, as well as responsibility for economic growth, development management and planning. The formation of the Regeneration Directorate will bring about closer working across services in delivering strategic projects for the growth and development of the city.

Traffic and network management is of huge importance in any city but especially in one as tightly constrained as Portsmouth. An upgrade of the traffic management system is nearing completion, alongside a Traffic Signal Optimisation Programme to improve traffic flow. Improving journey times on key routes is a core priority, and two successful bids have been made for Department for Transport funding to add further traffic sensors and make improvements to the data analysis technology to support this objective.

Transport planning centres around the delivery of the Local Transport Plan, an ongoing programme of projects funded by the City Council's capital programme. The programme also includes road safety schemes. Overall figures indicate that these are having the desired impact, with a reduction in traffic collisions against a baseline average. We will continue to monitor casualty figures and design road safety initiatives aimed at those at the highest risk. Active travel schemes remain high-profile and have included the Pedal Portsmouth Glow Ride in October and Monster Walk to School campaign, which reached over 1,000 children. The approved 5-year review of residents' parking zones is progressing well too, with 8 out of 35 schemes reviewed in the first year and changes made.

The directorate also provides business support through the council's portfolio of enterprise centres. The centres remain popular with small businesses and vacancies are filled quickly resulting in high occupancy rates. Rental income plus income from other centre-related services has resulted in the centres exceeding the income target set for the year, which is another example of enterprising and entrepreneurial activity. The Employment, Learning and Skills services delivered under contract with government agencies and prime contractors are performing well, thereby securing continued external funding to deliver support into sustainable work for local people.

The directorate has delivered significant projects over the period - the Hard Interchange was completed at the beginning of 2017/18 and the Eastern Road Waterbridge project was also completed. The North Portsea Island Flood Defence scheme continues to progress well and the Dunsbury Park development is continuing to move forward. The directorate is leading the development of some significant, once in a generation schemes, including the development of the Tipner site, developing plans to bring forward a masterplan for the city centre, and the delivery of the Southsea Coastal Defence Scheme.

Corporate Services

As well as delivering a wide range of services to residents, visitors and businesses in Portsmouth, there are also a range of corporate and professional services that support the running of the organisation.

Our city helpdesk performs well, and has achieved customer satisfaction levels in excess of 90%. We are successfully moving contact to digital channels, where it is appropriate to do so.

Collection of council tax and business rates continues to be strong, as does the collection of overpaid housing benefits and claiming of Council Tax Benefit subsidy.

Information governance continues to be of great importance, including the servicing of Freedom of Information requests (where we are striving for continuous improvements in achieving statutory timelines) and leading the corporate response to the introduction of the General Data Protection Regulations.

There is continued strong and consistent performance across business-as-usual areas for corporate services. The Childcare legal team performance is still improving from an already high level of performance, and work on delivering a new apprenticeship programme is well on track and delivering early success. Financial governance & accountability targets are being met and strong corporate financial support ensures that we continue our history of meeting budget savings requirements. Successful trading operations, for example with HR services and payroll, and investment strategies are generating new income, although these are not without risk to the organisation.

Overall, the picture of performance in the City Council is broadly positive. The business of a unitary local authority is diverse but we know what needs to be done to achieve good outcomes for the residents of the City. We are aware of the key contextual issues and have an overview of the key risks to the organisation. There is an increasing dependency on key staff and the capacity of those staff to deliver increasingly complex briefs is a significant risk to the organisation. We know where we are being effective and are delivering good value for money. We know where improvements need to be made and in most cases have a good understanding of how these can be delivered, and a plan to deliver the improvements. We focus on our priorities and on achieving our goal of ensuring that Portsmouth fulfils its potential as a great waterfront city.

Financial Statements 2017/18 - Commentary

The City Council has applied a preparer's materiality limit of £7m in compiling the financial statements. The City Council has not generally included disclosure notes for items less than £7m.

The Financial Statements comprise the following:

- **Statement of Responsibilities for the Statement of Accounts:** This statement sets out the respective responsibilities of the City Council and the Director of Finance & Information Technology (Section 151 Officer i.e. the Chief Financial Officer of the City Council) for the accounts.
- **Movement in Reserves Statement (MIRS):** This statement shows the movement in the year on the different reserves held by the City Council, analysed between usable reserves and unusable reserves. This statement includes:
 - The total comprehensive income and expenditure from the Comprehensive Income and Expenditure Statement
 - The regulatory adjustments that are made to remove the effects of depreciation, actuarial pension costs and capital grants and contributions to show the statutory amounts charged to the General Fund and the Housing Revenue Account for Council Tax setting and dwelling rent setting purposes. These adjustments also include the application of resources to finance capital expenditure
 - Transfers to earmarked reserves which the City Council has decided to set aside for specific purposes
- **Comprehensive Income & Expenditure Statement (CIES):** This statement explains the change in the net worth of the City Council, i.e. the value of its assets less its liabilities. This statement includes the deficit or surplus on the provision of services and other factors affecting the City Council's net worth. The statement is based on International Financial Reporting Standards (IFRS) and includes depreciation and impairments (charges relating to the use and consumption of assets), and the actuarial cost of providing defined benefit pensions. The effect of regulations is such that the City Council does not fund these costs from taxation as they are incurred. This statement also includes capital grants and contributions which the City Council is not permitted to use to fund revenue expenditure.
- **Balance Sheet:** The balance sheet shows the net worth of the City Council, i.e. its assets less its liabilities as at 31 March 2018. The City Council's net worth is balanced by its reserves which are classified into usable and unusable reserves. Usable reserves may be used by the City Council 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 unusable reserves 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".
- **Cash Flow Statement:** This statement shows how the City Council generates and uses cash.
- **Notes to the Financial Statements:** These provide supporting information and analysis of the core financial statements described above.

- **Collection Fund:** This statement shows the transactions of the City Council as the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.
- **Housing Revenue Account (HRA):** This account shows income and expenditure arising from the provision of Council Housing based on International Financial Reporting Standards. This section of the accounts also includes a Statement of Movement on the HRA which shows the statutory amounts charged to the HRA for rent setting purposes.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis below is not a financial statement but a note to the accounts that aims to explain the relationship between the Movement in Reserves Statement (MIRS) and the Comprehensive Income and Expenditure Statement (CIES). The Accounting Code of Practice requires the Expenditure and Funding Analysis to be presented within the main body of the Statement of Accounts (not the Narrative Statement) so that it is covered by the external auditor's opinion. For this reason it is also presented on page 41.

2017/18	Net Expenditure chargeable to the General Fund and HRA	Other Movements	Adjusted Net Expenditure to the General Fund and HRA	Adjustments between Accounting & Funding Basis (Note 7)	Net (Income) or Expenditure in the Comprehensive Income & Expenditure Statement
	£000	£000	£000	£000	£000
Portfolios:					
Children & Families	27,173	0	27,173	1,360	28,533
Culture Leisure & Sport	3,899	0	3,899	2,270	6,169
Education	7,687	0	7,687	18,613	26,300
Environment & Community Safety	13,465	0	13,465	2,415	15,880
Governance & Audit & Standards	127	0	127	(1)	126
Adult Social Care & Public Health	41,652	0	41,652	2,210	43,862
Housing	2,652	0	2,652	141	2,793
Leader	125	0	125	50	175
Licensing	(201)	0	(201)	47	(154)
Planning, Regeneration & Economic Development	(11,586)	12,232	646	2,301	2,947
Planning, Regeneration & Economic Development - Port Resources	(8,369)	201	(8,168)	3,051	(5,117)
Traffic & Transportation	17,562	0	17,562	4,449	22,011
	10,896	0	10,896	4,448	15,344
	105,082	12,433	117,515	41,354	158,869
Non-portfolio - HRA	(12,150)	0	(12,150)	(22,232)	(34,382)
Non-portfolio - Other	20,006	0	20,006	(17,561)	2,445
Net Cost of Services	112,938	12,433	125,371	1,561	126,932
Other Income & Expenditure Not Charged to Services but is Chargeable to the General Fund/HRA:					
Other Operating Expenditure	52	0	52	22,188	22,240
Financing & Investment Income & Expenditure	20,260	(12,433)	7,827	(9,518)	(1,691)
Taxation & Non-specific Grant Income & Expenditure	(161,300)	0	(161,300)	(25,414)	(186,714)
	(140,988)	(12,433)	(153,421)	(12,744)	(166,165)
(Surplus)/Deficit on Provision of Services	(28,050)	0	(28,050)	(11,183)	(39,233)

The first column of the Expenditure and Funding Analysis shows the City Council's net expenditure by portfolio in a way that can be compared to the portfolio cash limits. This is shown in the table below.

	Revised Cash Limit	Actual Net Expenditure	Variance	Variance
	£000	£000	£000	%
Children & Families	23,790	27,173	3,383	14
Culture, Leisure & Sport	3,952	3,899	(53)	(1)
Education #	5,479	7,687	2,208	40
Environment & Community Safety	13,988	13,465	(523)	(4)
Governance and Audit and Standards	98	127	29	30
Health & Social Care	41,691	41,652	(39)	(0)
Housing General Fund	2,620	2,652	32	1
Leader	124	125	1	1
Licensing	(232)	(201)	31	13
Planning, Regeneration & Economic Development (excluding Port)	(10,617)	(11,586)	(969)	(9)
Port	(7,809)	(8,369)	(560)	(7)
Resources	17,933	17,562	(371)	(2)
Traffic & Transportation	10,892	10,896	4	0
	101,909	105,082	3,173	3

The actual net expenditure for the Education Portfolio includes net expenditure of £2.5m incurred by the governing schools which is outside of the cash limit. The under spend after taking this into account is £0.3m.

Overall portfolios overspent the revised cash limit by £0.7m (excluding expenditure outside the cash limit incurred by the governing bodies of schools) prior to any appropriations to portfolio earmarked reserves. The most significant variances over 5% occurred in the Children & Families, Planning Regeneration & Economic Development, and Port portfolios. These variances are explained below.

Children & Families - £3.4m or 14% overspent

This overspend is due to an increased number of placement requirements at increasing cost levels, particularly external residential placements.

Planning, Regeneration and Economic Development (excluding the Port) - £1.0m or 9% underspent

Expenditure was below the revised budget by £0.1m due to lower gas prices, savings from bringing the cleaning contract in house, and net savings in expenditure on electricity following the installation of LED lighting and solar panels. Additional internal income was derived from the Community Wardens and Green and Clean teams being relocated in the Civic Offices.

Additional income of £0.9m was generated through rental growth across the investment property portfolio and new developments.

Port - £0.6m or 7% underspent

Additional income of £0.2m was generated. This was due to an increase in throughput at the cruise and ferry port and an increase in layby dues because of bad weather. An increase in pilotage acts following dredging and survey works also contributed to the increase in income.

Operational costs were £0.3m below budget due to a reduction in repairs and maintenance expenditure following cost improvements, scheme slippage and a reduction in emergency repair work. Operational costs falling to revenue were also reduced through additional costs being charged to capital because of higher than budgeted officer time being spent on the berth 4 linkspan project as a result of scheme complexity.

There was a £0.1m reduction in IT expenditure following a review of IT project delivery and a number of staff training courses moving to 2018/19 because of other work priorities.

Non Portfolio - Housing Revenue Account (HRA) - £5.7m or 87% underspent

£3m of the underspending is attributable to the City Council's decision not to provide for the repayment of HRA borrowing from 2017/18 to 2019/20 when Government policy is for council dwelling rents to be reduced by 1% per annum.

The remainder of the underspend was largely due to posts being vacant.

Non Portfolio Other

Other non-portfolio expenditure includes annual shortfall contributions to the local government pension scheme (£6.8m), investment in subsidiary companies (£4.1m), provision for the repayment of debt (£4.6m) and capital expenditure financed from revenue balances (£5.2m).

Not all cash limited expenditure is within the net cost of services defined by the Accounting Code of Practice. Some cash limited expenditure is included under Financing and Investment Income and Expenditure. In particular the Property, Regeneration and Economic Development Portfolio includes £9.5m of net income from investment properties and £3.0m of net income from trading services which are included under financing and investments in the CIES. This is shown in the other movements column of the Expenditure and Funding Analysis.

The third column of the Expenditure and Funding Analysis headed "Adjusted Net Expenditure chargeable to the General Fund and HRA" shows portfolio expenditure contributing to the net cost of services, i.e. excluding investment properties and trading services.

The CIES records the City Council's income and expenditure on an IFRS basis. To facilitate this, a number of adjustments are required. These are shown in the fourth column of the Expenditure and Funding Analysis headed "Adjustments between Accounting & Funding Basis". These adjustments relate to net comprehensive income which increases the City Council's net worth but are either not cashable, or are capital in nature and statute prevents the income being credited to General Fund and HRA balances. These adjustments, which increase net comprehensive income include capital grants and contributions of £25.4m partly offset by revaluation gains, depreciation and impairment of £2.1m. The adjustments increasing net comprehensive income are partly offset by £10.5m of pension adjustments. These are in respect of the net interest expense on the change during the period in the value of the pension liability arising from the passage of time.

The fifth column shows net income or expenditure in the CIES after all the adjustments described above have been made.

Movement in Reserves Statement (MIRS)

The MIRS summarises how the City Council's reserves have moved over the last two years. General Balances including the General Fund, Earmarked General Fund Reserves, HRA and HRA Capital Reserve increased by £28.1m in 2017/18 (£23.5m in 2016/17). This increase in General Balances is detailed in the first column of the Expenditure and Funding Analysis headed Net Expenditure chargeable to the General Fund and HRA.

The City Council's principal usable reserves and the reasons for the movements in those reserves are detailed below.

General Revenue Reserves

General reserves can be applied to fund either revenue or capital expenditure and are held for two purposes. Firstly, they act as a general contingency against unanticipated expenditure and the potential to fall into deficit. Secondly, as a means of "smoothing out" any shortfalls between the overall amounts of funding that the City Council receives against the costs of delivering stable service levels.

General Fund - Balance £24.1m (£25.2m in 2016/17)

The City Council's main General Fund Balance decreased in the year by £1.1, representing the City Council's overall performance on its General Fund activities. It is important to note however, that this increase in General Reserves incorporates schools. The actual performance, in terms of the impact on the General Reserves of the City Council, analysed between those generally available to the City Council and those available to schools, is as follows:

	Schools (General Fund)	Rest of City Council (General Fund)	Total General Fund Balance
	£m	£m	£m
Balance brought forward as at 1st April 2017	(6.0)	(19.2)	(25.2)
Contribution (to) / from Reserves	2.5	(1.4)	1.1
Balance carried forward as at 1st April 2018	(3.5)	(20.6)	(24.1)

Note: Brackets represent surpluses

The total deficit (or withdrawal of reserves) of the City Council amounted to £1.1m.

The City Council's Revised Budget for 2017/18 (excluding schools) estimated that the City Council would make a contribution to Reserves of £1.4m. This level of contribution was consciously planned. The ultimate aim is for in-year expenditure to match in-year income. The City Council's actual contribution to General Reserves was £1.4m in line with the revised budget.

At present, the City Council has a policy of maintaining a minimum level of General Fund Reserves of £8.0m; any excess over and above this can be used to fund Council Services.

Plans are currently being worked up to reduce the City Council's net expenditure in future years through:

- Transforming to an entrepreneurial council through income generation; maximising the return on property assets; investing for commercial gain; developing and establishing commercial services to sell services profitably; capital investment for jobs and business growth (increased business rates); establishing strategic partnerships / shared service arrangements to reduce costs and increase resilience
- Reducing the extent to which the population needs council services through improving prosperity and managing demand
- Increasing efficiency and effectiveness by improving value for money across all services
- Withdrawing or offering minimal provision for low impact services

Housing Revenue Account General Reserve - Balance £25.1m (£18.6m in 2016/17)

This is a statutory reserve that can only be used to fund HRA (council housing) activities.

Earmarked Reserves

Earmarked reserves hold funds which the City Council has decided to set aside for specific purposes. The City Council's earmarked reserves (both general fund and HRA) amount to £154.4m (£131.7m in 2016/17). The more significant earmarked reserves are described below.

Earmarked for Capital Purposes – Balance £38.7m (£35.0m in 2016/17)

This is a reserve that is maintained as a source of funding for the Capital Programme. The reserve increased in the year by £3.7m as contributions from General Fund balances exceeded the amount of the reserve applied to finance capital. The balance on this reserve will be required to finance future capital expenditure.

Medium Term Resource Strategy Reserve – Balance £17.5m (£16.2m in 2016/17)

This reserve was created as a means to fund spend to save schemes to facilitate efficiencies and go some way towards addressing the City Council's future years' forecast deficits. It is also used to provide for any redundancy costs associated with such schemes and any other service rationalisation proposals which give rise to on-going savings. £1.3m was added to the reserve in 2017/18. The current balance of £17.5m is largely committed to funding schemes previously approved by the City Council or future anticipated redundancy costs.

Private Finance Initiative – Balance £9.7m (£10.7m in 2016/17)

This reserve accumulates any surplus of Government Grants received in respect of Private Finance Initiative (PFI) schemes over and above the debt financing costs associated with those schemes. Whilst surpluses are realised in the early years of these typically 20-year plus schemes, deficits will arise in the later years. This reserve is maintained to fund those deficits in later years. In the year, the reserve decreased by £1.0m reflecting the net deficit between the Unitary Payments made to the PFI contractor and the PFI Grant, interest and contributions accruing to the reserve.

City Deal Reserves - Balance £23.6m (£23.3m in 2016/17)

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. The balance on this reserve increased by £0.3m in 2017/18 due to interest transferred into this reserve.

Highways Maintenance Reserve £7.9m (£6.0m in 2016/17)

This reserve is to fund the ongoing maintenance costs of improvements to the highways network. This reserve increased by £1.9m in 2017/18 as sums were added to fund the maintenance costs arising from recently completed improvements to the highways network and interest was transferred to the reserve.

Investment Reserve £7.9m

This is a new reserve established in 2017/18. The Government has issued new guidance to discourage local authorities from financing the acquisition of investment properties from borrowing. The Council has already acquired an investment property portfolio and had planned to sell properties in the portfolio from time to time and replace them with others. This reserve will provide a mechanism to do that.

Portfolio Reserves - Balance £9.1m (£8.0m in 2016/17)

These reserves provide a mechanism to enable portfolios to carry underspending in one year to the next year.

Other Reserves

Major Repairs Reserve - Balance £1.8m (£0m in 2016/17)

This is a statutory reserve which holds cumulative depreciation charged on HRA dwellings. This reserve may only be applied to fund HRA (council housing) capital expenditure or to repay HRA debt. Depreciation on HRA dwellings amounted to £19.4m in 2017/18. £17.6m of this entire sum was applied to fund HRA capital expenditure leaving a balance of £1.8m.

Capital Receipts Reserve - Balance £13.4m (£13.8m in 2016/17)

This reserve holds capital receipts that the City Council is not required to pay to the Government under the housing capital receipt pooling arrangements. This reserve may be used to finance capital expenditure or to repay debt. This reserve decreased by £0.4m in 2017/18 as the amount used to finance capital expenditure exceeded the amounts received as usable capital receipts.

Capital Grants Unapplied - Balance £53.2m (£54.1m in 2016/17)

This reserve holds grants that may only be applied to fund capital expenditure. This reserve decreased by £0.9m in 2017/18 as the amount of capital grants applied to finance capital expenditure exceeded the amount of capital grants received in the year.

Capital Investment

Capital investment in 2017/18 amounted to £122.3m (£213.9m in 2016/17). The only major item of capital expenditure was major repairs to council dwellings upon which £17.9m was expended (£22.3m in 2016/17).

The City Council has £106.4m available to fund capital expenditure consisting of the General Fund Earmarked Reserve for Capital Purposes £38.7m, the HRA Capital Reserve £1.1m, Capital Grants Unapplied £53.2m and Capital Receipts Reserve £13.4m.

The most significant capital investment plans of the City Council over the next 5 years include the following:

- Coastal flood defences £82.1m
- Local Enterprise Partnership £70.5m
- Major repairs to council dwellings £102.2m

Comprehensive Income & Expenditure Statement (CIES) and Balance Sheet

The CIES explains the movement in the City Council's net worth shown at the bottom of the balance sheet on an IFRS basis as adapted by the CIPFA Accounting Code of Practice. The adjustments that are necessary to get from the movement in General Fund and HRA balances to the surplus on the provision of services in the CIES are detailed in the Expenditure and Funding Analysis and its supporting note.

Net Cost of Services

The net cost of services has increased by £68.3m from £58.6m in 2016/17 to £126.9m in 2017/18. The majority of this increase was due to a decrease in net income from Local Authority Housing (HRA).

Net income from Local Authority Housing (HRA) decreased by £50.8m; from £85.2m to £34.4m. This is largely due to a reduced reversal of previous impairments to the value of council houses being credited to the Comprehensive Income and Expenditure Statement. The amount of impairments to the value of HRA assets that were reversed in year decreased by £50.4m; from £75.1m in 2016/17 to £24.7m in 2017/18. Services are charged when property, plant and equipment is either damaged or revalued downwards by an amount that exceeds the Revaluation Reserve for the asset. If an asset is subsequently revalued upwards the charge to the service is reversed, reducing that service's expenditure. Downward revaluation charges only crystallise in cash terms if the asset is sold and regulations have the effect of reversing out downward revaluation charges in the Movement in Reserves Statement so that they do not affect the General Fund and HRA balances for tax setting and dwelling rent setting purposes.

Other Operating Expenditure

Net other operating expenditure and income has increased by £17.2m from net expenditure of £5.0m in 2016/17 to net expenditure of £22.2m in 2017/18. The vast majority of other operating expenditure relates to losses on the disposal of non-current assets which deteriorated by £16.8m from a loss of £4.5m in 2016/17 to a loss of £21.3m in 2017/18.

This is because the number of schools transferring to academy trusts increased from 3 schools in 2016/17 to 12 schools in 2017/18. As the schools are transferred to academy trusts for no consideration an increase in the number of schools transferring increases the loss on disposal of non-current assets.

Financing and Investment Income and Expenditure

Net income from financing and investment activities has increased by £28.8m from net expenditure of £27.1m in 2016/17 to a net income of £1.7m in 2017/18. This was mainly due to net revaluation gains on investment properties of £18.5m.

Other Comprehensive Income and Expenditure

In 2017/18, this part of the Comprehensive Income and Expenditure Statement saw an improvement of £26.6m with other comprehensive net income amounting to £3.1m. The Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement consists of movements in the City Council's unusable reserves, principally the Revaluation Reserve and the Pensions Reserve, which affect the City Council's net worth but not its spending ability.

Overall Total Comprehensive Income and Expenditure has deteriorated by £40.0m from a net income of £82.4m in 2016/17 to a net income of £42.4m in 2017/18.

Revaluation Reserve

On the Balance Sheet, gains amounting to £23.7m arising from the revaluation of non-current assets were posted to the Revaluation Reserve in 2017/18 (£6.4m of revaluation gains were posted to the Revaluation Reserve in 2016/17). However, these gains can only be realised by selling the assets.

Pension Liability and Pension Reserve

The pension liability shown on the balance sheet represents the shortfall between the value of the City Council's pension liability and the value of the pension fund assets. The pension fund's actuaries estimate the fund's assets and liabilities on an annual basis in order to enable the City Council to comply with International Financial Reporting Standards. The City Council's contributions to the pension fund are based on a full triennial valuation by the fund's actuaries. Regulations require the City Council's actual contributions to the pension fund to be charged to the General Fund and HRA balances. This is achieved by transferring the difference between the actuarial cost of providing pensions and the City Council's actual contributions from a Pension Reserve to the General Fund and HRA balances. The Pension Reserve therefore mirrors the pension liability and is not cash backed. The Pension Reserve also reflects changes to the pension liability resulting from returns on pension fund assets in excess of that expected, changes in the financial and demographic assumptions used by the actuary and liability experience. The City Council's estimated pension liability net of pension fund assets as at 31 March 2018 was £385.9m which is very significant when compared to the City Council's net worth of £830.3m. The estimated pension liability was £354.8m at 31 March 2017, but increased by £31.1m in 2017/18 as the increase in the pension liabilities exceeded gains to the pension fund assets.

Other Long Term Liabilities

The City Council's other principal long term liabilities consist of:

- Long Term Borrowing - £553.0m (£559.8m in 2016/17). Long term borrowing has decreased because £8.0m of maturing debt was repaid but only £1.2m of new borrowing was undertaken.
- Other Long Term Liabilities including service concessions (including Private Finance Initiative schemes) and debt transferred from Hampshire County Council following local government reorganisation - £90.6m (£93.5m in 2016/17).

The City Council's total long term borrowings are therefore £643.6m (£653.3m in 2016/17). To put this into context, the City Council's long term assets are valued at £1,569.1m (£1,537.5m in 2016/17).

Long Term Assets

The value of the City Council's long term assets has increased slightly by £31.6m from, £1,537.5m at 31 March 2017 to £1,569.1m at 31 March 2018.

Short Term Debtors

The value of short term debtors has increased by £14.1m from £42.5m at 31 March 2017 to £56.6m at 31 March 2018. Impairment allowances for bad debts increased by £0.2m.

The increase in central government debtors of £6.8m mainly relates to an increase in the VAT debtor of £1.6m arising from large capital payments in March 2018 relating to a new link span at the port and Portsmouth Retail Park; a housing benefit subsidy debtor of £3.3m arising from subsidy paid through the year on an estimated basis (in 2016/17 this was a creditor); and £1.1m of Heritage Lottery funding relating to works at the D Day Museum undertaken in the last quarter of 2017/18.

Other payments in advance increased by £2.9m. The majority of this relates to prepayments for the summer term for children educated outside the city because Easter was early in 2017/18.

Other debtors increased by £4.2m in 2017/18. £1.8m of this increase relates to an increase in Community Infrastructure Levy payments. Other year end debtors vary according to activity in March and when Easter falls.

Short Term Creditors

The value of short term creditors increased slightly by £4.1m from £73.6m at 31 March 2017 to £77.7m at 31 March 2018.

Net Worth

The City Council's overall net worth increased by £42.4m in 2017/18 from £787.9m at 31 March 2017 to £830.3m at 31 March 2018 due to the reasons set out in the Comprehensive Income and Expenditure Statement.

The Cash Flow Statement

In year City Council's cash flows are affected by its borrowings and investments, and movements in its debtors and creditors, i.e. debts collected and settled, in addition to its income and expenditure.

There was an inflow of £27.7m (outflow of £18.2m in 2016/17) from the Council's operating activities.

There was an outflow of cash of £14.8m from investing activities in 2017/18. In 2016/17 this was an outflow of £138.9m. The size of the cash outflow in 2016/17 was largely due to the purchase of investment properties for £82.5m.

There was an outflow of cash of £32.1m from financing activities in 2017/18. In 2016/17 this was an inflow of £159.8m. The large cash inflow from financing activities in 2016/17 was a result of borrowing £177.6m. Of the £177.6m borrowed, £167.1m was new borrowing, and £10.5m was borrowed to replace a more expensive Public Works Loans Board (PWLB) loan that was repaid early.

In 2017/18 there was an overall decrease in the City Council's cash and cash equivalents of £19.2m from £41.4m as at 31 March 2017 to £22.2m as at 31 March 2018.

The Collection Fund

This statement shows the transactions of the City Council as the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and the distribution of council tax and non-domestic rates to local authorities and the Government.

The Collection Fund is intended to break-even but is dependent largely on the robustness of the estimates of the amount of Council Tax and Business Rates due and that will be collected. When the Budget was revised in February 2018 it was anticipated that there would be a £1.2m surplus on Council Tax and a £1.1m surplus on non-domestic rates, i.e. the fund would have a total surplus of £2.3m. The Budget for 2018/19 was prepared on this basis i.e. that there would be a withdrawal of this surplus of £2.3m during 2018/19.

Council Tax

There was an unplanned increase in the Collection Fund balance relating to Council Tax of £0.3m (i.e. the actual surplus of £1.5m less the budgeted surplus of £1.2m).

The City Council administers Council Tax for Portsmouth and this includes collecting Council Tax on behalf of the City Council, the Police Authority and the Hampshire Fire and Rescue Authority, so any surplus or deficit on the fund is shared with them.

Non-Domestic Rates

The deterioration in the balance relating to non-domestic rates was £1.2m (i.e. the actual deficit of £0.1m plus the budgeted surplus of £1.1m). This was caused by a refund of non-domestic rates to the Ministry of Defence on 30 March 2018 following a review of the rateable value.

The City Council administers the collection of non-domestic rates on behalf of the City Council, the Department of Communities & Local Government, and the Hampshire Fire & Rescue Authority and therefore any surplus or deficit on the fund is shared with them. Should the unplanned deterioration on non-domestic rate income of £1.2m remain, this would be distributed in 2018/19 as follows:

- Department of Communities & Local Government £0.6m
- Portsmouth City Council £0.6m
- Hampshire Fire & Rescue Authority £0.0m

Overall Position

The actual combined surplus on the Collection Fund at the end of 2017/18 was £1.3m i.e. £1.0m lower than anticipated. Since the Budget and Council Tax for 2017/18 was set on the basis of a £2.3m surplus, the deterioration of £1.0m from the estimate must be released through the 2019/20 budget process. An estimate of the Collection Fund balance as at the end of 2018/19 will be revised in the light of this deterioration and all other circumstances just prior to setting the Council Tax and Budget for the next financial year.

Overall the City Council has a £0.6m share of the unplanned deficit on non-domestic rate collection and a £0.2m share of the unplanned surplus on Council Tax Collection, i.e. a net overall unplanned deficit of £0.4m.

Any unplanned deficit that relates to the City Council (i.e. £0.4m) will be transferred from General Fund Reserves in 2018/19 and planned into future financial forecasts accordingly.

The Housing Revenue Account (HRA)

Overall the HRA made a surplus of £29.4m in the year 2017/18. This represents a major deterioration compared with 2016/17 (£80.8m surplus) of £51.4m. This deterioration has principally been caused by a reduction in the reversal of downward revaluation charges on Council dwellings. Whilst the HRA made a surplus, the accounting arrangements for Local Authorities are such that many of the charges including downward revaluation charges are not passed on to the Council Rent payer in a single year, rather they are reversed in the Movement in Reserves Statement and the charges spread over future years. The combination of all of those adjustments allowed under statute has reduced the £29.4m surplus into a £6.5m surplus. This £6.5m increase in the HRA General Reserve represents the excess of income generated over expenditure in 2017/18.

Conclusion

In 2017/18 the City Council has experienced an increase in its General Reserves (excluding schools) of £1.4m and this represents the extent to which the City Council's in-year income has exceeded its in-year expenditure. This was in line with the budgeted contribution to General Reserves of £1.4m.

The balance on the Collection Fund of £1.3m is less than the anticipated surplus of £2.3m reflected within the Budget. The City Council's share of the £1.0m unplanned budget deficit is £0.4m. As the Council's actual net expenditure was in line with its revised budget, this represents an overall net deterioration in the City Council's overall medium term financial position of £0.4m compared with the revised budget.

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

In addition to this, the Housing Revenue Account made a surplus after statutory adjustments and contributions from the HRA Capital Reserve of £6.5m compared to a planned surplus of £0.8m.

David Williams
Chief Executive

Chris Ward
Director of Finance and Information Technology (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 & Information Technology (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 & Information Technology (Section 151 Officer)

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2018.

Signed

Chris Ward
Director of Finance and Information Technology (Section 151 Officer)

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Expenditure & Funding Analysis

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

2016/17	Net Expenditure chargeable to the General Fund and HRA	Other Movements	Adjusted Net Expenditure chargeable to the General Fund and HRA	Adjustments between Accounting & Funding Basis (Note 7)	Net (Income) or Expenditure in the Comprehensive Income & Expenditure Statement
	£000	£000	£000	£000	£000
Portfolios:					
Children & Education	0	0	0	0	0
Children's Social Care	24,308	0	24,308	463	24,771
Education	3,949	0	3,949	5,050	8,999
Culture Leisure & Sport	5,489	0	5,489	2,277	7,766
Environment & Community Safety	13,309	0	13,309	1,035	14,344
Governance & Audit	263	0	263	33	296
Health & Social Care	45,301	0	45,301	1,811	47,112
Housing	2,673	0	2,673	483	3,156
Leader	116	0	116	9	125
Licensing	(262)	0	(262)	22	(240)
PRED	(7,880)	8,132	252	(601)	(349)
PRED - Port	(6,757)	139	(6,618)	2,642	(3,976)
Resources	18,530	0	18,530	3,498	22,028
Traffic & Transportation	10,190	0	10,190	5,823	16,013
	109,229	8,271	117,500	22,545	140,045
Non-portfolio - HRA	(8,845)	0	(8,845)	(76,401)	(85,246)
Non-portfolio - Other	18,162	0	18,162	(14,388)	3,774
Net Cost of Services	118,546	8,271	126,817	(68,244)	58,573
Other Income & Expenditure Not Charged to Services but is Chargeable to the General Fund/HRA:					
Other Operating Expenditure	(603)	0	(603)	5,600	4,997
Financing & Investment Income & Expenditure	22,052	(8,271)	13,781	13,335	27,116
Taxation & Non-specific Grant Income & Expenditure	(163,481)	0	(163,481)	(33,021)	(196,502)
	(142,032)	(8,271)	(150,303)	(14,086)	(164,389)
(Surplus)/Deficit on Provision of Services	(23,486)	0	(23,486)	(82,330)	(105,816)

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

2016/17	General Fund and Earmarked Reserves	HRA Reserves	Total
	£000	£000	£000
Opening balances at 1st April	(132,842)	(19,253)	(152,095)
Plus net surplus on in year balance	(22,657)	(829)	(23,486)
Closing balances at 31st March	(155,499)	(20,082)	(175,581)

This table is also presented in the Narrative Statement to assist readers of the accounts.

2017/18	Net Expenditure chargeable to the General Fund and HRA	Other Movements	Adjusted Net Expenditure chargeable to the General Fund and HRA	Adjustments between Accounting & Funding Basis (Note 7)	Net (Income) or Expenditure in the Comprehensive Income & Expenditure Statement
	£000	£000	£000	£000	£000
Portfolios:					
Children & Families	27,173	0	27,173	1,360	28,533
Culture Leisure & Sport	3,899	0	3,899	2,270	6,169
Education	7,687	0	7,687	18,613	26,300
Environment & Community Safety	13,465	0	13,465	2,415	15,880
Governance & Audit & Standards	127	0	127	(1)	126
Adult Social Care & Public Health	41,652	0	41,652	2,210	43,862
Housing	2,652	0	2,652	141	2,793
Leader	125	0	125	50	175
Licensing	(201)	0	(201)	47	(154)
Planning, Regeneration & Economic Development	(11,586)	12,232	646	2,301	2,947
Planning, Regeneration & Economic Development - Port Resources	(8,369)	201	(8,168)	3,051	(5,117)
Traffic & Transportation	17,562	0	17,562	4,449	22,011
	10,896	0	10,896	4,448	15,344
	105,082	12,433	117,515	41,354	158,869
Non-portfolio - HRA	(12,150)	0	(12,150)	(22,232)	(34,382)
Non-portfolio - Other	20,006	0	20,006	(17,561)	2,445
Net Cost of Services	112,938	12,433	125,371	1,561	126,932
Other Income & Expenditure Not Charged to Services but is Chargeable to the General Fund/HRA:					
Other Operating Expenditure	52	0	52	22,188	22,240
Financing & Investment Income & Expenditure	20,260	(12,433)	7,827	(9,518)	(1,691)
Taxation & Non-specific Grant Income & Expenditure	(161,300)	0	(161,300)	(25,414)	(186,714)
	(140,988)	(12,433)	(153,421)	(12,744)	(166,165)
(Surplus)/Deficit on Provision of Services	(28,050)	0	(28,050)	(11,183)	(39,233)

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

2017/18	General Fund and Earmarked Reserves	HRA Reserves	Total
	£000	£000	£000
Opening balances at 1st April	(155,499)	(20,082)	(175,581)
Plus net surplus on in year balance	(21,898)	(6,152)	(28,050)
Closing balances at 31st March	(177,397)	(26,234)	(203,631)

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” (i.e. those that 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 7. The Net Increase / Decrease before Transfers to Earmarked Reserves 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 (See Note B)	Total Usable Reserves	Unusable Reserves	Total Authority Reserve
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Movement in reserves during 2016/17	(22,754)	(110,088)	(13,907)	(5,346)	0	(17,496)	(45,181)	(214,772)	(490,744)	(705,516)
Deficit or (Surplus) on the provision of services	(24,972)		(80,844)	0	0	0	0	(105,816)	0	(105,816)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	23,451	23,451	
Total Comprehensive Expenditure and Income	(24,972)	0	(80,844)	0	0	0	0	(105,816)	23,451	(82,365)
Adjustments between accounting basis & funding basis under regulations (see note 9)	2,313	0	80,018	0	0	3,656	(8,908)	77,079	(77,079)	0
Net Increase / Decrease before Transfers to Earmarked Reserves	(22,659)	0	(826)	0	0	3,656	(8,908)	(28,737)	(53,628)	(82,365)
Transfers (to) / from Earmarked Reserves (See Note 10)	20,155	(20,155)	(3,876)	3,876	0	0	0	0	0	0
Increase / Decrease in Year	(2,504)	(20,155)	(4,703)	3,876	0	3,656	(8,908)	(28,737)	(53,628)	(82,365)
Balance at 31 March 2017 carried forward	(25,258)	(130,243)	(18,610)	(1,470)	0	(13,840)	(54,089)	(243,509)	(544,372)	(787,881)
Movement in reserves during 2017/18										
Deficit or (Surplus) on the provision of services	(9,812)		(29,421)	0	0	0	0	(39,233)	0	(39,233)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	(3,136)	(3,136)
Total Comprehensive Expenditure and Income	(9,812)	0	(29,421)	0	0	0	0	(39,233)	(3,136)	(42,369)
Adjustments between accounting basis & funding basis under regulations (see note 9)	(12,084)	0	23,262	0	(1,840)	419	932	10,689	(10,689)	0
Net Increase / Decrease before Transfers to Earmarked Reserves	(21,896)	0	(6,159)	0	(1,840)	419	932	(28,544)	(13,825)	(42,369)
Transfers (to) / from Earmarked Reserves (See Note 10)	23,069	(23,069)	(351)	351	0	0	0	0	0	0
Increase / Decrease in Year	1,173	(23,069)	(6,509)	351	(1,840)	419	932	(28,544)	(13,825)	(42,369)
Balance at 31 March 2018 carried forward	(24,085)	(153,312)	(25,119)	(1,119)	(1,840)	(13,421)	(53,157)	(272,053)	(558,197)	(830,250)

Note A

£3.5m of the General Fund Balance at 31st March 2018 (£6.0m at 31st March 2017) represents school's balances which can only be spent by schools under devolved budgetary arrangements.

Note B

The balance of capital grants unapplied at 31 March 2018 includes £11.3m (£8.8m at 31 March 2017) of Community Infrastructure Levy.

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.

2016/17			2017/18				
Gross Expenditure	Gross Income	Net Expenditure	Notes	Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000		£000	£000	£000	
28,144	(3,374)	24,770	Children & Families	32,329	(3,796)	28,533	
12,120	(4,355)	7,765	Culture Leisure & Sport	9,656	(3,487)	6,169	
120,399	(111,400)	8,999	Education	117,992	(91,692)	26,300	
16,637	(2,293)	14,344	Environment & Community Safety	17,767	(1,886)	15,881	
904	(608)	296	Governance & Audit & Standards	739	(613)	126	
86,217	(39,105)	47,112	Adult Social Care & Public Health	89,256	(45,394)	43,862	
6,620	(3,464)	3,156	Housing	6,650	(3,857)	2,793	
144	(19)	125	Leader	203	(28)	175	
663	(903)	(240)	Licensing	721	(875)	(154)	
4,427	(4,776)	(349)	Planning, Regeneration & Economic Development	8,135	(5,188)	2,947	
10,778	(14,754)	(3,976)	Planning, Regeneration & Economic Development - Port	11,223	(16,340)	(5,117)	
138,978	(116,949)	22,029	Resources	134,884	(112,874)	22,010	
27,285	(11,273)	16,012	Traffic & Transportation	27,390	(12,046)	15,344	
453,316	(313,273)	140,043		456,945	(298,076)	158,869	
(2,051)	(83,195)	(85,246)	Non-portfolio - HRA	49,045	(83,427)	(34,382)	
48,178	(44,403)	3,775	Non-portfolio - Other	14,421	(11,976)	2,445	
499,443	(440,871)	58,572	Cost of Services	520,411	(393,479)	126,932	
5,625	(627)	4,997	Other Operating Expenditure	11a	24,704	(2,464)	22,240
45,193	(18,077)	27,116	Financing & Investment Income & Expenditure	11b	37,503	(39,194)	(1,691)
0	(196,501)	(196,501)	Taxation & Non-specific Grant Income & Expenditure	11c	0	(186,714)	(186,714)
550,261	(656,076)	(105,816)	(Surplus)/Deficit on Provision of Services	582,618	(621,851)	(39,233)	
<i>Items that will not be reclassified to the (Surplus)/Deficit on Provision of Services</i>							
		(6,354)	(Surplus)/Deficit on Revaluation of PPE Assets			(23,697)	
		30,018	Remeasurement of Net Defined Benefit Liability			20,572	
<i>Items that may be reclassified to the (Surplus)/Deficit on Provision of Services</i>							
		(213)	(Surplus)/Deficit on Revaluation of Available for Sale Assets			(15)	
		23,451	Other Comprehensive Income and Expenditure			(3,140)	
		(82,365)	Total Comprehensive Income and Expenditure			(42,373)	

Note 1 - The Comprehensive Income & Expenditure Statement has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting 2017/18 (the Code). The Comprehensive Income and Expenditure Statement presents the costs of services in a manner that is based on how management reports to Councillors.

The Expenditure and Funding analysis (and associated notes) reconcile the amounts reported to management as chargeable to the general fund under statute with the amounts presented in the Comprehensive Income and Expenditure Statement under proper accounting practices.

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the City Council. The net assets of the City Council (assets less liabilities) are matched by the reserves held by the City Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those that 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 2017 £000	Notes	31 March 2018 £000
1,183,960 Property, Plant & Equipment	12	1,249,098
63,256 Heritage Assets	15	74,332
145,547 Investment Property	16	163,132
1,894 Intangible Assets		1,480
113,378 Long Term Investments		52,835
29,455 Long Term Debtors	20	28,248
1,537,490 Long Term Assets		1,569,125
290,399 Short Term Investments		347,361
225 Inventories		298
42,483 Short Term Debtors	21	54,579
41,435 Cash & Cash Equivalents	22	22,233
374,542 Current Assets		424,471
(12,341) Short Term Borrowing		(12,116)
(73,605) Short Term Creditors	23	(77,665)
(3,436) Other Short Term Liabilities		(3,159)
(14,396) Capital Grant Receipts in Advance	35	(30,217)
(3,044) Provisions	24	(3,116)
(106,822) Current Liabilities		(126,273)
(93,450) Other Long Term Liabilities	25	(90,603)
(7,472) Provisions	24	(5,630)
(559,831) Long Term Borrowing		(552,978)
(354,840) Pension Liability	41	(385,896)
(1,739) Capital Grant Receipts in Advance	35	(1,966)
(1,017,332) Long Term Liabilities		(1,037,073)
787,878 Net Assets		830,250
(243,508) Usable Reserves		(272,053)
(544,370) Unusable Reserves	26	(558,197)
(787,878)		(830,250)

Chris Ward

Director of Finance and Information Technology (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.

2016/17		2017/18
£000		£000
105,816	Net surplus or (deficit) on the provision of services	39,233
	Notes	
(35,822)	Adjustment to surplus or deficit on the provision of services for noncash movements	34,727
	27a	
(88,179)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(46,255)
	27a	
(18,185)	Net Cash flows from operating activities	27,705
(138,946)	Net Cash flows from Investing Activities	(14,836)
	27b	
159,761	Net Cash flows from Financing Activities	(32,071)
	27b	
2,630	Net increase or decrease in cash and cash equivalents	(19,202)
38,805	Cash and cash equivalents at the beginning of the reporting period	41,435
41,435	Cash and cash equivalents at the end of the reporting period	22,233
	22	

Notes to the Financial Statements

1. Statement of Accounting Policies

General

The Statement of Accounts aims to present a true and fair view of the financial position and transactions of the City Council for the 2017/18 financial year and its financial position at 31 March 2018.

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy ("CIPFA"), and the Service Reporting Code of Practice also issued by CIPFA. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible non-current assets.

Accruals of Income & Expenditure

Financial Statements other than the Cash Flow Statement are prepared on an accruals basis. This means that the sums due to or from the City Council during the year are included in the accounts, whether or not the cash has actually been received or paid in the year being reported. Accruals have been made for all known items of income and expenditure exceeding £1,000 including capital debtors and creditors, for goods and services supplied by and to the City Council, during the year. The Financial Statements therefore record the date when the obligation arises rather than when it is settled by a cash transaction.

Exceptional Items

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

Prior Period Adjustments, Changes in Accounting Policies and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct an error.

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

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

Fair Value Measurement

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

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

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

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

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

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

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

Non-current Assets

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

Assets are initially measured at cost comprising:

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

The City Council does not capitalise borrowing costs incurred whilst 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 not initially included in Assets Under Construction but are included under the appropriate asset category for operational assets upon completion of their purchase.

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

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

Property, plant and equipment are used for service provision.

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

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

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

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

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

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

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

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

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

Charges to Revenue for Non-current Assets

Services, Support Services and Trading Accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- 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 debt.

Impairment

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

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

Depreciation

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

Depreciation is calculated on a componentised basis on assets with a net book value in excess of £3.0m. Depreciation is calculated separately for components making up more than 20% of the asset's cost where components have significantly different lives. Council dwellings are depreciated on a componentised basis. The component de minimis of 20% is not applied to Council dwellings due to the very high net book value of the dwelling stock.

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

Disposal of Non-current Assets

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

Proceeds of sales in excess of £10,000 are categorised as capital receipts and are credited to the Usable Capital Receipts Reserve.

Investment Properties

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

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

Heritage Assets

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

a) Historic Buildings

There is insufficient evidence of what the market value would be for Southsea Castle and the fortifications at the harbour entrance at Old Portsmouth so these assets are carried in the City

Councils balance sheet at their insurance valuations. These valuations are reviewed every five years by the City Council's staff.

b) Museum Collections

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

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

c) Archives

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

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

Revenue Expenditure Funded from Capital under Statute

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

Government Grants

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income 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 that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

Community Infrastructure Levy

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

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

Cash Equivalents

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

Provisions

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

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

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, so as to be included in the net cost of services. The reserve is then appropriated back into the General Fund or Housing Revenue Account balances so that no net charge against Council Tax or Housing Revenue Account (HRA) rent arises from the expenditure.

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

Leases

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

a) Finance Leases Where the City Council is the Lessee

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

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

b) Finance Leases Where the City Council is the Lessor

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

c) Operating Leases

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

Support Services & Overheads

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

Employee Benefits Payable during Employment

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

Retirement Benefits

Most of the City Council's employees are members of one of three separate main pension schemes; the Teachers' Pension Scheme administered by the Department for Education, or 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 41 and 42.

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

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

Long-Term Contracts (PFI Accounting Policy)

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

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

Property, plant and equipment carried 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 and equipment on the Balance Sheet

Value Added Tax

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

Financial Liabilities

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

Financial assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available for sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments

The City Council has both types of financial asset, although available for sale assets are not material.

Loans and receivables

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

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

Maintained Schools

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

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

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

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

Solent Local Enterprise Partnership (LEP)

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

Apportionment of Interest Costs to the Housing Revenue Account

The City Council maintains a single loans pool. For the purpose of apportioning borrowing costs it is assumed that the Housing Revenue Account (HRA) is under or over financed in the same proportion as the City Council as a whole. The HRA is charged interest at the City Council's average cost of borrowing adjusted to take account of any under or over financing which is charged at the average return on the City Council's investments.

2. Accounting Standards Issued but not yet Adopted

The following accounting standards have been issued and will be adopted by the 2017/18 Code of Practice on Local Authority Accounting:

- IFRS 9 Financial Instruments (Amendments to the classification of financial assets and change in impairment rules)
- IFRS 15 Revenue from Contracts with Customers (Amendments and clarifications)
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

It is anticipated that amendments above will not have a material impact on the information provided in the 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:

- 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 as a result of the need to close facilities and reduce levels of service provision.
- The City Council is deemed to control the services provided under outsourcing agreements for Milton Cross School, learning disability facilities, and highways maintenance, and also to control the residual value of the assets at the end of the agreements. The value of these assets as at 31 March 2018 was £115.8m. The City Council also provides its Waste Disposal service through Project Integra which is a partnership with Hampshire County Council and Southampton City Council. The Councils are deemed to control services which have been outsourced by Project Integra and to control the value of the assets at the end of the agreements. The accounting policies for PFI schemes and similar contracts have been applied to these arrangements and the assets, including Portsmouth City Council's share of the waste disposal assets, (valued at £9.3m as at 31 March 2018) are recognised as Property, Plant and Equipment on the City Council's balance sheet.
- The City Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. Where earning rentals is an outcome of a regeneration policy or providing facilities on out of town housing estates, the properties concerned are accounted for as property, plant and equipment rather than investment property. The classification determines the valuation method used and whether depreciation and impairments are charged to the cost of services.

- The City Council has made judgements on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The primary tests consist of:
 - whether the lease transfers ownership of the asset to the lessee by the end of the lease term
 - whether the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain that the option will be exercised
 - the lease term is for the 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 of 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 significantly different and could have a significant effect on the accounts.

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

4. Assumptions made on Sources of Estimated Uncertainty

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Fair Value Measurements</p>	<p>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.</p> <p>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 staff from the Property & Housing Service.</p>	<p>The City Council uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties.</p> <p>The significant unobservable inputs used in the measurement of fair value include; management assumptions regarding rent growth, vacancy levels and discount rates (adjusted for regional variations).</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.</p>
<p>Pensions Liability</p>	<p>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. A firm of consulting actuaries is engaged to provide the City Council with expert advice about the assumptions to be applied.</p>	<p>The City Council's net pension liability is £386m. The effects on the net pension liability of changes in individual assumptions can be measured. However; the assumptions interact in complex ways.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	<p>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 £14.9m. A review of significant balances suggested that an impairment of doubtful debts of 24% (£3.6m) was appropriate.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £3.6m to set aside as an allowance for sundry debtors alone.</p>
Non Domestic Rates	<p>The City Council retains 49% of the non-domestic rates that it collects. The amounts of non-domestic rates collected is affected by appeals, both lodged and potential appeals that have yet to be lodged, against the rateable values of non-domestic properties.</p> <p>Owing to the 2017 revaluation a new set of appeals are expected across the rating list. In the absence of more meaningful information, we have used the 4.7% figure that Central Government have assumed will be the national decline in rateable values from appeals.</p> <p>On this basis the Council has made a provision of £15.2m in 2017/18. The City Council's share of this provision is £7.4m.</p>	<p>The effects on non-domestic rate income of changes in individual assumptions can be measured. However, the assumptions interact with each other.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Inseparable Service Concessions Including Private Finance Initiative (PFI) Schemes	<p>The City Council has two inseparable service concession arrangements to provide highways maintenance and waste collection services. Under these arrangements the City Council paid £25.3m in 2017/18 for highways maintenance and £6.1m waste disposal. These arrangements gave rise to estimated liabilities at 31 March 2018 of £46.9m for highways maintenance and £7.1m for waste disposal. The payments made by the City Council under these arrangements cover operating and maintenance costs, lifecycle replacement costs, and the interest and principal repayment costs associated with the provision of assets. Under these arrangements the City Council does not know how much money has been spent on each of these elements and consequently they have to be estimated.</p>	<p>Although the overall costs of these arrangements are known the effect of these arrangements on the City Council's surplus on the provision of services, its capital investment, its long term liabilities, its reserves and its net assets are all estimated.</p>

5. Material Items of Income and Expense

The profitability of the International Port is dependent upon the continued use of the ferry port by two main customers, namely Brittany Ferries and Condor Ferries. Operator agreements are in place with these companies which makes provision for minimum guaranteed levels of income; this offers some degree of protection to the annual stream of income received by the port. Annual turnover of the port amounts to £16.3m.

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director of Finance & Information Services (Section 151 Officer) on 31 May 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Notes to the Expenditure and Funding Analysis

(a) Adjustments Between Funding and Accounting Basis

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

Adjustments from GF/HRA to arrive at CIES amounts				
2016/17	Adjustments for Capital Purposes (1)	Net Changes for Pension Adjustments (2)	Other Differences (3)	Total Adjustments
	£000	£000	£000	£000
Portfolios:				
Children & Education				
Children's Social Care	0	455	8	463
Education	2,928	1,433	689	5,050
Culture Leisure & Sport	2,133	135	9	2,277
Environment & Community Safety	921	119	(5)	1,035
Governance & Audit	15	20	(2)	33
Health & Social Care	1,155	747	(91)	1,811
Housing	421	56	6	483
Leader	6	3	0	9
Licensing	4	16	2	22
PRED	(736)	131	4	(601)
PRED - Port	2,491	143	8	2,642
Resources	2,562	941	(5)	3,498
Traffic & Transportation	5,657	153	13	5,823
	17,557	4,352	636	22,545
Non-portfolio - HRA	(78,631)	876	1,354	(76,401)
Non-portfolio - Other	(7,459)	(5,047)	(1,882)	(14,388)
Net Cost of Services	(68,533)	181	108	(68,244)
Other Income & Expenditure from the Funding Analysis	(25,594)	10,335	1,173	(14,086)
Difference between GF/HRA (surplus)/deficit and CIES (surplus)/deficit	(94,127)	10,516	1,281	(82,330)

Adjustments from GF/HRA to arrive at CIES amounts				
2017/18	Adjustments for Capital Purposes (1)	Net Changes for Pension Adjustments (2)	Other Differences (3)	Total Adjustments
	£000	£000	£000	£000
Portfolios:				
Children & Families	0	1,284	76	1,360
Culture Leisure & Sport	1,877	410	(17)	2,270
Education	16,721	3,192	(1,299)	18,614
Environment & Community Safety	2,118	283	14	2,415
Governance & Audit & Standards	(54)	52	3	1
Adult Social Care & Public Health	442	1,756	12	2,210
Housing	227	150	(236)	141
Leader	43	6	0	49
Licensing	4	44	(1)	47
Planning, Regeneration & Economic Development	1,919	377	4	2,300
Planning, Regeneration & Economic Development - Port	2,704	385	(38)	3,051
Resources	1,920	2,462	67	4,449
Traffic & Transportation	4,000	455	(8)	4,447
	31,921	10,856	(1,423)	41,354
Non-portfolio - HRA	(22,805)	803	(230)	(22,232)
Non-portfolio - Other	(9,802)	(10,152)	2,393	(17,561)
Net Cost of Services	(686)	1,507	740	1,561
Other Income & Expenditure from the Funding Analysis	(22,646)	8,975	927	(12,744)
Difference between GF/HRA (surplus)/deficit and CIES (surplus)/deficit	(23,332)	10,482	1,667	(11,183)

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 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:

2016/17		2017/18
Income from Services £'000		Income from Services £'000
	Portfolios:	
(928)	Children and Families	(636)
(7,365)	Education	(6,667)
(3,931)	Culture Leisure & Sport	(3,179)
(2,176)	Environment & Community Safety	(1,613)
(608)	Governance & Audit & Standards	(613)
(20,413)	Adult Social Care & Public Health	(22,723)
(1,452)	Housing	(1,513)
(19)	Leader	(28)
(903)	Licensing	(875)
(14,449)	Planning, Regeneration & Economic Development	(19,247)
(14,853)	Planning, Regeneration & Economic Development - Port	(16,538)
(12,721)	Resources	(13,011)
(10,699)	Traffic & Transportation	(12,001)
(90,517)		(98,644)
(83,168)	Housing Revenue Account	(83,426)
0	Other	(32)
<u>(173,685)</u>		<u>(182,102)</u>

Note - This disclosure shows externally earned income for each portfolio as included in the net expenditure figures in the Expenditure and Funding Analysis. The total will therefore not agree to the entry in the Expenditure and Income Funded by Nature for fees, charges and other income as this represents the IFRS entry as included in the CIES.

8. Expenditure and Income Analysed by Nature

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

	Restated 2016/17	2017/18
	£000	£000
<u>Expenditure</u>		
Employee benefits expenses	203,680	186,801
Other services expenses	361,611	340,499
Depreciation, amortisation, impairment, revaluations	(55,513)	2,206
Interest payments	29,343	25,677
Precepts and levies	0	78
Payments to Housing Capital Receipts Pool	1,172	927
Loss on the disposal of assets	4,453	23,579
Investment property expenditure and decreases in fair value	3,549	757
Trading expenses	1,966	2,094
Total expenditure	<u>550,261</u>	<u>582,618</u>
<u>Income</u>		
Fees, charges and other service income	(162,796)	(164,911)
Surplus on associates and joint ventures	(130)	(145)
Interest and investment income	(6,638)	(5,375)
Income from council tax and non-domestic rates	(112,624)	(120,802)
Government grants and contributions	(362,450)	(294,480)
Gain on disposal of assets	0	(2,319)
Investment property income and increases in fair value	(7,546)	(28,693)
Trading income	(3,893)	(5,126)
Total Income	<u>(656,077)</u>	<u>(621,851)</u>
Surplus or Deficit on the Provision of Services	<u>(105,816)</u>	<u>(39,233)</u>

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

Note - Support service charges have no longer been shown as a separate line in the above note as they are not mutually exclusive and instead form part of other lines in the note. Support service charges for 2016/17 totalled £19.3m and increased to £24.8m in 2017/18 as a result of increases in capital charges for support services; due primarily to revaluations of assets held by the respective services.

9. Adjustments of Accounting and Funding Basis under Regulations

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

General Fund

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

Earmarked General Fund Reserves

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

Housing Revenue Account (HRA) Balance

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

Earmarked HRA Reserves

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

The following tables show the adjustments made between reserves.

2016/17	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000	£000	£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)	(8,026)	(2,490)			
- 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)	(110,956)	74,003	(19,181)	72,920	(42,448)
- Other Adjustments to Revenue Resources	1,315	(1,367)			
Total Adjustment to Revenue Resources	(117,667)	70,146	(19,181)	72,920	(42,448)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	83,219			(83,219)	
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,172)			1,172	
Capital grants and contributions unapplied credited to the CIES	29,992	3,029			(33,021)
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	3,674	2,954		887	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	4,338	3,876			
Total Adjustments between Revenue and Capital Resources	120,051	9,859	0	(81,160)	(33,021)
Adjustments to Capital Resources					
Use of Major Repairs Reserve to finance capital expenditure			19,181		
Application of capital receipts to finance capital expenditure				14,348	
Application of capital grants to finance capital expenditure					66,561
Application of City Deal Grant to finance capital expenditure					
Other adjustments to capital resources	(71)	13		(2,452)	
Total Adjustments to Capital Resources	(71)	13	19,181	11,896	66,561
Total Adjustments	2,313	80,018	0	3,656	(8,908)

2017/18	Usable Reserves				
	General Housing Fund Revenue Balance £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)	(8,167)	(2,316)			
- 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)	(37,124)	19,030	(19,448)		(12,491)
- Other Adjustments to Revenue Resources	(878)	230			
Total Adjustment to Revenue Resources	(46,169)	16,944	(19,448)	0	(12,491)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	23	5,833		(5,856)	
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(927)			927	
Capital grants and contributions unapplied credited to the CIES	25,279	134			(25,413)
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	4,568			391	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,236	351			
Total Adjustments between Revenue and Capital Resources	34,179	6,318	0	(4,538)	(25,413)
Adjustments to Capital Resources					
Use of Major Repairs Reserve to finance capital expenditure			17,608		
Application of capital receipts to finance capital expenditure				7,451	
Application of capital grants to finance capital expenditure					38,835
Application of City Deal Grant to finance capital expenditure					
Other adjustments to capital resources	(94)	0		(2,494)	
Total Adjustments to Capital Resources	(94)	0	17,608	4,957	38,835
Total Adjustments	(12,084)	23,262	(1,840)	419	931

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 2017/18. 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 1 April 2016 £000	Transfers (to) / from 2016/17 £000	Balance at 31 March 2017 £000	Transfers (to) / from 2017/18 £000	Balance at 31 March 2018 £000
Earmarked for Capital Purposes	(17,826)	(17,226)	(35,052)	(3,717)	(38,769)
Medium Term Resource Strategy Reserve	(16,679)	529	(16,150)	(1,362)	(17,512)
Private Finance Initiative Reserve	(11,437)	763	(10,674)	1,005	(9,669)
City Deal Reserves	(22,775)	(480)	(23,255)	(370)	(23,625)
Highways Maintenance Reserve *	(5,663)	(332)	(5,995)	(1,931)	(7,926)
Investment Reserve	-	-	-	(7,891)	(7,891)
Portfolio Reserves	(5,751)	(2,239)	(7,990)	(1,496)	(9,486)
Other *	(35,303)	2,706	(32,597)	(6,954)	(39,551)
Total	(115,434)	(16,279)	(131,713)	(22,717)	(154,430)

* The 2016/17 figures have been restated to reflect the Council's preparer materiality of £7m. The Highways Maintenance Reserve has been added as it exceeded £7m at 31 March 2018. The HRA Capital Reserve has been omitted from the restated figures as its balance has not exceeded £7m in either 2016/17 or 2017/18. The Other figure has been restated to take account of including the Highways Maintenance Reserve in the table above and omitting the HRA Capital Reserve from the table.

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.

Private Finance Initiative - This reserve consists of the difference between contributions and grant receipts and charges on Private Finance Initiative schemes. The surplus of contributions and grant income accumulated in the early years of the schemes will finance the shortfall in later years as charges grow to exceed contributions and grant receipts.

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.

Highways Maintenance Reserve - This reserve is to fund the ongoing maintenance costs of improvements to the highways network.

Investment Reserve - The Government has issued new guidance to discourage local authorities from financing the acquisition of investment properties from borrowing. The Council has already acquired an investment property portfolio and had planned to sell properties in the portfolio from time to time and replace them with others. This reserve will provide a mechanism to do that.

Portfolio Reserves - These reserves provide a mechanism to allow underspending by portfolios in 2017/18 and previous years to be carried forward into 2018/19.

11. Notes to the Comprehensive Income & Expenditure Statement

(a) Other Operating Expenditure

2016/17 £000		2017/18 £000
4,453	(Gain)/Loss on the disposal of Non-Current Assets	21,261
544	Miscellaneous Operating Income and Expenditure	979
4,997		22,240

(b) Financing & Investment Income and Expenditure

2016/17 £000			2017/18 £000
29,343	Interest payable and similar charges		25,677
(6,638)	Interest & investment income		(5,375)
10,335	Net interest on defined benefit (asset)/liability	41	8,975
(1,927)	(Surplus)/deficit on trading undertakings & other operations		(3,033)
(3,997)	Income, expenditure and changes in the fair value of investment properties	16	(27,935)
27,116			(1,691)

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

2016/17 £000			2017/18 £000
(66,864)	Income from council tax	35	(71,507)
(50,856)	Non Ring Fenced government grants	35	(40,498)
(33,021)	Capital grants & contributions	35	(25,414)
(45,760)	Retained non-domestic rates	35	(49,295)
(196,501)			(186,714)

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

Movements on Balances: Comparative Movements in 2016/17

	PPE									
	Council Dwellings £000	Other Land and Buildings and Equipment £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Buildings - Surplus £000	Assets Under Construction £000	Total £000	Other Asset Categories £000	Combined Total £000
Cost or Valuation										
At 1st April 2016	557,649	316,456	48,814	207,835	2,416	2,281	60,674	1,196,125	144,116	1,340,241
Additions	422						86,181	86,603	82,532	169,135
Revaluation increases/(decreases) to CIES and/or Revaluation Reserve	56,650	4,274	-	-	-	(196)		60,728	(2,953)	57,775
Disposals	(4,363)	(11,139)	(122)	(133)	-	-		(15,757)	(272)	(16,029)
Reclassifications	23,580	12,128	1,412	11,988	-	5,000	(47,593)	6,515	(6,515)	-
At 31st March 2017	633,938	321,719	50,104	219,690	2,416	7,085	99,262	1,334,214	216,908	1,551,122
Depreciation and Impairment										
At 1st April 2016	(39,565)	(35,259)	(22,600)	(37,977)	399	(300)		(135,302)	(5,468)	(140,770)
Depreciation Charge in Year	(19,181)	(9,405)	(4,617)	(5,178)	(12)	(10)		(38,403)	(724)	(39,127)
Depreciation written out on revaluation	18,210	10,101	-	-	-	19		28,330	0	28,330
Impairment losses/(reversals) to CIES and/or Revaluation Reserve	-	(5,950)	(122)	(133)	-	-		(6,205)	(20)	(6,225)
Disposals	155	916	122	133	-	-		1,326	0	1,326
Reclassifications	-	190	(190)	-	-	-		-	-	-
At 31st March 2017	(40,381)	(39,407)	(27,407)	(43,155)	387	(291)	-	(150,254)	(6,212)	(156,466)
Net Book Value										
At 1st April 2016	518,084	281,197	26,214	169,858	2,815	1,981	60,674	1,060,823	138,648	1,199,471
At 31st March 2017	593,557	282,312	22,697	176,535	2,803	6,794	99,262	1,183,960	210,696	1,394,656

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

Movements in 2017/18

	PPE							Other Asset Categories £000	Combined Total £000	
	Council Dwellings and Buildings £000	Other Land and Buildings £000	Vehicles, Plant and Infrastructure Equipment £000	Community Assets £000	Other Land & Buildings - Surplus £000	Assets Under Construction £000	Total £000			
Cost or Valuation										
At 1st April 2017	633,938	321,719	50,104	2,416	219,690	2,416	99,262	1,334,214	216,908	1,551,122
Opening adjustment	-	-	-	-	-	-	-	-	475	475
Revised as at 1st April 2017	633,938	321,719	50,104	2,416	219,690	2,416	99,262	1,334,214	217,383	1,551,597
Additions	1,723	-	10,133	-	-	-	91,751	103,607	0	103,607
Revaluation increases/(decreases) to CIES and/or Revaluation Reserve	8,154	(5,489)	(817)	-	-	-	-	(3,154)	28,723	25,569
Disposals	(3,630)	(27,406)	-	-	-	-	-	(31,036)	(492)	(31,528)
Reclassifications from Assets Under Construction	31,653	35,326	3,309	-	24,116	-	(95,686)	(1,282)	1,282	-
Reclassifications between categor	-	(2,495)	1,678	-	1,653	-	-	836	(836)	-
At 31st March 2018	671,838	321,655	64,407	2,416	245,459	2,416	95,327	1,403,185	246,060	1,649,245
Depreciation and Impairment										
At 1st April 2017	(40,381)	(39,407)	(27,407)	387	(43,155)	-	-	(150,254)	(6,212)	(156,466)
Opening adjustment	-	-	-	-	-	-	-	-	(475)	(475)
Revised as at 1st April 2017	(40,381)	(39,407)	(27,407)	387	(43,155)	-	-	(150,254)	(6,687)	(156,941)
Depreciation Charge in Year	(19,448)	(9,421)	(4,460)	(7)	(5,368)	(7)	-	(38,721)	(681)	(39,402)
Depreciation written out on revaluation	19,329	10,335	220	-	-	-	1	29,885	-	29,885
Impairment losses/(reversals) to CIES and/or Revaluation Reserve	-	-	-	-	-	-	-	-	-	-
Disposals	119	3,826	-	-	-	-	-	3,945	494	4,439
Reclassifications from Assets Under Construction	-	-	-	-	-	-	-	-	-	-
Reclassifications between categor	-	961	(714)	-	(6)	-	-	241	(241)	-
Adjustments *	816	-	-	-	-	-	-	816	-	816
At 31st March 2018	(39,565)	(33,706)	(32,361)	380	(48,529)	380	(307)	(154,088)	(7,115)	(161,203)
Net Book Value										
At 1st April 2017	593,557	282,312	22,697	2,803	176,535	2,803	99,262	1,183,960	210,696	1,394,656
At 31st March 2018	632,273	287,949	32,046	2,796	196,930	2,796	95,327	1,249,097	238,945	1,488,042

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

The opening adjustment to other asset categories relates to a 2016/17 audit adjustment which was incorrectly disclosed in the note. Net book value was used in error for investment property gross book value, meaning that both the gross book value and accumulated depreciation/impairment were understated.

* The Adjustment to Council Dwelling Accumulated Depreciation and Impairment is in respect of depreciation written off on revaluation which should have been included in the 2016/17 disclosure.

Tangible non-current assets have been valued as follows:

A)	Council dwellings	Existing use value – social housing reflecting the guidance issued by DCLG
B)	Other Land & Buildings	Existing use value
C)	Infrastructure	Historic cost depreciated as appropriate
D)	Vehicles & Plant	Historic cost depreciated as appropriate
E)	Community assets other than land	Historic cost depreciated as appropriate
F)	Community assets land	Historic cost
G)	Non-operational assets	Market value

Where no market evidence is available to establish market value, e.g. for schools, the depreciated replacement cost method of valuation has been used.

A five year rolling programme of revaluations is undertaken for all assets except council dwellings, which are revalued annually. All valuations have been carried out by Royal Institute of Chartered Surveyors (RICS) qualified staff from the City Council's Property and Housing Service in accordance with the practice statements and guidance notes contained in the RICS manual of Appraisal and Valuation 5th Edition 2003 (as amended). The assets are valued as at 31 March 2018.

The beacon principle has been used to value the HRA council housing stock. 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 carried out. The valuation is then applied to all properties in that group. The basis of valuation is Existing Use Value for Social Housing (EUV-SH). EUV-SH uses the vacant possession value of the dwelling as a starting point, on the assumption that each property is to be used as residential accommodation that will be occupied by a secure tenant. This figure is then amended by a regional adjustment factor of 33% to reflect the fact that sitting tenants enjoy lower than open market rents and rights, including Right to Buy. HRA non-dwelling properties use the existing use value (EUV) method of valuation for non-specialist operational properties, and depreciated replacement cost (DRC) for specialist operational properties. In 2017/18 £28.3m was reversed against previous impairment losses in the Surplus or Deficit on the Provision of Services (£74.8m in 2016/17).

At 31 March 2018 one school with a net book value of £0.89m had applied to become an Academy in 2018/19.

13. Dates and amounts of valuations of tangible non-current assets

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Investment Property £000	Held for Sale £000	Assets under Construction £000	Total £000
2017/18	632,273	107,478	-	-	-	1,719	159,278	-	-	900,748
2016/17	-	59,412	-	-	-	57	1,120	-	-	60,589
2015/16	-	19,324	-	-	-	-	1,699	-	-	21,023
2014/15	-	96,372	-	-	-	-	914	-	-	97,285
2013/14	-	5,364	-	-	-	-	121	-	-	5,485
Valued at Historic Cost	-	-	32,046	196,930	2,796	-	-	-	95,328	327,100
	632,273	287,950	32,046	196,930	2,796	1,776	163,132	-	95,328	1,412,230

Depreciation

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

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

a) Council Dwellings

Based on useful lives calculated on a componentised basis.

b) Buildings

Sixty years unless assessed by the valuer for a lesser period.

c) Vehicles, Plant & Machinery

Generally ten years; although less for some assets depending on the nature of use.

d) IT Equipment

Five years.

e) Infrastructure assets

Forty years except for environmental improvements and enhancements where ten years has been used.

14. Significant commitments for future capital expenditure

a) Future Approved Capital Programme

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

Capital Programme	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Later £000
Children's Social Care	1,650	-	-	-	-	-
Culture, Leisure & Sport	2,945	280	800	1,350	-	-
Education	10,314	4,518	10,681	1,531	272	-
Environment & Community Safety	14,084	13,725	16,875	15,554	16,171	29,116
Health & Social Care (Adults Services)	2,249	1,084	-	-	-	-
Planning, Regeneration & Economic Development	85,330	60,777	46,111	-	-	122
Commercial Port	4,025	4,752	-	-	-	-
Resources	9,253	2,403	1,076	-	-	-
Traffic & Transportation	14,097	4,938	1,502	1,449	-	30,315
Housing Portfolio (HIP)	31,315	24,781	29,198	25,852	26,346	26,852
Total Capital Programme	175,262	117,258	106,243	45,736	42,789	86,405

b) Contractual Commitments

The City Council was legally committed to the following significant capital contracts at 31 March 2018:

Capital Contracts	£000
Kingsclere Avenue New Build Dwellings	4,578
Dunsbury Utilities and Enabling	2,712
Hampshire Community Bank	2,500
The Vanguard Centre - Alteration, Extension and Refurbishment Work:	2,151
Wilmcote House Refurbishment	1,831
Northern Parade Infants - School Expansion	1,510
Craneswater Junior School - School Expansion	1,156
Berth 4 Linkspan Replacement	830

Note - Only contractual commitments over £0.75m have been included in the above note.

15. Heritage Assets

	Heritage Assets 2016-17 £000	Heritage Assets 2017-18 £000
Cost or Valuation as at 1st April	64,220	64,240
Additions / Donations	-	-
Revaluation increases/(decreases) to CIES and/or Revaluation Reserve	-	11,081
Disposals	-	-
Reclassifications	20	1
At 31st March	<u>64,240</u>	<u>75,322</u>
Depreciation and Impairment as at 1st April	(958)	(984)
Depreciation Charge in Year:	(6)	(6)
Depreciation written out on revaluation:	-	-
Impairment losses/(reversals) to CIES and/or Revaluation Reserve	(20)	-
Disposals	-	-
Reclassifications	-	-
At 31st March	<u>(984)</u>	<u>(990)</u>
Net Book Value		
Museum Collections	15,420	15,420
Historic Buildings	30,037	30,031
Archives	11,843	11,843
Others	5,962	5,962
At 1st April	<u>63,262</u>	<u>63,256</u>
Net Book Value		
Museum Collections	15,420	15,434
Historic Buildings	30,031	40,802
Archives	11,843	11,843
Others	5,962	6,253
At 31st March	<u>63,256</u>	<u>74,332</u>

Note - The presentation of this disclosure note has been changed from previous years.

a) Historic Buildings

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

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

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

b) Museum Collection

The City Council has six museums, namely the D Day Story, Portsmouth Museum, Southsea Castle, Charles Dickens Birthplace, Eastney Beam Engine House and Cumberland House. The museum collections are valued at £15.4m.

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

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

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

Charles Dickens Birthplace contains furniture, ceramics, glass, household objects and decorations which faithfully recreate the Regency style which Charles' parents would have favoured, although their actual possessions have long since been dispersed. There are 3 furnished rooms: the parlour, the dining room and the bedroom where Charles was born. The exhibition room features a display on Charles Dickens and Portsmouth, as well as a small collection of memorabilia: the couch on which he died at his house in Kent, together with his snuff box, inkwell and paper knife.

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

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

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

c) Archives

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

16. Investment Properties

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

Investment Properties	2016/17	2017/18
	£000	£000
Net Income from Investment Property	6,951	9,442

The figures above relate to properties classified as investment properties in these financial statements.

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

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

	Restated 2016/17 £000	2017/18 £000
Cost or Valuation		
Balance at 01/04/2017	68,422	146,022
Additions - Purchases	82,532	-
Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve	1,957	18,495
Disposals	(272)	-
Reclassifications from Investment Property Assets under Construction	-	167
Reclassifications from other asset categories	(6,617)	(836)
Balance at 31/03/2018	146,022	163,848
Depreciation and Impairment		
Balance at 01/04/2017	4,435	(475)
Depreciation Charge in Year	-	-
Depreciation written out on revaluation	-	-
Impairment losses/(reversals) to SDPS and/or Revaluation Reserve	(4,910)	-
Disposals	-	-
Reclassifications	-	(241)
Balance at 31/03/2018	(475)	(716)
Net Book Value at start of year	72,857	145,547
Net Book Value at end of year	145,547	163,132

Note - The presentation of this disclosure note has been changed from previous years.

Fair Value Hierarchy

Details of the City Council's investment properties valued over £50,000 and information about the fair value hierarchy as at 31 March 2018 are as follows:

Recurring fair value measurements using:	Quoted prices in			Fair value as at 31 March 2018 £000
	active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	
Commercial Properties	-	152,527	-	152,527
Other Investment Properties	-	8,776	-	8,776
Total	-	161,303	-	161,303

Transfers between Levels of the Fair Value Hierarchy

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

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

Significant Observable Inputs - Level 2

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

Highest and Best Use of Investment Properties

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

Additions to Investment Properties

There were no investment properties purchased in the year.

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

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

	Long-Term		Current	
	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000
Financial liabilities at amortised cost	(650,789)	(630,352)	(83,262)	(73,025)
Loans & receivables	136,499	73,499	368,508	422,139
Available for sale - equities	6,334	7,584		

The above balances are shown net of impairments. There are no impairments in the City Council's financial instruments apart from current loans and receivables. Impairments to current loans and receivables were £4.1m at 31 March 2018 (£4.9m at 31 March 2017). All outstanding debt is pursued until such time as it becomes uneconomic or disproportionate to the administrative effort required. The City Council only holds collateral in relation to debts arising from commercial tenancies.

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:

	2016/17		
	Financial Liabilities	Financial Assets	Total
	Liabilities Measured at Amortised Cost £000	Loans & Receivables £000	£000
Interest expense	27,815		27,815
Impairment Losses		(169)	(169)
Interest Payable & Similar Charges	27,815	(169)	27,646
Interest & Investment Income		(6,638)	(6,638)
Net (gain) / loss for the year	27,815	(6,807)	21,008

2017/18			
	Financial Liabilities	Financial Assets	Total
	Liabilities Measured at Amortised Cost	Loans & Receivables	
	£000	£000	£000
Interest expense	25,676		25,676
Impairment Losses		4,102	4,102
Interest Payable & Similar Charges	25,676	4,102	29,778
Interest & Investment Income		(5,375)	(5,375)
Net (gain) / loss for the year	25,676	(1,273)	24,404

c) Fair Value of Assets and Liabilities Carried at Amortised Cost

The City Council had available for sale financial instruments with a fair value of £7.6m at 31 March 2018 (£6.3m at 31 March 2017). These consisted of equity shares in MMD (Shipping Services) Ltd £4.9m (£4.9m at 31 March 2017), Hampshire Community Bank £2.5m (£1.2m at 31 March 2017), and the UK Municipal Bonds Agency Plc £0.2m (£0.2m at 31 March 2017).

The Fair Value of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are Required)

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

Financial Liabilities	31 March 2017		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Borrowing	(572,172)	(808,124)	(565,094)	(788,222)
Service Concessions and Finance Lease	(94,416)	(145,277)	(80,534)	(107,281)
Other Creditors	(67,463)	(67,463)	(57,749)	(57,749)
Total	(734,051)	(1,020,864)	(703,377)	(953,252)

The fair value shown above represents the cost of settling the City Council's liabilities. To settle most of these liabilities would cost more than the amount of the outstanding principal, i.e. the carrying amount. This is because the City Council would have to pay a premium to its lenders to reflect the difference between the interest payable on the City Council's borrowing and the lower rates pertaining at the current time.

Financial Assets	31 March 2017		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Investments	437,760	441,020	415,142	418,012
Debtors	67,247	79,220	81,747	99,964
Total	505,007	520,240	496,889	517,976

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

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

	31 March 2017			Total
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<i>Recurring fair value measurements using:</i>	£000	£000	£000	£000
Financial liabilities				
<i>Financial liabilities held at amortised cost:</i>				
Borrowing	-	(808,124)	-	(808,124)
Service Concessions and Finance Lease Liabilities	-	(145,277)	-	(145,277)
Other creditors	-	(67,463)	-	(67,463)
Total	-	(1,020,864)	-	(1,020,864)
Financial Assets				
<i>Loans and receivables:</i>				
Investments	-	441,020	-	441,020
Debtors	-	79,220	-	79,220
Total	-	520,240	-	520,240

	31 March 2018			Total
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<i>Recurring fair value measurements using:</i>	£000	£000	£000	£000
Financial liabilities				
<i>Financial liabilities held at amortised cost:</i>				
Borrowing	-	(788,222)	-	(788,222)
Service Concessions and Finance Lease Liabilities	-	(107,281)	-	(107,281)
Other creditors	-	(57,749)	-	(57,749)
Total	-	(953,252)	-	(953,252)
Financial Assets				
<i>Loans and receivables:</i>				
Investments	-	418,012	-	418,012
Debtors	-	99,964	-	99,964
Total	-	517,976	-	517,976

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

£725.5m of the fair value of borrowing at 31 March 2018 (£741.1m at 31 March 2017) represents loans from the Public Works Loans Board (PWLB). The fair value of PWLB loans of £725.5m 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 and the fair value measures the additional 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 £477.8m would be valued at £633.2m. But, if the City Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption of £247.6m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £725.5m.

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
<ul style="list-style-type: none"> - no early repayment or impairment is recognised - estimated ranges of interest rates at 31 March 2018 of 1.00% to 2.57% 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 	<ul style="list-style-type: none"> - no early repayment is recognised - estimated ranges of interest rates at 31 March 2018 of 1.40% to 2.54% for loans payable based on new lending rates for equivalent loans at that date

18. Risks arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the City Council
- Liquidity risk – the possibility that the City Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the City Council as a result of 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 carried out by a central treasury team, under policies approved by the City Council in the Annual Treasury Management Strategy.

Credit Risk

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

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

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

The City Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed in general, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the City Council's deposits, but there was no evidence at the 31 March 2018 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. In addition the City Council's treasury management investments and finance lease debtors are also excluded as there is no experience of default by these debtors, they are in a financially strong position, and the probability of them defaulting is thought to be extremely low.

	Amount at 31 March 2018 (Net of bad debt provision)	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March 2018	Estimated Maximum Exposure to Default & Uncollectability at 31 March 2018	Estimated Maximum Exposure to Default & Uncollectability at 31 March 2017
	£000	%	%	£000	£000
	A	B	C	(A x C)	
Advances to commercial companies	10,233	0.0	6.0	614	212
Customers	39,751	2.0	1.5	596	972
Housing rents	5,944	2.5	2.0	119	245
Housing loans	5,100	0.0	0.1	5	5
				1,334	1,434

The City Council does not generally allow credit for customers. However, there is a balance of £4.9m that is past its due date for payment. This can be analysed by age as follows:

	£000
Less than three months	1,948
Three to six months	572
Six months to one year	735
More than one year	1,672
	4,927

Liquidity Risk

As the City Council has ready access to borrowings through the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the City Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

£11m of the City Council's borrowing is through a lender's option borrower's option (LOBO) loan. Under this arrangement FMS Wertmanagement has the option to increase the interest rate every two years. If FMS Wertmanagement were to increase the interest rate, the City Council has the right to repay the loan without penalty. If FMS Wertmanagement did exercise their option it is likely that the City Council would have to pay a higher interest rate if it did choose to replace the loan.

A further £71.1m of the Council's borrowing is through an arrangement which takes the legal form of leases but is in substance borrowing. Under this arrangement the Council leased the site of the Wightlink Ferry Terminal to Canada Life in return for a lump sum premium. The Council then leased the site back from Canada Life in return for a rent which is linked to the retail price index (RPI).

The remainder of the City Council's borrowing consists of fixed rate PWLB debt. These loans have a weighted average remaining term of 28 years. In real terms the value of the debt will be substantially eroded through the remainder of its term by inflation. The PWLB also allows debt to be rescheduled prior to maturity although this may necessitate paying a premium to the PWLB.

The maturity profile of borrowing excluding accrued interest is as follows:

	31 March 2017	31 March 2018
	£000	£000
Within 1 year	7,977	7,987
Between 1 and 2 years	7,987	7,997
Between 2 and 5 years	24,023	24,053
More than 5 years	527,901	519,873
	567,889	559,911

Market Risk - Interest Rate Risk

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

- Borrowings at variable rates – no impact apart from the LOBO loan that is subject to an interest rate review by the lender in March 2019.
- 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 will be similar to that for variable rate investments, as the replacement investments will generate more income to the Comprehensive Income and Expenditure Statement.

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

The City Council has a number of strategies for managing interest rate risk. The City Council's policy is to aim to limit its exposure to short term and variable interest rate investments. In addition, 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 fixed or variable.

According to this assessment strategy, at 31 March 2018, if interest rates had been 0.5% higher with all other variables held constant, the financial effect would be an increase in investment income of £1.2m. The impact of a 0.5% fall in interest rates would have been a reduction in investment income of £1.2m.

19. Construction Contracts

At 31 March 2018 the City Council had no construction contracts in place for third parties.

20. Long-term Debtors

2016/17 £000		2017/18 £000
13,226	Finance Lease Debtors	13,162
16,229	Other	15,086
29,455		28,248

21. Short-term Debtors

2016/17 £000	Outstanding Debtors at 31st March (Net of Bad Debt Provision) £000	2017/18 £000	£000
	Central Government Bodies:		
27	Payments in Advance	0	
6,256	Other Debtors	13,051	13,051
	6,283		
	Council Tax:		
11,014	Other Debtors	11,600	
(7,199)	Less Impairment Allowance	(7,754)	3,846
	3,815		
	Housing Rents:		
8,105	Other Debtors	8,609	
(3,207)	Less Impairment Allowance	(2,665)	5,944
	4,898		
	Housing Benefits:		
1,866	Payments in Advance	2,242	
10,232	Other Debtors	9,162	
(4,905)	Less Impairment Allowance	(5,038)	6,366
	7,193		
	Other:		
2,672	Payments in Advance	5,593	
21,447	Other Debtors	25,692	
(3,826)	Less Impairment Allowance	(5,913)	25,372
	20,293		
	42,482		54,579

22. Cash and Cash Equivalents

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

31 March 2016	31 March 2017
£000	£000
1,118 Cash held by the Authority	953
(2,523) Bank current accounts	(8,410)
42,840 Investments in money market funds	29,690
41,435	22,233
41,435	22,233

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

23. Short-term Creditors

Restated 2016/17	Outstanding Creditors at 31st March		2017/18	
£000	£000		£000	£000
		Central Government Bodies:		
(8,321)		Receipts in Advance	(8,303)	
(15,375)		Other Creditors	(15,189)	
	(23,696)			(23,492)
		Other:		
(14,169)		Receipts in Advance	(14,087)	
(35,740)		Other Creditors	(40,086)	
	(49,909)			(54,173)
	(73,605)			(77,665)
	(73,605)			(77,665)

Note - The above disclosure note's format has been changed in line with our preparer materiality levels. This has resulted in the Local Authority and NHS Bodies lines being combined into the Other line.

24. Provisions

	Short Term £000	Long Term £000	Total £000
Balance at 31 March 2016	(1,404)	(8,681)	(10,085)
Additional provisions made in 2016/17	(2,615)	-	(2,615)
Amounts used in 2016/17	675	1,209	1,884
Unused amounts reversed in 2016/17	300	-	300
Balance at 31 March 2017	(3,044)	(7,472)	(10,516)
Additional provisions made in 2017/18	(441)	(416)	(857)
Amounts used in 2017/18	-	6	6
Unused amounts reversed in 2017/18	369	2,252	2,621
Balance at 31 March 2018	(3,116)	(5,630)	(8,746)

Provision for Appeals by Non Domestic Rate Payers - £7.4m

The City Council will retain 49% of the non-domestic rates that it collects. The amount of non-domestic rates collected is affected by appeals against the rateable values of non-domestic properties.

25. Other Long-term liabilities

2016/17 £000	2017/18 £000
(13,067) Assets transferred from Hampshire County Council	(13,067)
(1,609) Finance Leases	(877)
(68,463) Service Concessions (including PFIs)	(65,280)
(10,311) Other	(11,379)
(93,450)	(90,603)

26. Unusable Reserves

31 March 2017	31 March 2018
£000	£000
(110,376) Revaluation Reserve	(132,143)
(2,739) Available for Sale Financial Instruments Reserve	(2,728)
(777,262) Capital Adjustment Account	(801,191)
5,025 Financial Instruments Adjustment Account	4,713
354,840 Pensions Reserve	385,896
(3,554) Collection Fund Adjustment Account	(1,162)
3,124 Accumulating Compensated Absences Adjustment Account	1,693
(13,432) Deferred Capital Receipts	(13,275)
(544,373) Total Unusable Reserves	(558,197)

Revaluation Reserve

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

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

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

2016/17	2017/18	
£000	£000	£000
(106,632) Balance at 1 April		(110,376)
(6,354) Revaluations		(23,697)
1,151 Difference between fair value depreciation and historic cost depreciation	1,326	
1,460 Accumulated gains on assets sold or scrapped	604	
2,611 Amount written off the Capital Adjustment Account		1,930
(110,376) Balance at 31 March		(132,143)

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			
2016/17		2017/18	
£000	£000	£000	£000
	(686,386)		(777,262)
			Balance at 1 April
			Reversal of items relating to capital expenditure
(37,867)		24,674	- Charges for depreciation and impairment of non current assets
718		661	- Amortisation of intangible assets
44,761		16,083	- Revenue expenditure funded from capital under statute
13,241		26,487	- (Gain) / loss on disposal
1,916		2,431	Loan Repayments
	<u>22,770</u>		<u>70,336</u>
	(1,151)		(1,328)
	<u>(664,767)</u>		<u>(708,254)</u>
			Net written out amount of the cost of non current Capital financing applied in the year:
(14,348)		(7,451)	- Use of Capital Receipts Reserve to finance new capital expenditure
(19,181)		(17,608)	- Use of Major Repairs Reserve to finance new capital expenditure
(66,561)		(38,835)	- Application of grants and contributions to finance new capital expenditure
(7,119)		(4,568)	- Statutory provision for the financing of capital investment charges against the General Fund and HRA balances
(887)		(391)	- Capital receipts set aside for the repayment of debt
(7,399)		(5,587)	- Capital expenditure charged against the General Fund and HRA balances
	<u>(115,495)</u>		<u>(74,440)</u>
			Movements in the market value of investment
	3,000		(18,497)
			properties debited or credited to the Comprehensive Income and Expenditure Statement
	<u>(777,262)</u>		<u>(801,191)</u>
			Balance at 31 March

Pensions Reserve

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

2016/17	2017/18
£000	£000
314,306 Balance at 1 April	354,840
(99,146) Return on plan assets	(2,824)
129,164 Actuarial (gains) and losses on pensions assets and liabilities	23,396
32,100 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	31,918
(21,584) Employer's pensions contributions and direct payments to pensioners payable in the year	(21,434)
<u>354,840 Balance at 31 March</u>	<u>385,896</u>

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.

2016/17	2017/18
£000	£000
(14,040) Balance at 1 April	(13,432)
557 Transfer to Capital Receipts Reserve upon receipt of cash	63
Transfer to Comprehensive Income and Expenditure	
51 Statement to mitigate the effect of leases being reclassified under IFRS	94
(13,432) Balance at 31 March	(13,275)

27. Notes to the Cash Flow Statement

(a) Operating Activities

The cash flows for operating activities include the following items:

2016/17	2017/18
£000	£000
4,053 Interest received	5,055
(28,685) Interest paid	(25,903)

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

2016/17	2017/18
£000	£000
38,409 Depreciation	38,741
(76,276) Impairment and downward valuations	(14,078)
718 Amortisation	661
77 Increase/(decrease) in impairment for bad debts	0
(33,574) Increase/(decrease) in creditors	3,834
(950) (Increase)/decrease in debtors	(14,448)
129 (Increase)/decrease in inventories	(72)
10,515 Movement in pension liability	10,485
23,856 Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	27,091
1,274 Other non-cash items charged to the net surplus or deficit on the provision of services	(17,487)
<u>(35,822)</u>	<u>34,727</u>

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

2016/17	2017/18
£000	£000
(12,147) Proceeds from sale of property, plant and equipment, investment property and intangible assets.	(5,856)
(76,032) Any other items for which the cash effects are investing or financing cash flows	(40,399)
<u>(88,179)</u>	<u>(46,255)</u>

(b) Investing & Financing Activities

2016/17 £000	Investing Activities	2017/18 £000
(167,678)	Purchases of property, plant and equipment, investment property and intangible assets	(94,872)
(1,091,502)	Purchase of short-term and long-term investments	(886,944)
(47)	Other payments for investing activities	(1,621)
10,911	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,929
1,027,303	Proceeds from short-term and long-term investments	904,987
82,067	Other receipts from investing activities	58,685
<u>(138,946)</u>	Net cash flows from investing activities	<u>(14,836)</u>

2016/17 £000	Financing Activities	2017/18 £000
177,648	Cash receipts of short and long term borrowing	1,180
(3,802)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(4,166)
(16,202)	Repayments of short and long term borrowing	(8,040)
2,117	Other payments for financing activities	(21,045)
<u>159,761</u>	Net cash flows from financing activities	<u>(32,071)</u>

28. Agency Services

The City Council has no significant agency arrangements and therefore no significant agency expenditure, except under its 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.

29. Pooled Budgets and Joint Arrangements

The City Council is currently involved in three pooled budget type arrangements with Portsmouth Clinical Commissioning Group (CCG).

(a) Integrated Commissioning Unit

The City Council is the host partner in this pooled budget arrangement with Portsmouth CCG, under a section 75 agreement from 2013/14 for three years and subsequently extended from April 2016 to March 2018. The purpose of the arrangement is to commission a range of health and social care services for vulnerable people.

	2016/17		2017/18	
	£000	£000	£000	£000
Gross Income				
Portsmouth City Council	(288)		(324)	
Portsmouth CCG	(278)		(333)	
		(566)		(657)
Expenditure		495		613
(Surplus)/Deficit*		(71)		(44)
Council's share of the surplus		(36)		(22)

* Note - The surplus has been carried forward in accordance with the section 75 agreement.

Note 2 - The Integrated Commissioning Unit was renamed to Health & Care Portsmouth Commissioning from April 2018.

(b) Continuing Health Care (CHC)

The City Council is host partner in this pooled budget arrangement with Portsmouth CCG under a section 75 agreement extended from September 2015. 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.

	2016/17		2017/18	
	£000	£000	£000	£000
Gross Income				
Portsmouth City Council	(34,829)		(38,639)	
Portsmouth CCG	(15,481)		(16,707)	
		(50,310)		(55,346)
Expenditure		50,025		55,346
(Surplus)/Deficit*		(285)		-
Council's share of the surplus		-		-

* Note - The surplus has been carried forward in accordance with the section 75 agreement by the CCG.

(c) Better Care Fund

The City Council is party to an arrangement with Portsmouth City CCG under a section 75 agreement effective from 1 April 2015 to support the Better Care programme. The purpose of this arrangement is to drive closer integration, and improve outcomes for patients, service users and carers, in the delivery of health and social care services. The arrangement covers multiple Better Care funds none of which have been assessed as fully meeting the requirements of IFRS 11, to be accounted for as joint arrangements. Instead, those funds hosted by the City Council have been accounted for gross in the City Council's financial statements under lead commissioning arrangements. Those funds hosted by the CCG involve no contribution from the City Council, so no entries have been reflected in the City Council's financial statements however information on this has been included for completeness.

(i) The tables below summarises the contributions and associated expenditure involved in the funds hosted by the City Council, split between revenue and capital income and expenditure:

Revenue Transactions	2016/17		2017/18	
	£000	£000	£000	£000
Gross Income				
Portsmouth City Council	(951)		(6,863)	
Portsmouth CCG	(7,137)		(7,008)	
		(8,088)		(13,871)
Expenditure		7,895		13,861
(Surplus)/Deficit*		(193)		(10)
Council's share of the surplus		(15)		-

Capital Transactions	2016/17		2017/18	
	£000	£000	£000	£000
Gross Income				
Portsmouth City Council	(1,404)		(1,543)	
Portsmouth CCG	-		-	
		(1,404)		(1,543)
Expenditure		653		1,000
(Surplus)/Deficit*		(751)		(543)
Council's share of the surplus		(751)		(543)

* Note - The surplus has been carried forward in agreement with the CCG.

(ii) The table below summarises the income and expenditure involved in the funds hosted by the CCG:

	2016/17		2017/18	
	£000	£000	£000	£000
Gross Income				
Portsmouth City Council	-		-	
Portsmouth CCG	(7,163)		(11,356)	
		(7,163)		(11,356)
Expenditure		7,163		11,356
(Surplus)/Deficit		-		-
Council's share of the surplus		-		-

30. Members' allowances

The total amount of members' allowances paid in 2017/18 was £0.6m (£0.6m in 2016/17). Detailed information on members' allowances is available from the Director of Finance & Information Services (Section 151 Officer), Civic Offices, Guildhall Square, Portsmouth, PO1 2AR.

31. 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.

2016/17		2017/18
Number of employees		Number of employees
66	£50,000 to £54,999	60
36	£55,000 to £59,999	30
47	£60,000 to £64,999	45
20	£65,000 to £69,999	18
14	£70,000 to £74,999	7
9	£75,000 to £79,999	6
6	£80,000 to £84,999	2
2	£85,000 to £89,999	4
0	£90,000 to £94,999	1
1	£95,000 to £99,999	1
1	£100,000 to £104,999	0
0	£105,000 to £109,999	0
2	£110,000 to £114,999	2
1	£115,000 to £119,999	0
2	£120,000 to £124,999	3
0	£125,000 to £129,999	1
0	£130,000 to £134,999	0
0	£135,000 to £139,999	0
0	£140,000 to £144,999	0
0	£145,000 to £149,999	0
0	£150,000 to £154,999	0
0	£155,000 to £159,999	0
0	£160,000 to £164,999	0
1	£165,000 to £169,999	0
0	£170,000 to £174,999	0
0	£175,000 to £179,999	0
0	£180,000 to £184,999	1
<u>208</u>		<u>181</u>

b) Senior Officer Emoluments

The following tables set out the remuneration paid to Senior Officers; whose salary in 2016/17 and 2017/18 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.

2016/17	Salary & Allowances	Bonuses, Expenses, Compensation for loss of office, Benefits in Kind	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
Post Title	£	£	£	£	£
David Williams - Chief Executive (Head of Paid Service) (Note 1)	165,374	0	165,374	21,664	187,038
Deputy Chief Executive and City Solicitor (Monitoring Officer) (Note 1)	118,524	0	118,524	15,527	134,051
Director of Adult Social Care	This post is shared with Portsmouth Clinical Commissioning Group (CCG), with Portsmouth City Council being responsible for 50% of the employee's costs. For 2016/17 this cost was £70,000 (including salary and pension costs).				
Director of Children Services & Education	121,200	0	121,200	15,877	137,077
Director of Finance & Information Services (s151 Officer) (Note 1 & 2)	113,456	0	113,456	14,863	128,319
Director of Public Health (Statutory Role) (to July 2016)	30,008	40,601	70,609	3,931	74,540
Director of Public Health (Statutory Role) (Interim)	53,967	0	53,967	7,560	61,527
Director of Public Health (Statutory Role) (from January 2017)	This post is shared with Southampton City Council, with Portsmouth City Council being responsible for 50% of the employee's costs. For 2016/17 this cost was £43,960 (including salary and pension costs).				
Port Manager (until November 2016)	69,633	0	69,633	0	69,633
Port Manager (from December 2016)	39,151	0	39,151	5,129	44,280
Director of Regulatory Services, Community Safety & Troubled Families	82,826	0	82,826	10,850	93,676
Solent Local Enterprise Partnership Chief Executive	121,275	0	121,275	15,877	137,152
Director of Community & Communications	85,076	0	85,076	11,145	96,221
Director of Culture & City Development	82,826	0	82,826	10,850	93,676
Director of Human Resources, Legal & Procurement	82,826	0	82,826	10,850	93,676
Director of Property & Housing (Note 1)	100,277	0	100,277	13,136	113,413
Director of Transport, Environment & Business Support	82,826	0	82,826	10,850	93,676

Note 1: From October 2016, the City Council entered into a shared management arrangement with Gosport Borough Council. This arrangement involves sharing four of the City Council's senior officers with Gosport Borough Council, for which the City Council receives payment and the individual's received additional honorariums reflecting the increase in their responsibilities.

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

2017/18	Salary & Allowances	Bonuses, Expenses, Compensation for loss of office, Benefits in Kind	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
Post Title	£	£	£	£	£
David Williams - Chief Executive (Head of Paid Service) (Note 1)	181,878	0	181,878	25,645	207,523
Deputy Chief Executive and City Solicitor (Monitoring Officer) (Note 1)	127,629	0	127,629	17,996	145,625
Director of Adult Social Care	This post is shared with Portsmouth Clinical Commissioning Group (CCG), with Portsmouth City Council being responsible for 50% of the employee's costs. For 2017/18 this cost was £70,000 (including salary and pension costs).				
Director of Children Services & Education	122,411	0	122,411	17,260	139,671
Director of Finance & Information Services (s151 Officer) (Note 1 & 2)	121,629	0	121,629	17,150	138,779
Director of Public Health (Statutory Role)	This post is shared with Southampton City Council, with Portsmouth City Council being responsible for 50% of the employee's costs. For 2017/18 this cost was £65,346 (including salary and pension costs).				
Port Manager	111,348	0	111,348	15,699	127,047
Solent Local Enterprise Partnership Chief Executive	122,411	0	122,411	17,260	139,671
Director of Community & Communications	87,329	0	87,329	12,500	99,829
Director of Culture & City Development	85,502	0	85,502	12,077	97,579
Director of Human Resources, Legal & Procurement	83,654	0	83,654	11,795	95,449
Director of Property & Housing (Note 1)	24,400	86,624	111,024	3,440	114,464
Director of Housing & Property (from July 2017) (Note 1)	90,419	0	90,419	13,030	103,449
Director of Transport, Environment & Business Support (until September 2017)	41,503	104,329	145,832	5,898	151,730
Director of Regeneration (from October 2017)	66,229	0	66,229	8,415	74,644

Note 1: From October 2016, the City Council entered into a shared management arrangement with Gosport Borough Council. This arrangement involves sharing four of the City Council's senior officers with Gosport Borough Council, for which the City Council receives payment and the individual's received additional honorariums reflecting the increase in their responsibilities.

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

c) Exit Packages

The numbers of exit packages committed during 2017/18, including the total cost per band and total cost of the compulsory and other redundancies, are set out in the table below:

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band (£)	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
	£0-£20,000	38	38	83	45	121	83	£909,046
£20,001 - £40,000	4	2	20	6	24	8	£701,042	£215,508
£40,001 - £60,000	2	0	8	3	10	3	£457,372	£144,407
£60,001 - £80,000	0	1	0	1	0	2	£0	£141,227
£80,001 - £100,000	1	0	6	1	7	1	£630,037	£84,619
£100,001 - £150,000	1	0	1	4	2	4	£260,058	£461,423
£150,001 - £200,000	0	0	0	0	0	0	£0	£0
Total	46	41	118	60	164	101	£2,957,555	£1,562,061

The total cost of £1,562,061 in the table above is included in the City Council's Comprehensive Income and Expenditure Statement for 2017/18.

32. External Audit Costs

This note discloses the fees paid to our appointed auditors EY (Ernst and Young LLP) for work carried out in 2017/18.

2016/17 £000	2017/18 £000
149 External Audit Services	149
17 Certification of grant claims & returns	18
0 Statutory inspection	0
0 Other	0
166 Total paid to EY	167

No other non-statutory services were provided by EY.

33. 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 Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services on a city-wide basis provided by the City Council. It also provides for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

	2016/17			2017/18		
	Central Exp £000	Schools Budget £000	Total £000	Central Exp £000	Schools Budget £000	Total £000
Final DSG for current year before academy recoupment	3,229	133,148	136,377	3,458	137,553	141,011
Academy figure recouped for current year		(45,954)	(45,954)	-	(62,883)	(62,883)
Total DSG after Academy recoupment for current year	3,229	87,194	90,423	3,458	74,670	78,128
Brought forward from prior year	5,048		5,048	3,234	(22)	3,212
Carry forward to next year agreed in advance			-	-	-	-
Agreed initial budgeted distribution in current year	8,277	87,194	95,471	6,692	74,648	81,340
In year adjustments		221	221	-	(151)	(151)
Final budget distribution for current year	8,277	87,415	95,692	6,692	74,497	81,189
Less actual central expenditure	(5,043)		(5,043)	(3,631)	-	(3,631)
Less Actual ISB deployed to schools		(87,437)	(87,437)	-	(72,871)	(72,871)
Plus Local authority contribution for current year			-	-	-	-
Carry forward to next year	3,234	(22)	3,212	3,061	1,626	4,687

34. Skills for Care

The City Council receives funding from Skills for Care as a contribution toward recruiting and developing social workers. This funding is ring fenced and can only be used for the purposes outlined by Skills for Care. The grant requires that disclosure is made in the City Council's financial statements of the amounts received and spent.

	2016/17 £000	2017/18 £000
Income brought forward from previous year	(6)	(6)
Income received for Skills for Care in year	(4)	(4)
Total income received	(10)	(10)
Expenditure in year	4	4
Income carried forward to 2017/18	(6)	(6)
Included in Receipts in Advance	(6)	(6)

35. Taxation and Grant Income

The City Council credited the following tax, grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

	2016/17	2017/18
	£000	£000
Credited to Services		
Rent Allowance Subsidy	(60,339)	(57,106)
HRA Rent Rebates Subsidy	(44,434)	(43,723)
Public Health Grant	(18,574)	(18,187)
Dedicated Schools Grant	(92,479)	(76,502)
Other grants	(18,974)	(20,488)
	<u>(234,800)</u>	<u>(216,006)</u>
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(30,363)	(22,313)
Retained Non Domestic Rates (NDR)	(41,192)	(42,802)
NNDR Top Up Grant	(4,568)	(6,493)
PFI Grant	(11,521)	(11,521)
Other Grants	(8,974)	(6,664)
Income from Council Tax	(66,864)	(71,507)
Capital Grants and Contributions	(33,021)	(25,414)
	<u>(196,503)</u>	<u>(186,714)</u>

The City Council has received a number of 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:

	2016/17	2017/18
	£000	£000
Capital Grants Receipts in Advance		
Government Grants	(13,102)	(28,932)
Other Grants & Contributions	(3,033)	(3,251)
	<u>(16,135)</u>	<u>(32,183)</u>

Revenue grants receipts in advance for 2017/18 were £8.2m (2016/17 £8.3m).

36. Related parties

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

Central Government

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

Members

Members of the City Council have direct control over the City Council's financial and operating policies. The City Council paid £2.2m to organisations where members had been appointed by the City Council to hold positions on the governing body.

During 2017/18 £31,175 was paid to companies in which members had an interest consisting of £20,630 paid to the Beneficial Foundation for training services, £4,485 paid to J J Fleming Business Services, and £6,060 paid to Unloc Learning Limited for schools youth forums.

Details of these interests are available for inspection, by appointment, by contacting the Deputy Chief Executive and City Solicitor on 023 9283 4123.

Governing Bodies of Maintained Schools

In accordance with the requirements of the Code of Practice, these "single entity" financial statements include all income, expenditure, assets and liabilities of the City Council's maintained schools. Whilst the City Council has responsibility for distributing funding to its maintained schools under the Funding Framework (based on the legislative provisions in the School Standards and Framework Act 1998), the responsibility for spending this budget is delegated to the governing body of the school concerned. The City Council is therefore restricted in the extent to which it controls the income, expenditure, assets and liabilities included in its financial statements which relate to its maintained schools. At the reporting date, the City Council operated 20 maintained schools. Non-current assets with a net book value of £35.4m were recognised in relation to these schools.

Officers

Officers are bound by the City Council's Code of Conduct which seeks to prevent related parties exerting undue influence over the City Council. Senior officers are required to declare any transactions with the City Council. No transactions have been disclosed.

Other public bodies

The City Council appoints two members to the Portchester Crematorium Joint Committee, has 25% of the voting rights on the Joint Committee and receives 25% of the dividends. The other three investors are Fareham, Havant and Gosport Borough councils. The City Council received a dividend of £145,000 in 2017/18 (£130,000 in 2016/17).

During the year, the Treasury Manager lent £2.5m of City Council funds to the Isle of Wight Council and £3.0m to Gosport Borough Council. The Director of Finance and Information Technology is also the Section 151 Officer for the Isle of Wight Council and Gosport Borough Council as well as Portsmouth City Council. During the year, the Treasury Manager lent City Council funds to several other local authorities.

The following amounts were paid to other related public sector bodies:

	£
Portsmouth Hospitals NHS Trust	854,893
Gosport Borough Council	9,040
Isle of Wight Council	91,174
NHS Portsmouth Clinical Commissioning Group	1,591,963
Southampton City Council	326,227

Joint working arrangements

In 2016/17 the City Council entered into the following joint working agreements:

- A shared Public Health Director with Southampton City Council
- A shared Director of Adult Services with Portsmouth Clinical Commissioning Group

The City Council has also entered into an arrangement with the Isle of Wight Council for a shared Chief Financial Officer and Section 151 Officer.

These directors will influence spending decisions at each authority however governance arrangements and their independent, professional status ensure the relationships are not compromised.

Also in 2016/17, shared senior management support was agreed between the City Council and Gosport Borough Council. The arrangement included the sharing of the Chief Executive, Deputy Chief Executive and Director of Finance roles from 1 October 2016 in addition to the sharing of a number of third tier roles.

Entities Controlled or Significantly Influenced by the City Council

Portsmouth City Council trades extensively with its subsidiary MMD. Details of the relationship between the City Council and its subsidiary are provided in note 37.

In December 2010, Portsmouth City Council created an independent not for profit organisation called the 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 Portsmouth Cultural Trust, an annual revenue contribution has been paid to the Portsmouth Cultural Trust to assist in the operational management of the Portsmouth Guildhall. Two councillors currently reside on the board of trustees as Portsmouth City Council representatives. A meeting is held between both parties every quarter to review the financial performance of the Portsmouth Cultural Trust in which Portsmouth City Council provide advice and guidance in a supporting capacity as required.

37. Other Companies

MMD (Shipping Services) Limited

The company's principal activity is stevedoring. It is engaged in the provision of shipping, warehousing and associated services and distribution of produce.

The Council invested a further £4.1m in MMD in 2017/18.

The City Council owns 100% of the shares in MMD which are carried in the City Council's balance sheet under long term investments at their net worth of £4.9m.

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

Seven loans with an outstanding balance of £5.9m have been advanced to MMD by the City Council. These loans carry interest between 3.31% and 4.81% per annum and mature by 2033.

The City Council's exposure to losses arising from its ownership of MMD is limited to £11.4m, i.e. the value of its shares in the company, the funds lodged with Lloyds Bank and the outstanding capital loans advanced to MMD.

The City Council generated £2.5m of income from MMD during 2017/18 (£2.5m in 2016/17); primarily from lease rentals and harbour dues.

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

The expenditure and income of the MMD (Shipping Services) Ltd is as follows:

2016/17	2017/18
£000	£000
15,299 Gross Expenditure	17,063
(15,512) Gross Income	(17,063)
(213) Net (Income) / Loss	0

As the net expenditure and income of MMD is not significant in comparison with the rest of the group consisting of the City Council it is felt that group accounts would not add to users' understanding of the financial affairs of the City Council or its group.

Hampshire Community Bank Holding Limited

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

- 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. The share application and subscription agreement requires take up and payment for the £5m of ordinary shares in four instalments. The first two instalments amounting to £2.5m have been paid. Payment of the remaining two instalments is conditional on further due diligence reports confirming progress towards obtaining regulatory approval for Hampshire Community Bank Limited to begin commercial banking activities.

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, as an aggregator for financing from institutions such as the European Investment Bank and by facilitating greater inter-authority lending.

The Local Government Association and 57 local government shareholders have invested over £6 million in the Agency. The City Council is a shareholder in the Agency with a total investment of £150,000.

38. Capital expenditure and capital financing

2016/17		2017/18
£000		£000
428,001	Opening capital financing requirement	526,938
169,167	Long Term Assets	106,288
44,761	Revenue expenditure funded from capital under statute	16,083
213,928	Capital Investment	122,371
641,929	Sources of finance	649,309
(14,348)	Capital receipts (including capital receipts set aside to repay debt)	(7,842)
(66,561)	Other Grants & contributions	(38,824)
	Sums set aside from revenue:	
(8,214)	- Direct revenue contributions	(5,587)
(18,365)	- Use of Major Repairs Reserve	(17,608)
(7,119)	- Minimum Revenue Provision	(4,568)
(384)	Other Adjustments	(34)
(114,991)		(74,463)
526,938	Closing capital financing requirement	574,846
	The capital financing requirement is met by the following items in the balance sheet:	
1,400,990	Fixed assets including equity investments	1,495,626
6,125	Advances by Local Enterprise Partnership (LEP)	4,400
(110,376)	Revaluation Reserve	(132,141)
(777,262)	Capital Adjustment Account	(801,191)
7,461	Other (including Housing General Fund mortgages and advances to subsidiaries)	8,152
526,938		574,846

The capital financing requirement increased by £47.9m in 2017/18 for the following reasons:

2016/17		2017/18
£000		£000
106,137	Increase in underlying need to borrow	52,958
(7,514)	Provision for the repayment of debt	(4,959)
314	Other	(65)
98,937	(Decrease) / Increase in Capital Financing Requirement	47,934

39. Leases

City Council as Lessee

Finance Leases

The City Council has acquired a number of buildings and port equipment under finance leases.

The assets held under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2017	31 March 2018
	£000	£000
Other Land & Buildings	2,006	2,074
Investment	42,867	48,305
Vehicles, Plant & Equipment	2,512	2,275
	47,385	52,654

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

	31 March	31 March
	2017	2018
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
Current	841	195
Non current	5,770	5,777
	6,611	5,972

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March	31 March	31 March	31 March
	2017	2018	2017	2018
	£000	£000	£000	£000
No later than one year	841	195	651	6
Later than one year and not more than 5 years	763	756	8	2
Later than five years	11,802	11,613	928	869
	13,404	12,564	1,587	877

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17 and 2017/18 no contingent rents were payable by the City Council.

The City Council has sub-let some of the industrial accommodation held under these finance leases. At 31 March 2018 the minimum payments expected to be received under non-cancellable sub-leases was £0.4m (£0.4m at 31 March 2017).

Operating Leases

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

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

	31 March 2017 £000	31 March 2018 £000
Not more than one year	2,025	1,144
Later than one year but not later than five years	6,278	2,894
Later than five years	69,839	115,422
	78,144	119,460

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

	31 March 2017 £000	31 March 2018 £000
Minimum lease payments	78,144	119,460
Contingent rents	6,600	7,266
	84,743	126,726

City Council as Lessor

Finance Leases

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

The City Council has a gross investment in leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. 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 2017 £000	31 March 2018 £000
Finance lease debtor (net present value of minimum lease payments):		
Current	1,292	1,292
Non current	16,175	15,900
Unguaranteed residual value of property	103	103
Gross investment in lease	17,570	17,295

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 2017 £000	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000
	Not later than one year	203	214	1,371
Later than one year and not later than five years	958	967	5,505	5,458
Later than five years	12,223	11,734	40,486	39,163
	13,384	12,915	47,362	45,992

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 2016/17 or 2017/18.

Operating Leases

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

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

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

	31 March 2017	31 March 2018
	£000	£000
Not later than one year	12,779	13,596
Later than one year and not later than five years	45,573	47,922
Later than five years	257,421	255,596
	315,774	317,114

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 2016/17 and 2017/18 no contingent rents were receivable by the City Council.

40. Private Financing Initiatives and Similar Contracts

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

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

The charge for the Milton Cross PFI scheme does not include a demand element and has little variability.

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

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

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

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

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

	Miltoncross Secondary School £000	Learning Disability Facilities £000	Highways Maintenance £000	Waste Disposal £000	Total £000
Cost or Valuation					
At 1st April 2016	26	6,468	134,217	14,015	154,726
Additions	-	-	-	-	-
Revaluation increases/(decreases) to CIES and/or Revaluation Reserve	-	-	-	-	-
Disposals	-	-	-	-	-
Reclassifications	-	-	2,877	-	2,877
At 1st April 2017	26	6,468	137,094	14,015	157,603
Additions	-	-	-	-	-
Revaluation increases/(decreases) to CIES and/or Revaluation Reserve	-	(189)	-	-	(189)
Disposals	-	-	-	-	-
Reclassifications	-	-	1,884	-	1,884
	-	-	-	-	-
At 31st March 2018	26	6,279	138,978	14,015	159,298
Depreciation and Impairment					
At 1st April 2016	(26)	(238)	(22,828)	(3,333)	(26,425)
Depreciation Charge in Year	-	(171)	(3,065)	(700)	(3,936)
Depreciation written out on revaluation	-	-	-	-	-
Impairment losses/(reversals) to CIES and/or Revaluation Reserve	-	-	-	-	-
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
At 1st April 2017	(26)	(409)	(25,893)	(4,033)	(30,361)
Depreciation Charge in Year	-	(171)	(3,224)	(700)	(4,095)
Depreciation written out on revaluation	-	271	-	-	271
Impairment losses/(reversals) to CIES and/or Revaluation Reserve	-	-	-	-	-
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
	-	-	-	-	-
At 31st March 2018	(26)	(309)	(29,117)	(4,733)	(34,185)
Net Book Value					
At 1st April 2016	-	6,230	111,389	10,682	128,301
At 1st April 2017	-	6,059	111,201	9,982	127,242
At 31st March 2018	-	5,970	109,861	9,282	125,113

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

	Liability as at 31 March 2017	Payments	Liability as at 31 March 2018
	£000	£000	£000
Milton Cross School	(10,980)	279	(10,701)
Learning Disability Facilities	(3,855)	99	(3,756)
Highways Maintenance	(49,200)	2,283	(46,917)
Waste Disposal	(7,946)	856	(7,090)
Total	(71,980)	3,516	(68,464)

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

	Repayments of Liability	Interest	Service Charges	Total Revenue Commitment	Life Cycle Replacement Costs	Total Commitment
	£000	£000	£000	£000	£000	£000
Within 1 year	3,183	6,364	20,742	30,289	3,435	33,724
Within 2 to 5 years	20,117	21,510	89,879	131,506	8,978	140,484
Within 6 to 10	23,349	17,001	104,026	144,376	24,152	168,528
Within 11 to 15	21,696	3,757	41,586	67,039	3,201	70,240
Within 16 to 20	118	2	-	120	-	120
	68,463	48,634	256,233	373,330	39,766	413,096

41. Liability Relating to Defined Benefit Pension Scheme

Participation in Pension Schemes

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

The City Council participates in the following pension schemes:

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

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

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

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

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

The Teachers' Pension Fund - This is an unfunded defined benefit scheme, for teaching staff, which is administered by the Department for Education. Unlike the other pension schemes above, this has been accounted for as a defined contribution scheme - details of this fund are disclosed in Note 42.

The NHS Pensions Scheme - This is an unfunded defined benefit scheme, for NHS staff, which is administered by NHS Business Services Authority. Similar to the Teacher's Pension Fund, this has been accounted for as a defined contribution scheme - details of this fund are disclosed in Note 42.

Transactions Relating to Post-Employment Benefits

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

	2016/17 £000	2017/18 £000
Comprehensive Income and Expenditure Statement:		
Cost of services		
Current service cost	20,367	26,343
Past service cost	1,398	500
Settlements/Curtailments #	-	(3,900)
Financing and Investment Income and Expenditure		
Net Interest Expense	10,335	8,975
Total Post Employment Benefit charged to the Surplus of deficit on the Provision of services	32,100	31,918
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Return on plan assets in (excess) / below that recognised in net interest	(99,146)	(2,824)
Actuarial (gains) / losses due to changes in financial assumptions	177,637	17,709
Actuarial (gains) / losses due to changes in demographic assumptions	(10,380)	(148)
Actuarial (gains) / losses due to liability experience	(38,093)	5,835
Total (gains) / losses from reclassification	-	-
	30,018	20,572
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	62,118	52,490
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	32,100	31,918
Actual amount charged against the General Fund and HRA Balances for pensions in the year:		
Employers' contributions payable to scheme	20,103	20,006
Retirement benefits payable to pensioners	1,482	1,427
	21,585	21,433

- The settlement is in respect of a number of schools converting to academy status and therefore leaving the control of the City Council. This has resulted in a transfer of pension assets and liabilities to the respective new academies and a corresponding reduction in the City Council's pension assets and liabilities.

The cumulative amount arising from the re-measurement of the net defined benefit liability recognised in the Comprehensive Income and Expenditure Statement from 1 April 2006 when the City Council adopted FRS17/IAS19 to 31 March 2018 is a loss of £159.6m (2016/17 £141.6m).

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	2016/17 £000	2017/18 £000
Present value of funded liabilities (LGPS):	(1,020,161)	(1,064,421)
Present value of funded liabilities (Pilot Pension Scheme)	(4,030)	(3,812)
Present value of unfunded liabilities (LGPS and Teachers):	(19,498)	(18,911)
Fair value of assets (LGPS):	685,670	698,147
Fair value of assets (Pilot Pension Scheme)	3,011	2,932
Surplus/(deficit) in the scheme:*	(355,008)	(386,065)

* - The figures shown in the note above are based on information from the respective actuaries. The net liability shown in this note differs from the amount shown in the balance sheet, as the entries in the revenue account and balance sheet have had the actuary's estimated employers contributions figure replaced by the actual figure. The difference is not material (£0.2m), especially as all the IAS19 figures are estimates.

The liabilities show the underlying commitments that the City Council has in the long term to pay post-employment (retirement) benefits. The total liability of £386m has a substantial impact on the net worth of the City Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the City Council remains healthy. The deficit on the LGPS will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary (AON Hewitt Limited).

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

2016/17	Funded Liabilities	Funded Liabilities	Unfunded Liabilities	Unfunded Liabilities	Total
	LGPS	Pilot Pension Scheme	LGPS	Teachers' Additional Benefits	
	£000	£000	£000	£000	£000
Opening balance at 1 April	(861,771)	(3,744)	(12,005)	(7,695)	(885,215)
Current service cost	(20,350)	(17)	-	-	(20,367)
Interest Expense	(28,960)	(111)	(400)	(250)	(29,721)
Contributions by scheme participants	(5,890)	(2)	-	-	(5,892)
Actuarial gains and (losses) - Financial Assumptions	(175,840)	(377)	(890)	(530)	(177,637)
Actuarial gains and (losses) - Demographic Assumptions	9,840	-	320	220	10,380
Actuarial gains and (losses) - Liability Experience	37,870	(27)	140	110	38,093
Benefits paid	26,340	246	889	593	28,068
Past service costs including curtailments	(1,400)	2	-	-	(1,398)
Net Increase in assets from reclassification	-	-	-	-	-
Settlements	-	-	-	-	-
Closing balance at 31 March	<u>(1,020,161)</u>	<u>(4,030)</u>	<u>(11,946)</u>	<u>(7,552)</u>	<u>(1,043,689)</u>

2017/18	Funded Liabilities	Funded Liabilities	Unfunded Liabilities	Unfunded Liabilities	Total
	LGPS	Pilot Pension Scheme	LGPS	Teachers' Additional Benefits	
	£000	£000	£000	£000	£000
Opening balance at 1 April	(1,020,161)	(4,030)	(11,946)	(7,552)	(1,043,689)
Current service cost	(26,310)	(33)	-	-	(26,343)
Interest Expense	(26,240)	(93)	(300)	(190)	(26,823)
Contributions by scheme participants	(5,740)	(5)	-	-	(5,745)
Actuarial gains and (losses) - Financial Assumptions	(17,600)	61	(100)	(70)	(17,709)
Actuarial gains and (losses) - Demographic Assumptions	-	148	-	-	148
Actuarial gains and (losses) - Liability Experience	(5,560)	(95)	(110)	(70)	(5,835)
Benefits paid	28,320	235	856	571	29,982
Past service costs including curtailments	(500)	-	-	-	(500)
Net Increase in assets from reclassification	-	-	-	-	-
Settlements	9,370	-	-	-	9,370
Closing balance at 31 March	<u>(1,064,421)</u>	<u>(3,812)</u>	<u>(11,600)</u>	<u>(7,311)</u>	<u>(1,087,144)</u>

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

2016/17	LGPS	Pilot Pension Scheme	Total
	£000	£000	£000
Opening balance at 1 April	567,794	2,946	570,740
Interest Income	19,300	86	19,386
Remeasurement gains / (losses)	98,940	206	99,146
Contributions by employer	20,086	17	20,103
Contributions by participants	5,890	2	5,892
Net benefits paid out	(26,340)	(246)	(26,586)
Settlements	-	-	-
Administration costs incurred	-	-	-
Net increase in assets from disposals / acquisitions	-	-	-
Net increase in assets from re-classification	-	-	-
Closing balance at 31 March	<u>685,670</u>	<u>3,011</u>	<u>688,681</u>

2017/18	LGPS	Pilot	Total
	£000	Pension Scheme £000	£000
Opening balance at 1 April	685,670	3,011	688,681
Interest Income	17,780	68	17,848
Remeasurement gains / (losses)	2,760	64	2,824
Contributions by employer	19,987	19	20,006
Contributions by participants	5,740	5	5,745
Net benefits paid out	(28,320)	(235)	(28,555)
Settlements	(5,470)	-	(5,470)
Administration costs incurred	-	-	-
Net increase in assets from disposals / acquisitions	-	-	-
Net increase in assets from re-classification	-	-	-
Closing balance at 31 March	<u>698,147</u>	<u>2,932</u>	<u>701,079</u>

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 £20.54m (£118.24m in 2016/17) for the LGPS and £0.132m (£0.292m 2016/17) for the PNPf.

LGPS assets comprised:

Asset Type:	Value at 31 March 2018		Value at	
	Quoted	Unquoted	Total	31 March 2017
Equities	58.50%	4.10%	62.60%	60.30%
Property	0.70%	6.30%	7.00%	6.50%
Government bonds	23.50%	0.20%	23.70%	25.20%
Corporate bonds	1.00%	0.00%	1.00%	1.40%
Cash	2.60%	0.00%	2.60%	3.40%
Other	0.20%	2.90%	3.10%	3.20%
Total	<u>86.50%</u>	<u>13.50%</u>	<u>100.00%</u>	<u>100.00%</u>

PNPF assets comprised:

Asset Type:	Value at 31 March 2018		Value at	
	Quoted	Unquoted	Total	31 March 2017
Equities	34.30%	0.00%	34.30%	33.50%
Property	0.00%	0.00%	0.00%	0.00%
Government bonds	16.80%	0.00%	16.80%	17.40%
Corporate bonds	31.60%	0.00%	31.60%	31.70%
Cash	1.40%	0.00%	1.40%	1.80%
Other	15.90%	0.00%	15.90%	15.60%
Total	<u>100.00%</u>	<u>0.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, which is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The City Council's fund liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the council fund being based on the latest triennial valuation of the LGPS as at 31 March 2016 and the latest valuation of the PNPf as at 31 December 2016. These calculations have been updated to 31 March 2018 by Aon Hewitt Limited allowing for the IAS 19 financial and demographic assumptions.

The principal assumptions used by the actuary have been:

2016/17	Funded LGPS	Funded Pilots Pension Scheme	Unfunded LGPS	Unfunded Teachers
Mortality assumptions:				
Longevity at 65 for current pensioners (years):				
Men	24.0	22.2	24.0	24.0
Women	27.0	24.0	27.0	27.0
Longevity at 65 for future pensioners (years):				
Men	26.0	24.3	0.0	0.0
Women	29.3	26.2	0.0	0.0
Rate of inflation	2.0%	2.2%	2.0%	2.0%
Rate of increase in salaries	3.5%	3.7%	0.0%	0.0%
Rate of increase in pensions	2.0%	2.2%	2.0%	2.0%
Rate for discounting scheme liabilities	2.6%	2.4%	2.6%	2.6%

2017/18	Funded LGPS	Funded Pilots Pension Scheme	Unfunded LGPS	Unfunded Teachers
Mortality assumptions:				
Longevity at 65 for current pensioners (years):				
Men	24.1	21.7	24.1	24.1
Women	27.2	23.6	27.2	27.2
Longevity at 65 for future pensioners (years):				
Men	26.2	23.2	0.0	0.0
Women	29.4	25.2	0.0	0.0
Rate of inflation	2.1%	2.1%	2.1%	2.1%
Rate of increase in salaries	3.6%	3.1%	0.0%	0.0%
Rate of increase in pensions	2.1%	2.1%	2.1%	2.1%
Rate for discounting scheme liabilities	2.6%	2.4%	2.6%	2.6%

Sensitivity Analysis:

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions shown in the table above. The sensitivity analysis, below, show reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that only the assumption mentioned changes, while all other assumptions remain the same. In practice some of the changes are unlikely to occur, or they may be interrelated.

LGPS:	Present Value of		Projected Service Cost	
	Increase £m	Decrease £m	Increase £m	Decrease £m
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1044.55	1084.77	27.2	28.88
Rate of salaries (increase or decrease by 0.1%)	1068.35	1060.62	28.03	28.03
Rate of increases to pensions in payment (increase or decrease by 0.1%)	1080.85	1048.36	28.88	27.2
Post retirement mortality assumption (increase or decrease in 1 year)	1095.77	1033.31	29.03	27.03

Note - Assumes a baseline figure of £1064.47m present value of defined benefit obligation, or £28.03m projected service cost

PNPF:

Rate for discounting scheme liabilities - if this were to decrease by 0.5% the defined benefit obligation would increase by around 7% or £260,000.
RPI inflation assumption - if this were to increase by 0.5% (with a corresponding increase in salary and pensions) the defined benefit obligation would increase by around 2% or £80,000.
Average life expectancy - if this were to increase by 1 year the defined benefit obligation would increase by around 5% or £190,000.

In both cases the sensitivity information shown above has been prepared using the same method as adopted when adjusting the results of the latest funding valuation to the balance sheet date.

Commutation:

LGPS: Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum (no change from 2016/17).

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

Impact on the City Council's Cash Flows:

LGPS - The objectives of the scheme include a funding objective which is to hold sufficient and appropriate assets to meet the schemes past service liabilities. At the 2016 triennial valuation a shortfall was identified and a strategy agreed, between Hampshire County Council (the scheme's administering authority) and Aon Hewitt (the scheme's actuary), to achieve a 100% funding level in no more than 25 years from the date of the last triennial valuation. This included setting service contribution rates along with additional annual shortfall contributions. Funding levels continue to be monitored on an annual basis and any further shortfall identified will be recovered through an additional contribution stream payable over a recovery period to be agreed at the respective valuation. The next triennial valuation is due to be completed as at the 31 March 2019 with the results expected around the 31 March 2020.

PNPF - The pension scheme's objectives include being funded prudently. At the last triennial valuation (31 March 2016) 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. The next triennial valuation is due to be completed as at the 31 December 2019 with the results expected in 2020.

The total contributions expected to be made by the City Council in the year to 31 March 2019 is £21.63m (£20.32m in the year to 31 March 2018) for the LGPS and £9,000 (£8,000 in the year to 31 March 2018) for the PNPF.

42. 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 Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the City Council contributes towards the cost by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically 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. The City Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2017/18, the council paid £4.51m (2016/17 £5.44m) to Teachers' Pensions in respect of teachers' retirement benefits. There were £0m (2016/17 £0.4m) of contributions outstanding at 31 March 2018.

The City Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 41 (unfunded teachers).

(b) NHS Pension Scheme

NHS employees TUPE'd to the City Council, as part of the transfer of public health responsibilities, are covered by the NHS Pensions Scheme. Details of the scheme can be found on the NHS Pensions website at <https://www.nhsbsa.nhs.uk/nhs-pensions>. The scheme is an unfunded defined benefit scheme which covers NHS employees. The scheme is not designed to be run in a way which would enable participating bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the City Council of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

43. Exceptional items

There were no exceptional items in 2017/18.

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.

2016/17 £000	Council Tax	2017/18 £000
	Income	
(80,263)	Council Tax	(85,796)
	Transfers from the General Fund	
(26)	Council Tax write ons	(9)
	Contributions received towards the estimated (deficit)	
(30)	Council Tax - Hampshire Police and Crime Commissioner	0
(12)	Council Tax - Hampshire Fire and Rescue Authority	0
(227)	Council Tax - Portsmouth City Council	0
(80,558)		(85,805)
	Expenditure	
	Distribution of estimated Council Tax Surplus	
0	Council Tax - Hampshire Police and Crime Commissioner	194
0	Council Tax - Hampshire Fire and Rescue Authority	76
0	Council Tax - Portsmouth City Council	1,474
0		1,744
	Precepts	
8,591	Council Tax - Hampshire Police and Crime Commissioner	9,155
3,352	Hampshire Fire & Rescue Authority	3,532
65,228	Council Tax - Portsmouth City Council	70,774
77,170		83,461
	Bad and Doubtful Debts	
1,059	Council Tax - amounts written off	803
126	Council Tax - change in provision	676
78,355		86,684
(2,203)	(Surplus) / deficit for the Year	879
(133)	(Surplus) / Deficit brought forward 1 April	(2,336)
(2,203)	(Surplus) / Deficit for the Year	879
(2,336)	Council Tax balance as at 31 March - (Surplus) / Deficit	(1,457)
	Apportioned :	
(259)	Hampshire Police Authority	(62)
(101)	Hampshire Fire & Rescue Authority	(160)
(1,976)	Portsmouth City Council	(1,235)
(2,336)		(1,457)

2016/17 £000	Business Rates	2017/18 £000
	Income	
(82,726)	Income from Business Ratepayers	(80,738)
(3,823)	Add: Backdated Refunds charged to the Provision	(4,005)
865	Less: Increase / (Decrease) Provision for Losses on Appeals	787
(85,684)		(83,956)
	Contributions received towards estimated Deficit / (Surplus)	
(318)	DCLG	1,509
(312)	Portsmouth City Council	1,478
(6)	Hampshire Fire & Rescue Authority	30
(636)		3,017
(86,320)		(80,939)
	Business Rates Apportioned to:	
40,707	DCLG	40,769
39,893	Portsmouth City Council	39,953
814	Hampshire Fire & Rescue Authority	815
740	DCLG - Transitional Surcharge / (Relief)	1,459
277	Cost of Collection	275
18	Interest Paid on Overpayments Refunded	4
	Bad and Doubtful Debts	
741	NNDR - Amounts written off	549
(156)	NNDR - Increase / (Decrease) in Provision	485
83,033		84,309
(3,287)	(Surplus) / Deficit for the year	3,370
66	(Surplus) / Deficit b/fwd 1 April	(3,221)
(3,287)	(Surplus) / Deficit for the Year	3,370
(3,221)	Non Domestic Rates as at 31st March - (Surplus) / Deficit	149
	Apportioned:	
(1,611)	DCLG	75
(1,578)	Portsmouth City Council	73
(32)	Hampshire Fire and Rescue Authority	1
(3,221)		149
(5,557)	Total Collection Fund (Surplus) / Deficit	(1,308)

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	14,749	6/9	9,833
B	23,117	7/9	17,980
C	17,919	8/9	15,928
D	5,163	9/9	5,163
E	3,124	11/9	3,818
F	1,481	13/9	2,140
G	582	15/9	970
H	24	18/9	48
	66,159		55,880
Less: adjustment for non-collection			(1,229)
Add: MoD dwellings contribution			680
2017/18 tax base			55,331

Multiplying the 2017/18 tax base of 55,329.9 by the standard council tax of £1,508.42 gives the total precepts on the Collection Fund of £83.46m.

2. Income from business ratepayers

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

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

- Department of Communities and Local Government (DCLG) - 50%
- Portsmouth City Council - 49%
- Hampshire Fire and Rescue Authority (HF&RA) - 1%

The total business rates rateable value as at 31 March 2018 was £219.36m.

The business rates multiplier for the year was 46.6p for small businesses and 47.9p for other business properties.

After the granting of various reliefs and exemptions the net rates due totalled £84.4m.

In closing the 2017/18 accounts it was deemed necessary to make a provision of £15.2m for refunds on unresolved appeals.

3. Collection Fund surpluses and deficits

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

Council Tax

The Council Tax part of the Collection Fund has realised a surplus of £1.457m as at 31 March 2018. The Council Tax side of the Collection Fund was estimated to result in a surplus of £1.210m in January 2018. The improvement on outturn of £0.247m is mostly attributable to a reduction in the provision for bad debts due to an improvement in collection rates.

Business Rates

The Business Rates part of the Collection Fund has realised a deficit of £0.149m as at 31 March 2018. The Business Rates side of the Collection Fund was estimated to result in a surplus of £1.115m in January 2018. The decline in the outturn was attributable to a greater than expected refund being awarded to the Ministry of Defence as a result of a merger of HM Naval Base assessments.

This decline on the Collection Fund will be distributable across the precepting bodies in the financial year 2019/20.

Housing Revenue Account (HRA)

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

2016/17 £000	2017/18 £000
Expenditure	
23,206 Repairs & Maintenance Supervision & Management	23,475
14,044 General	13,622
12,887 Special Services	13,591
988 Rent rates taxes & other charges	1,300
Depreciation (and Impairments) of Non-current Assets:	
(55,680) - Dwellings	(8,851)
1,846 - Other Assets	5,718
177 Amortisation of Intangible Assets	121
18 Amortisation of Revenue Expenditure Funded from Capital Under Statute	0
66 Debt management costs	60
20 Movement in allowance for bad debts	(223)
0 Sums directed by the secretary of state	0
(2,428) Total Expenditure	48,813
Income	
(66,232) Dwelling rents (gross)	(65,401)
(2,460) Non-dwelling rents	(3,143)
(10,989) Service charges (Tenants charges for services)	(11,587)
(79,681) Gross rents	(80,131)
(1,809) Leaseholders charges for services & facilities	(1,672)
(1,087) Other Charges for Services & Facilities	(1,063)
(617) Contributions toward expenditure	(562)
(83,194) Total Income	(83,428)
(85,622) Net Cost of HRA Services as included in the CIES	(34,615)
377 HRA's share of corporate & democratic core	229
(85,245) Net cost of HRA Services	(34,386)
(2,202) (Gain) or loss on the sale of HRA non-current assets	(2,319)
8,944 Interest payable & similar charges	6,230
(273) Interest and investment income	(234)
1,615 Pensions interest cost and expected return on pensions assets	1,512
(654) Income, expenditure changes in the fair value of investment	(92)
(3,029) Capital grants and contributions receivable	(134)
(80,844) Surplus / Deficit for the year on HRA services	(29,423)

Movement on the HRA Statement

2016/17 £000	2017/18 £000
(13,906) Balance on the HRA at the end of the previous year	(18,609)
(80,844) (Surplus) or deficit for the year on the HRA Income & expenditure account	(29,423)
76,957 Adjustments between accounting basis & funding basis under statute	22,918
(3,887) Net (Increase) or decrease before transfers to or from reserves	(6,505)
(3,876) Transfers to / from reserves	(351)
3,060 Capital Expenditure charged to Revenue	351
(4,703) Increase / decrease in HRA in year	(6,505)
(18,609) Balance on the HRA at the end of the current year	(25,114)

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

- Capital investment is accounted for as it is financed, rather than when the assets are consumed. In particular £27.5m of prior year impairments were reversed in the 2017/18 Income and Expenditure Account. The credit of £27.5m in the 2017/18 Income and Expenditure Account is reversed out by a debit in the Movement on the Housing Revenue Account Reserves Statement.
- Retirement benefits are charged as amounts payable to the pension funds and pensioners, rather than as future benefits are earned.

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

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

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

Note to the Movement on the HRA Statement

2016/17 £000	2017/18 £000
Adjustments between accounting basis & funding basis under regulations	
- Adjustments involving the Capital Adjustment Account:	
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement	
74,861 Charges for depreciation and impairment of non-current assets	24,630
(177) Charges for amortisation of intangible non-current assets	(24)
2,202 Net gain/loss on disposal of non current assets	2,317
(18) REFCUS written down	(2)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	
2,954 Sums set aside from revenue to fund capital expenditure	-
Other Adjustments	
3,029 Capital grants and contributions credited to the HRA	134
(2,050) Reversal of Major Repairs Allowance credited to the HRA	(2,053)
(4,781) Reversal of items relating to retirement benefits debited or credited to the HRA	(4,855)
2,291 Employer's pension contributions and direct payments to pensioners payable in the year	2,540
- Transfer from accumulated absences	16
- Reversal of finance leases	-
(1,354) Other adjustments	215
76,957	22,918

Note on the Housing Revenue Account

Gross Rent Income

This is the gross rent income for the year after allowance is made for voids etc. During the year, 1.53% of lettable dwellings were vacant. In 2016/17 the figure was 2.14%. The average dwelling rent was £85.80 per week in 2017/18 (£86.51 per week in 2016/17), a decrease of £0.71 over the previous year. The amount of arrears as at the end of the financial year was £2.6million.

Depreciation of non-current assets

The depreciation charge is broken down as follows:

	2016/17 £000	2017/18 £000
Council houses	19,181	19,448
Other assets	2,224	2,174
	21,405	21,622

Revaluations Down & Impairments

Revaluations down & impairments are a reduction in the value of an asset, measured by specific criteria, to below its carrying amount in the balance sheet. Revaluations down & impairments which were charged to the HRA may be reversed if an asset is subsequently revaluated upwards.

	2016/17	2017/18
	£000	£000
Council Houses	(74,860)	(28,300)
Other Assets	(250)	3,584
	(75,110)	(24,716)

IAS 19 - Accounting for pensions

Applying IAS 19 to the Housing Revenue Account (HRA) will have no overall effect on the HRA balance as the debit to the Income and Expenditure Account is reversed out by an appropriation from the Pensions Reserve in the Statement of Movement of HRA Balances.

Capital Reserve

A Capital Reserve was established during 1991/92 as part of the Housing Investment Programme (HIP) financing policy. £0.35m was transferred from the reserve to finance capital expenditure in 2017/18 leaving the reserve with a balance of £1.1m.

1) Transfer to/from Major Repairs Reserve

The Major Repairs Reserve was established at 1 April 2001. Movements on the Reserve during the year were:

	2016/17		Repayment		2017/18
	Total	Houses Other	of borrowing	Total	
	£000	£000	£000	£000	£000
Balance at 1 April 2017	-	-	-	-	-
Transferred from HRA	(19,181)	(19,448)	(2,053)	-	(21,501)
Transferred to HRA	-	-	2,053	-	2,053
Financing of capital expenditure	19,181	17,608	-	-	17,608
Balance at 31 March 2018	-	(1,840)	-	-	(1,840)

2) Housing stock

The City Council was responsible for managing an average of 14,787 dwellings (excluding mobile homes) during 2017/18. The stock as defined by the Housing Revenue Account Subsidy regulations at 31 March was as follows:

	No. of dwellings	
	2016/17	2017/18
Houses	4,386	4,353
Flats	10,423	10,412
	14,809	14,765
Mobile homes	-	-
	14,809	14,765

The change in stock can be summarised as follows:

	No. of Dwellings	
	2016/17	2017/18
Stock at 1 April	14,882	14,809
Mobile Homes no longer within HRA	-	-
Sales	(96)	(73)
Bedsit conversions	(6)	-
Demolitions	-	-
Repurchases	-	11
Additions	8	4
New builds	21	15
Change in use	-	(1)
Stock at 31 March	14,809	14,765

3) Balance sheet value of land, houses and property within the HRA

	Council dwellings	Other land & buildings	Other non-operational assets	Other assets	Total
	£000	£000	£000	£000	£000
Net book value at 1 April 2017	593,557	37,754	31,373	2,528	665,212
Adjustments	-	1,893	7	(755)	1,145
Revised Net book value 1 April 2017	593,557	39,647	31,380	1,773	666,357
Depreciation during the year	(19,448)	(1,467)	(570)	(137)	(21,622)
Revaluations/Impairment during the year	28,300	2,499	(4,943)	90	25,946
Additions	1,723	-	36,482	-	38,205
Disposals	(3,512)	-	-	-	(3,512)
Transfers between categories	31,653	304	(31,840)	(117)	-
Appropriations	-	220	-	-	220
Net book value at 31 March 2018	632,273	41,203	30,509	1,609	705,594

The disclosure note has been restated to a different presentational format and to take account of audit adjustments from 2016/17 which were omitted from last year's disclosure note.

Vacant possession value of dwellings within the HRA

The vacant possession value of dwellings held within the HRA amounts to £1,915m at 31 March 2018.

The substantial difference between this figure and the net book value figure of £633m reflects the economic cost to government of providing council housing at less than open market rents.

4) Capital expenditure within the HRA

Capital expenditure during the year and its financing was:

	Non-Current Assets			Total
	Land	Houses	Other property & Equipment	
	£000	£000	£000	£000
Borrowing	-	13,001	-	13,001
Usable capital receipts	-	6,441	-	6,441
Revenue contributions	-	38	313	351
Major Repairs Reserve	-	17,608	-	17,608
Grants and contributions	-	798	-	798
	-	37,886	313	38,199

5) Bad Debt Provision

	31 March 2017	Additions and reductions	Write-offs	31 March 2018
	£000	£000	£000	£000
Housing rents provision	(2,950)	186	310	(2,454)
Sale of flats provision	(88)	43	0	(45)
Provision for other HRA bad debts	(62)	(16)	0	(78)
	(3,100)	213	310	(2,577)

Glossary of Terms

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).

Capital Expenditure

Expenditure for capital purposes comprises the acquisition, construction, replacement or enhancement of land, buildings, plant, machinery and vehicles which adds to and not merely maintains the value of an existing non-current asset and which will be used to provide services beyond the current accounting period. Advances of long-term loans (e.g. house purchase mortgages) and grants for capital purposes are included.

Capital Financing

These are funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and ear-marked reserves.

Capital Receipts

These are the proceeds from the sale of capital assets. A proportion of housing receipts – 75% for dwellings – must be paid into a central Government pool, but the remainder is available for new capital projects.

CIPFA

The Chartered Institute of Public Finance and Accountancy. This professional body for accountants in the public sector issues general guidance to local authorities defining the form and manner in which their accounts should be compiled. These recommendations are contained in a Statement of Recommended Practice. In addition, the Institute issues further guidance in the Service Reporting Code of Practice (SeRCOP) which sets out “Proper Practice” in relation to Financial Statements.

Collection Fund

This is a separate fund, maintained by the billing authority, which records the income and expenditure relating to council tax and non-domestic rates on behalf of the billing authority, precepting authorities and the Government.

Community Assets

Assets that the City Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks.

Comprehensive Income & Expenditure Statement

The City Council's revenue account showing the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income in accordance with International Financial Reporting Standards (IFRS). This is reconciled to the statutory balance on the General Fund through the Movement in Reserves Statement.

Contingent Liabilities

A contingent liability arises from either:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority, or
- a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or
 - the amount of the obligation cannot be measured with sufficient reliability

Continuing Service

The portfolio of services provided by the City Council is on-going from year to year. If however a service were to cease, or if a new service were to commence, it would be necessary to show the effect on the Comprehensive Income & Expenditure Statement of the creation or discontinuation from one year to the next.

Corporate & Democratic Core

The corporate and democratic core comprises all activities that the City Council engages in specifically because it is an elected, multi-purpose authority. The costs of these activities are in addition to those which would have been incurred by a series of independent, single purpose nominated bodies managing the same services. There is therefore no logical basis upon which these costs can be apportioned to services.

Creditor

Amount owed by the City Council for work done, goods supplied or services rendered within the accounting period, but for which payment had not been made by the end of the accounting period.

Debtor

Amount owed to the City Council for works done, goods supplied or services rendered within the accounting period, but for which payment had not been received by the end of the accounting period.

Deferred Capital Receipts

Amounts arising from asset sales, where the income is received in instalments over agreed periods. They derive mainly from finance leases.

Depreciation

The measure of the cost of the wearing out, consumption or other reduction in the useful economic life of the City Council's non-current assets during the accounting period, whether from use, the passage of time, or obsolescence through technological or other changes.

Exceptional Items

Material items which derive from unusual events or transactions that fall within the normal activities of the City Council and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

Finance Lease

A lease which transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

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.

Housing Revenue Account (HRA)

A separate account to the General Fund which includes the income and expenditure arising from the direct provision of housing accommodation by the City Council.

Impairment

A reduction in the value of a non-current asset, measured by specific criteria, to below its carrying amount in the balance sheet.

Intangible assets

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the City Council. An example would be computer software licences.

Interest Cost (pensions)

For a defined benefit scheme this is the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards prepared by the International Accounting Standards Board apply to Local Authorities where they comply with specific legal requirements and are relevant to local authority activities.

Inventories

Items of raw material and stores that the City Council has procured and holds in expectation of future use.

Investment (Pension Fund)

The investments of the pension fund will be accounted for in the statements of that fund. However, the City Council is also required to disclose as part of the disclosures relating to retirement benefits, the share of pension scheme assets associated with the City Council's underlying obligations.

Liability

A Liability is an obligation that the City Council expects to have to meet in monetary terms. Liabilities are categorised as either non-current or current. A non-current liability is an obligation that the City Council expects to meet in a period of time greater 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 only be collected more than one year into the future.

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the City Council.

Movement in Reserves Statement

This reconciliation statement summarises the differences between the outturn on the Comprehensive Income & Expenditure Statement and the General Fund Balance.

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 (“NDR”)

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. 49% of non-domestic rates are retained by the Council. Of the remainder, 50% is paid to the Government and 1% is paid to the Hampshire Fire and Rescue Authority.

Net Assets

The City Council’s value of total assets less total liabilities.

Operating lease

A lease where the risks and rewards of ownership of the asset remains with the lessor.

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.

Precept

The levy made by Precepting authorities on the City Council requiring the latter to collect income from council tax payers on their behalf. Both the Hampshire Police and Crime Commissioner and the Hampshire Fire and Rescue are precepting authorities.

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.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Revenue expenditure funded from capital under statute (REFCUS) is expenditure that can be capitalised under statute but which does not result in or remain matched with a tangible asset. Examples of REFCUS are grants of a capital nature to voluntary organisations or home improvement grants, where no repayment is expected.

Revenue Support Grant

A non-ringfenced grant paid, by central Government, to the City Council to contribute towards the general cost of its services.

Short-Term Borrowing

Money borrowed for a period of less than one year.

Surplus or Deficit on the Provision of Services (SDPS)

This is the total of income less expenses, excluding components of Other Comprehensive Income and Expenditure as required or permitted by guidance. It represents the true economic cost of providing the City Council's services.

Trust Funds

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

Useful Economic Life (UEL)

Period over which the City Council will derive benefit from the use of a non-current asset.

Portsmouth City
Council
Audit results report
Year ended 31 March 2018

19 July 2018

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Agenda Item 7

EY

Building a better
working world



19 July 2018

Dear Governance & Audit & Standards Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Governance & Audit & Standards Committee. This report summarises our preliminary audit conclusion in relation to the audit of Portsmouth City Council for 2017/18. We will issue our final report following the Governance & Audit & Standards Committee meeting scheduled for 27 July 2018.

We have substantially completed our audit of Portsmouth City Council (the Authority) for the year ended 31 March 2018. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July 2018. We also have no modifications to our conclusion on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Governance & Audit & Standards Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Governance & Audit & Standards Committee meeting on 27 July 2018.

Yours faithfully

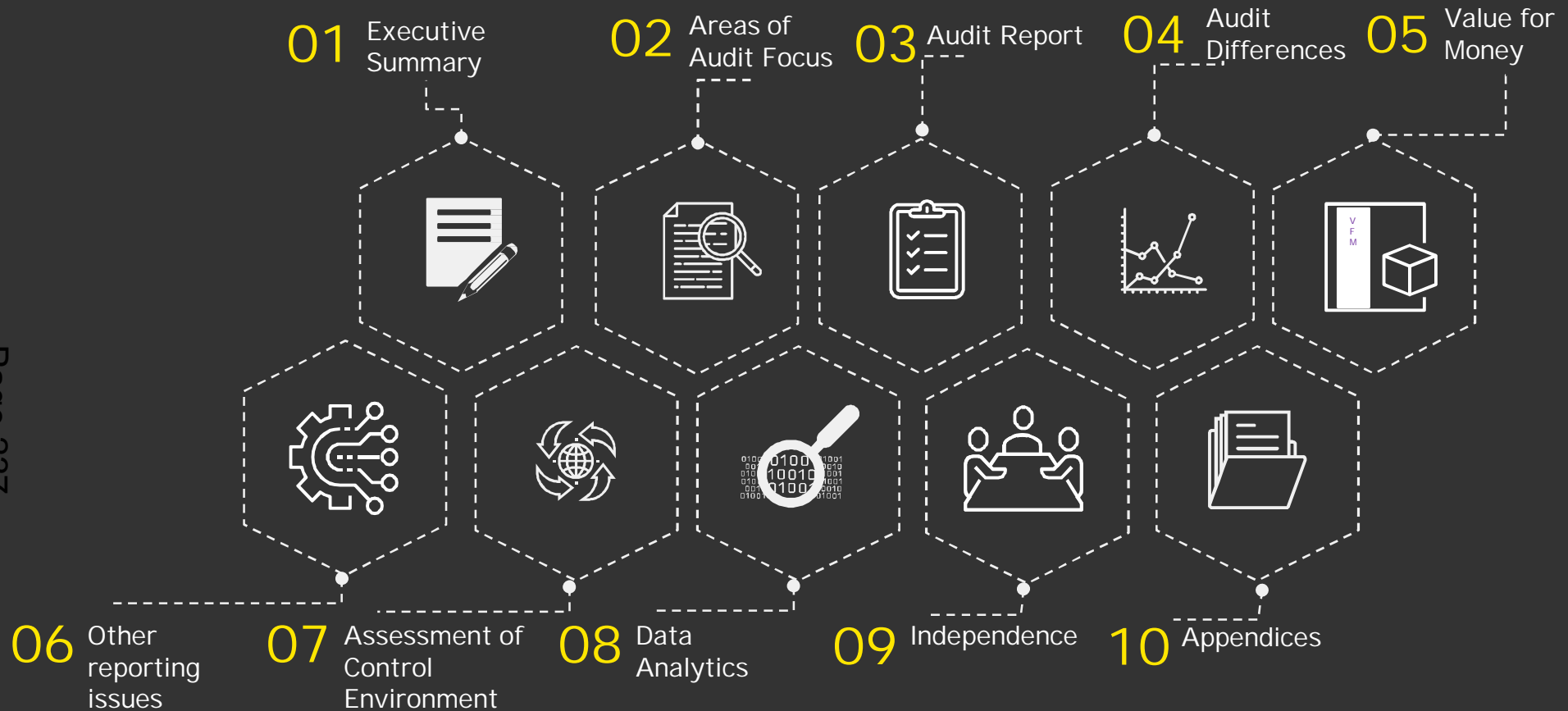
Helen Thompson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Governance & Audit & Standards Committee and management of Portsmouth City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance & Audit & Standards Committee, and management of Portsmouth City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance & Audit & Standards Committee and management of Portsmouth City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Executive Summary



Executive Summary

Scope update

In our Audit Planning Report presented at the 2 February 2018 Governance & Audit & Standards Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following points to be noted:

- Changes in materiality - in our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £11 m. The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on provision of services. We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £11.65m. This results in updated performance materiality, at 75% of overall materiality, of £8.74m, and an updated threshold for reporting misstatements of £0.582m. We also identified areas where misstatements at a lower level than materiality might influence the reader and developed specific detailed audit tests for them. These areas were: remuneration disclosures including exit packages, related party transactions, and members' allowances.
- We have engaged our internal specialist to review the Authority's updated calculation of its minimum revenue provision, and historic overprovision, arising from the adoption of the annuity method.

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summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.



Executive Summary

Status of the audit

We have substantially completed our audit of Portsmouth City Council's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

Our work is ongoing in the following areas:

- Valuation of PPE, Investment Property and Heritage Assets – work is substantially complete; our documentation of the testing is ongoing
- Long Term and Short Term investments – there are a small number of confirmations from counterparties outstanding
- Earmarked Reserves – we are awaiting evidence for part of our sample
- HB expenditure – responses to our subsidy and IT updates questionnaire are outstanding
- Capital grants – we are awaiting evidence for our sample
- MRP – our work to agree 2016/17 unsupported borrowing is ongoing – all other work necessary for 2017/18 is complete
- Disclosures and AGS – our work on disclosures and the Annual Governance Statement is ongoing

The following are also outstanding or are to be completed as part of the conclusion of the audit:

- completion of our audit conclusion procedures
- review of the final version of the financial statements
- completion of subsequent events review
- receipt of the signed management representation letter
- completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

The Whole of Government Accounts deadline for 2017/18 is 31 August 2018. We currently expect to complete that work in early August, and to issue the audit certificate following the conclusion of that work.



Executive Summary

Audit differences

We identified one audit difference in the draft financial statements which management has chosen not to adjust. We ask that a rationale as to why it is not corrected be approved by the Governance & Audit & Standards Committee and included in the Letter of Representation. The aggregated impact of the unadjusted audit difference is £3.3m. We agree with management's assessment that the impact is not material.

We have also identified audit differences with an aggregated impact of £3.4m which have been adjusted by management, and a small number of presentation and disclosure matters. These adjustments have not altered the overall financial position of the Council or its Balance Sheet Net Assets value.

Details can be found in Section 4 Audit Differences.

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Portsmouth City Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Governance & Audit & Standards Committee.

Control observations

We have adopted a fully substantive approach, so we have not tested the operation of controls. We have not identified any significant deficiencies in the design or operation of an internal control in 2017/18 that might result in a material misstatement in your financial statements and which is unknown to you.

In our Audit Results Report in 2016/17, we identified a small number of control observations, and noted management's response to these. Where appropriate, we have followed up to understand the further actions taken in 2017/18 in respect of these matters.

Further details can be found in Section 7.



Executive Summary

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. We did not identify any significant risks in relation to your arrangements in our Audit Planning Report, and none have been identified through the remainder of our audit.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

Page 219
Our work to review the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority is ongoing. We will provide an update on this at the 27 July 2018 meeting of the Governance & Audit & Standards Committee.

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Our work to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission is planned to take place in early August, to meet the deadline of 31 August 2018.

We have no other matters to report.

Independence

Please refer to Section 9 for our update on Independence. There are no issues which we need to bring to your attention with regard to our independence from Portsmouth City Council for 2017/18.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

In addition to undertaking the procedures mandated by ISA240 (shown in the "What did we do?" section below), our work focussed on the following areas of potential management override:

Accounting policies – we reviewed accounting policies for compliance with the CIPFA Code of Practice, for appropriateness of tailoring, and for changes from the prior year. We were also mindful of possible non-compliance with accounting policies when undertaking our detailed testing of balances and transactions.

Accounting estimates – our work on estimates focussed on PPE valuation, IAS19 pension estimates, PFI valuation and Minimum Revenue Provision.

Capitalisation of revenue expenditure – we tested additions to property, plant and equipment, to ensure these met the criteria to be classified as capital expenditure

What did we do?

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed accounting estimates for evidence of management bias; and
- We evaluated the business rationale for any significant unusual transactions.

What are our conclusions?

Our work on a number of areas related to management override is ongoing, as noted in Section 1. We expect to conclude as follows:

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business

Further detail is provided on the next page.

Page 214



Areas of Audit Focus

Significant risk



Further details on procedures/work performed

Our work on a number of areas related to management override is ongoing, as noted in Section 1. We expect to conclude as follows:

We have undertaken a programme of testing on journals and manual adjustments to the financial statements. We have not identified any inappropriate journals or adjustments through this work.

We have not identified any instances of inappropriate judgements being applied in relation to accounting estimates, or other balances and transactions. We have engaged our internal specialist to review the Authority's updated calculation of its minimum revenue provision, and historic overprovision, arising from the adoption of the annuity method. This work is ongoing, but we do not expect to identify any issues with a material impact on the 2017/18 financial statements.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

We did not identify any inappropriate tailoring of accounting policies, or inappropriate changes in policies from the prior year. Policies were found to be compliant with the CIPFA Code and no instances of non-compliance with the stated policies were identified through our wider audit work.

We have undertaken a programme of testing on additions to property, plant and equipment and have not identified any instances of inappropriate capitalisation of revenue expenditure.



Areas of Audit Focus

Other areas of audit focus

What is the risk/area of focus?

Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What did we do?

The procedures we undertook were to:

- Consider the work performed by the Authority's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre) and challenge the key assumptions used by the valuer;
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Property;
- Review assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated; and
- Test to confirm that accounting entries have been correctly processed in the financial statements.

What are our findings?

Our work on valuation of land and building is ongoing. For each major class of assets, the status of our work is as follows:

- Work on heritage assets is complete.
- We have agreed the underlying calculations and rental figures for investment property – work to agree yields is currently being finalised.
- We have a small number of queries arising in relation to our sample of beacon properties for HRA valuations which are being followed up.
- Evidence has been provided for our sample of other land and buildings and is currently being worked through. We have reviewed the valuation of the Spinnaker Tower undertaken in 2017/18 with no issues arising.

No issues have been identified from our work to date. We will provide a further update to the meeting of the Governance & Audit & Standards Committee on 27 July 2018.



Areas of Audit Focus

Other areas of audit focus

What is the risk/area of focus?

What did we do?

What are our findings?

Classification of Investment Properties

The Local Authority Accounting Code of Practice states that an investment property is one which is held solely to earn rentals or for capital appreciation, or both. Property which is held for any other purpose (even if also earning rentals or achieving capital appreciation) must be classified as property, plant and equipment. It is a requirement that the Authority's treatment of property held on its balance sheet conforms to these classifications. Review of assets classified as investment property in 2016/17 identified a number which did not meet the definition and resulted in a significant amendment to the Authority's financial statements.

The procedures we undertook were to:

- Sample test investment properties to confirm they meet the definitions set out in the Code; and
- Perform an overall review of the Authority's investment property asset register for indications of inappropriate classification.

We undertook the programme of work set out in the previous column.

We did not identify any material issues with regard to investment property classification.

We have noted that the Authority has undertaken an assessment of investment property classification in 2017/18 and reclassified a number of properties to PPE where they did not meet the criteria for recognition as investment property. We are satisfied that these reclassifications have been appropriately made.

PFI accounting

The Authority has four PFI arrangements, two of which are material to our audit. PFI accounting is a complex area, and a detailed review of these arrangements was undertaken by our internal expert in 2016/17. We will review the accounting entries and disclosures in relation to PFI in detail in 2017/18, with a focus on any significant changes since the expert's review in the previous year.

The procedures we undertook were to:

- Review assurances brought forward from prior years regarding the appropriateness of the PFI financial models;
- Review the PFI financial models for any significant changes, and if identified consider engaging relevant experts to review the models to ensure they are still working as expected;
- Ensure the PFI accounting models have been updated for any service or other agreed variations and confirm consistency of current year models with prior year brought forward assurances; and
- Agree outputs of the models to the accounts, including balances and disclosures for Assets, Liabilities, and Expenditure, and review the completeness and accuracy of disclosures.

We undertook the programme of work set out in the previous column.

We did not identify any material issues with regard to PFI accounting and no further expert involvement was required.



Areas of Audit Focus

Other areas of audit focus

What is the risk/area of focus?

What did we do?

What are our findings?

Pension Asset/Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The procedures we undertook were to:

- Liaise with the auditors of Hampshire County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Portsmouth City Council;
- Assess the work of the Pension Fund actuary (Aon Hewitt) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

We undertook the programme of work set out in the previous column.

We did not identify any material issues with regard to the valuation of pension assets and liabilities.

One immaterial judgmental difference was identified. This has been reported in Section 4.

Group Accounts

IFRS 10, 11 and 12 set out the requirements which must be followed when assessing and disclosing group and joint arrangements. Where the Authority has interests in other entities, it needs to undertake qualitative and quantitative assessments to inform its decisions as to whether group accounts are required. This is an area of potential complexity and judgment requiring regular review.

The procedures we undertook were to:

- Ask the Authority to update its group accounts assessment for all relevant entities and critically evaluate this as early in the audit cycle as possible; and
- Undertake our own assessment and compare this with the Authority's review, to identify any areas where additional work may be required to form a conclusion on whether group accounts are required under the accounting standards.

We undertook the programme of work set out in the previous column.

We did not identify any material issues with regard to the Authority's group accounts assessment.

The Council's assessment will need to be refreshed again in 2018/19 if the new energy company commences trading in the year.



Areas of Audit Focus



Other matters (continued)

Assessment of new Accounting Standards

IFRS 9 Financial Instruments: The 2018/19 Code introduces IFRS 9 on financial instruments. Your view is that the impact on the Authority's financial statements will be immaterial. The Authority will need to keep this standard under continued focus during 2018/19 because:

- The standard may impact balances with the Authority's subsidiaries
- Statutory overrides may be introduced by Central Government

IFRS 15 Revenue from Contracts with Customers: Similarly the 2018/19 Code of Practice on Local Authority Accounting for the United Kingdom determines how IFRS 15 Revenue from Customers with Contracts will be adopted by local government bodies. In your view IFRS 15 will not have a material impact on this Authority's single entity financial statements as the vast majority of the Authority's income streams are taxation or grant based.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PORTSMOUTH CITY COUNCIL

Opinion

We have audited the financial statements of Portsmouth City Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement; Comprehensive Income and Expenditure Statement; Balance Sheet; Cash Flow Statement; the Expenditure and Funding Analysis on page 39 and notes 1 to 43; the Collection Fund and the related notes 1 to 3; and the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Portsmouth City Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance & Information Technology (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance & Information Technology (Section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Audit Report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 2017/18 other than the financial statements and our auditor's report thereon. The Director of Finance & Information Technology (Section 151 Officer) is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Portsmouth City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



Audit Report

Our opinion on the financial statements

Responsibility of the Director of Finance & Information Technology (Section 151 Officer)

As explained more fully in the Statement of the Director of Finance & Information Technology (Section 151 Officer)'s Responsibilities set out on page 35, the Director of Finance & Information Technology (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance & Information Technology (Section 151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether the Portsmouth City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Portsmouth City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Portsmouth City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Audit Report

Our opinion on the financial statements

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Use of our report

This report is made solely to the members of Portsmouth City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Portsmouth City Council and the Portsmouth City Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
xx July 2018

The maintenance and integrity of the Portsmouth City Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04 Audit Differences





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

To date, we have not identified any adjusted differences above our performance materiality level of £8.7m.

We identified two classification misstatements below this level, with a total value of £3.4m, relating to Balance Sheet accounts. These had no impact on total net assets.

We agreed with management that an additional disclosure was needed in Note 37 “Other Companies” to confirm the amount given in grants in the year to MMD (£4m).

We also identified a small number of other minor presentation and disclosure errors, which have been corrected by management.



Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Governance & Audit & Standards Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2018 (£000)			Effect on the current period:				Balance Sheet (Decrease)/Increase
			Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Errors							
Judgemental differences:							
Pension liability						3,310	
Pension reserve							(3,310)
Balance sheet totals:						3,310	(3,310)

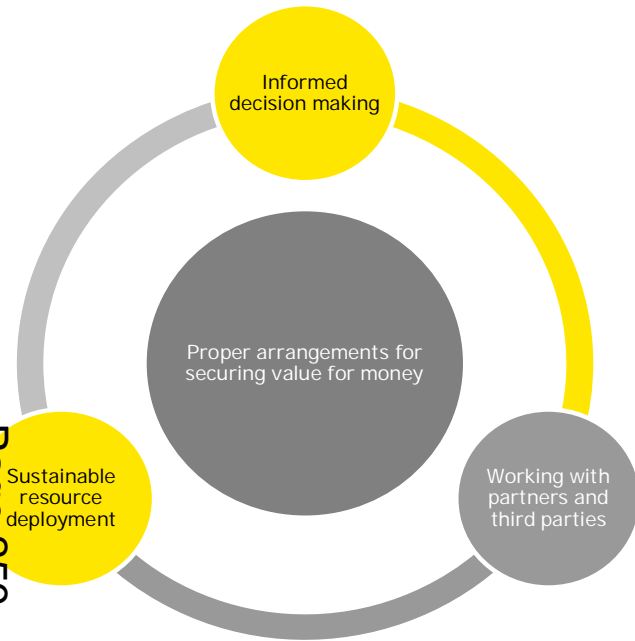
To date, we have identified one unadjusted difference above our reporting threshold of £0.582m, as shown above. This relates to the value of pension assets attributable to Portsmouth City Council as part of the actuarial estimate of pension assets and liabilities for IAS19 reporting in the statement of accounts. The value of the unadjusted difference is £3.3m. The difference was identified through comparison of the actuary's estimate of the Authority's share of Hampshire Pension Fund's assets at 31 March 2018, and the Authority's notional share of the total actual Fund assets at 31st March 2018. The Authority's share of assets is estimated by the Actuary of Hampshire Pension Fund on a roll-forward basis from the 2016 triennial valuation, and the entries in the financial statements are based on an estimate to allow the Authority's accounts to be compiled in time to meet statutory deadlines. The difference is not material to the accounts and we have sufficient assurance that the actuary's estimate of pension assets and liabilities as a whole is materially correct. A similar variance has been identified at a number of authorities across the country.



05

Value for Money Risks





Background

We are required to consider whether the Authority has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2017/18 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- § Take informed decisions;
- § Deploy resources in a sustainable manner; and
- § Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

We did not identify any significant risks with regard to these criteria at the planning stage of our audit.

We have updated our risk assessment through to the year-end, and have not identified any new significant risks.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



06 Other reporting issues



Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2017/18 with the audited financial statements.

Financial information in the Statement of Accounts 2017/18 and published with the financial statements was consistent with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Our work to review the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority is ongoing. We will provide an update on this at the 27 July 2018 meeting of the Governance & Audit & Standards Committee.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

Our work to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission is planned to take place in early August to meet the deadline of 31 August 2018. We will provide an update to the Governance & Audit & Standards Committee should there be any issues arising from this work.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues requiring us to act under these responsibilities.

Page 26/27

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

As part of our consideration of laws and regulations, we have kept the ongoing EU investigation into possible state aid to MMD under review. We are satisfied that the Authority is responding appropriately to this and that no further action is needed as part of our 2017/18 audit. We have also maintained ongoing discussions with management about the potential need to produce harbour accounts for the port. We are satisfied that progress is being made, and that there is no impact on our 2017/18 financial statements audit arising from this matter.

We have no other matters to report.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control in 2017/18 that might result in a material misstatement in your financial statements of which you are not aware.

In our Audit Results Report in 2016/17, we noted that we had identified four issues with regard to internal controls, although none of these was sufficiently significant to impact our audit opinion, and all points raised had been responded to by management. We have followed up on these issues as part of our 2017/18 audit where responses given in 2016/17 indicated that further action would need to be taken this year (one instance). The next slide shows the update provided, which we deem reasonable.

We have also corroborated the follow up to one other issue through work reported above - namely the need to keep the Authority's group accounts assessment up to date.

The other two prior year controls issues related to cash held on behalf of the Authority's pooled budget with NHS Portsmouth CCG, and controls around authorisation of journals, which were responded to in full in 2016/17.



Assessment of Control Environment – follow up on prior year issues

Area

Treasury Management Reconciliations

Observation

We noted that the reconciliations are recorded on standard templates and that the date sign offs on the templates are not always updated. Our testing did not identify any unusual reconciling items or errors and we are satisfied that the year end balances are correctly stated. Nevertheless, accurate recording of the dates on reconciliations would help to ensure that the reconciliations are always timely. In this respect, there is scope for improving the documentation of control

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Management
Comment
2016/17

This issue has arisen from the sign off date being typed into the reconciliation spreadsheets. It is therefore easy to overlook the sign off date and not update it. The reconciliations will be amended so that instead of the date being typed, a box will be provided for the date to be entered by hand.

Management
Comment
2017/18

The reconciliations have now amended so that dates have to be entered by hand, and this process is now followed.



08 Data Analytics



Use of Data Analytics in the Audit

► Data analytics – testing of General Ledger Journals, and Employee Costs

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the authority's audit included testing journal entries and employee costs, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes securely. These processes are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

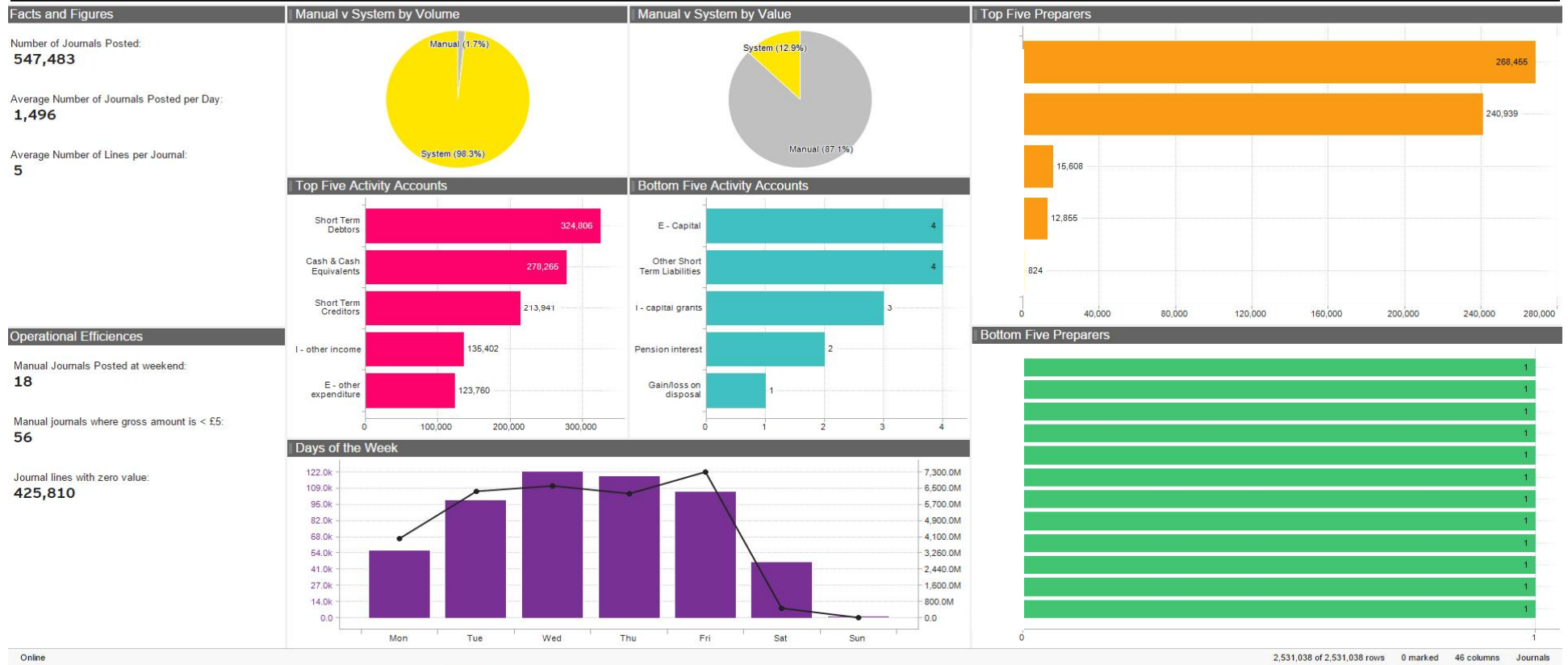


Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2017/18. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.

EY Helix - GLASS: Journal Entry Data Insights - 18 Portsmouth City Council - P1-12 - 31/03/2018



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Journal Entry Testing

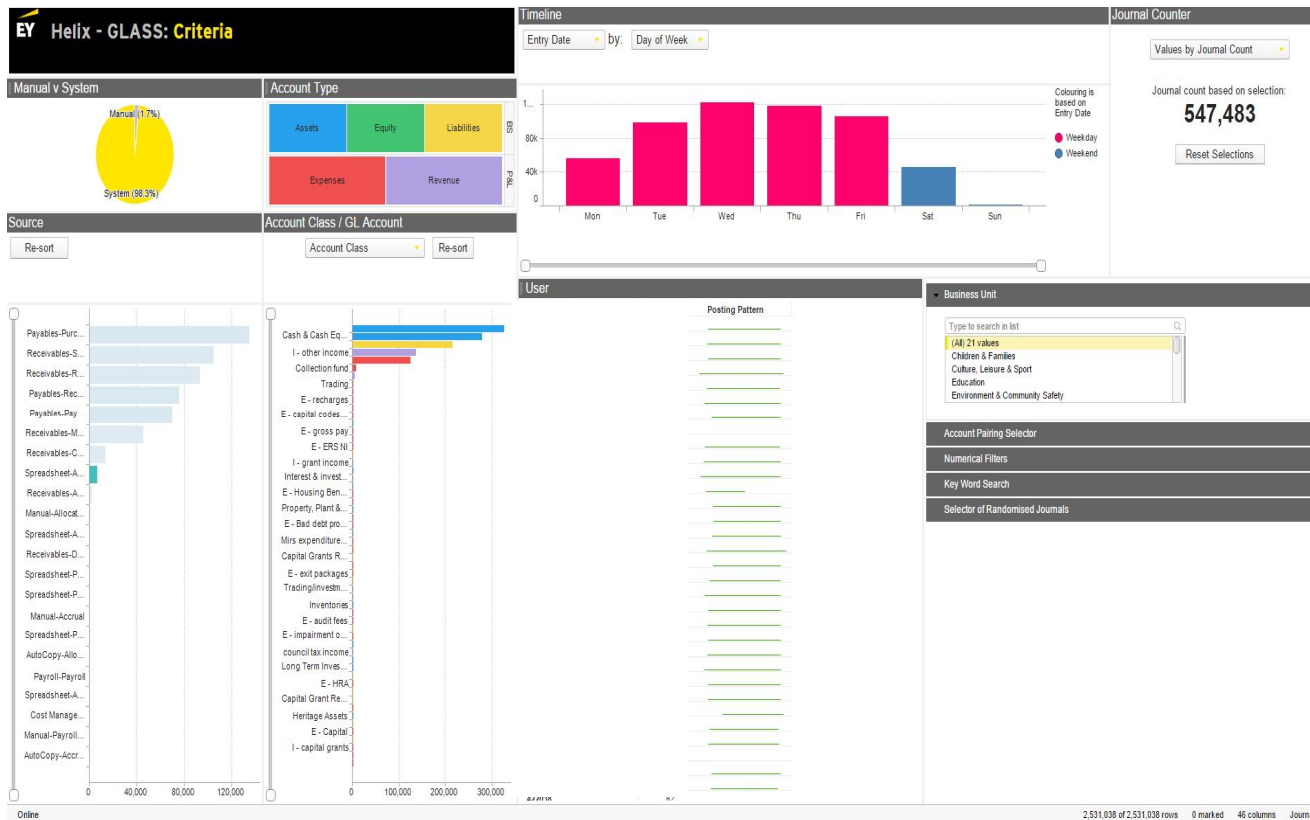
What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

Journal entry data criteria – LG – 31 March 2018

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and expect to conclude that they were appropriately stated based on work performed to date.



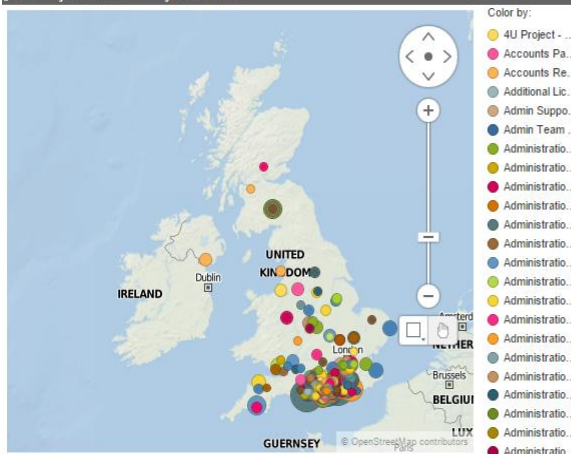
Data Analytics

Payroll Analyser Insights

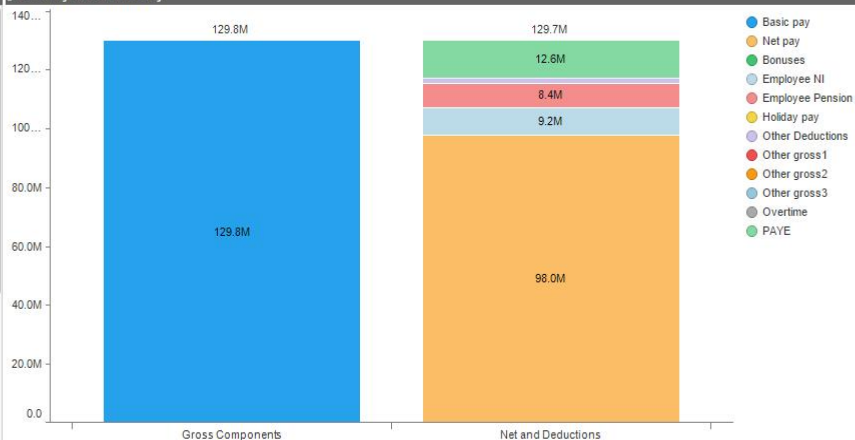
The graphic outlined below summarises the Authority's payroll data for 2017/18. We review transactions for payroll at a more granular level, which allows us to identify items with a higher likelihood of containing material misstatements or to identify unusual patterns within a population of data and to design tests of details. This allows us to provide a more effective and risk focused audit on payroll, improving efficiency for both audit and the management as we reduce the need for evidence support for larger random samples.

EY Helix - Payroll Analyser: 1. Payroll Overview

1.0 Pay Distribution by Location



1.1 Payroll Summary



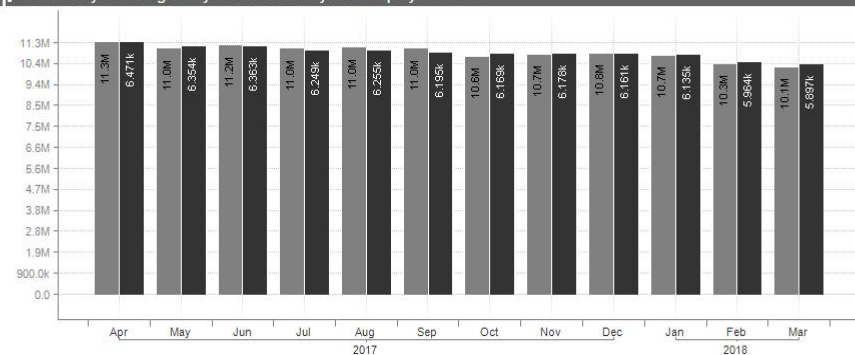
1.2 Transaction Summary

Column	Value	% of Gross
Basic Pay	129.8M	100.0%
Overtime	(Empty)	(Empty)
Holiday pay	(Empty)	(Empty)
Bonuses	(Empty)	(Empty)
Other gross 1	(Empty)	(Empty)
Other gross2	(Empty)	(Empty)
Other gross3	(Empty)	(Empty)
Gross Pay	129.8M	100.0%
Net Pay	98.0M	75.4%
PAYE	12.6M	9.7%
Employee NI	9.2M	7.1%
Employer NI	11.2M	8.6%
Employee Pension	8.4M	6.5%
Employer Pension	16.0M	12.3%
Other	1.5M	1.2%

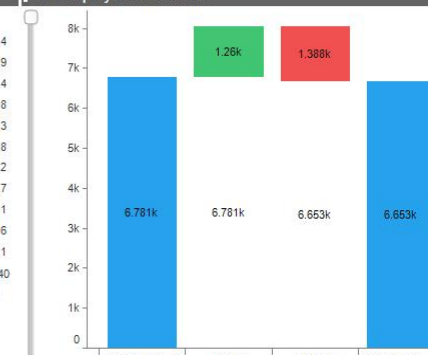
1.3 Data Insights

	Gross	#%
Staff Turnover		17.26%
Employees not in Master File	0.0	6
Employees not in Transactions	0.0	323
Payments after Leave Date	1.4M	895
Payments before Join Date	(Empty)	0
Largest Gross Payment	147.1k	
Average Gross Payment	1.6k	
Smallest Gross Payment	-8.6k	
Employee(s) under minimum wage		0
Highest Paid Employee : Median Employee		23.27

1.4 Monthly Trending Analysis of Gross Pay and Employee Count



1.5 Employee Movement



Online

80,723 of 80,723 rows 0 marked 79 columns Payment Data





09

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report dated January 2018.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Governance & Audit & Standards Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Governance & Audit & Standards Committee on 27 July 2018.

We confirm we have not undertaken any non-audit work outside the PSAA Code requirements.

Independence



Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in the below table has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Independence

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£	£
Total Audit Fee - Code work	TBC*	149,438	149,438	149,438
Certification of housing benefit subsidy claim	TBC**	17,797	17,797	17,196

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* We have proposed a scale fee variation of £6,886, in relation to work done in 2017/18 to review in detail the Authority's calculation of its minimum revenue provision and related historic overprovision, following its adoption of the annuity method. This work is outside the scope covered by the scale fee. An equivalent fee has not been charged in previous years. The proposed fee variation remains subject to agreement with management and Public Sector Audit Appointments Ltd.

** Our work on the Authority's 2017/18 housing benefit subsidy claim is ongoing. Our final fee will be confirmed following the completion of our work. The deadline for certification of the claim is 30 November 2018.



10

Appendices





Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit. The audit approach to all material balance sheet items is shown.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework




Appendix A

Balance sheet category 	Audit Approach in current year 	Audit Approach in prior year 	Explanation for change 
Property, Plant and Equipment	Substantively test all relevant assertions	Substantively tested all relevant assertions	No change in audit approach from prior year
Heritage Assets			
Investment Property			
Long Term Investments			
Long Term Debtors			
Short Term Investments			
Short Term Debtors			
Cash & Cash Equivalents			
Short Term Borrowing			
Short Term Creditors			
Capital Grants Receipts in Advance			
Provisions (short and long term)			
Other Long Term Liabilities			
Long Term Borrowing			
Pension Liability			
Usable Reserves			
Unusable reserves			

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Appendix B




Summary of communications

Date 	Nature 	Summary 
22/01/2018	Meeting	The partner in charge of the engagement, along with the audit manager, met with the Section 151 Officer to discuss current issues at the Authority to inform our continuous audit planning.
02/02/2018	Report	The audit planning report, including confirmation of independence, and a separate progress report setting out work undertaken at the planning stage of our audit, was presented to the Governance & Audit & Standards Committee.
09/03/2018	Report	A progress report, setting out work done at the interim stage of our audit, was presented to the Governance & Audit & Standards Committee.
23/04/2018	Meeting	The partner in charge of the engagement, along with the audit manager, met with the Section 151 Officer to discuss current issues at the Authority to inform our continuous audit planning, and progress on the audit to the interim stage.
28/06/2018	Report	A progress report, confirming key dates for our year-end visit, was presented to the Governance & Audit & Standards Committee.
27/06/2018	Meeting	The partner in charge of the engagement, along with the audit manager, met with the Section 151 Officer to discuss current issues at the Authority to inform our year-end audit visit.
11/07/2018	Meeting	The partner in charge of the engagement, along with the audit manager, met with the Section 151 Officer to discuss current issues at the Authority and progress on the audit at the year-end stage, including any emerging issues.
27/07/2018	Report	The audit results report, including confirmation of independence, will be presented to the Governance & Audit & Standards Committee.





Appendix C

Required communications with the Governance & Audit & Standards Committee

There are certain communications that we must provide to the audit committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Terms of engagement	Confirmation by the Governance & Audit & Standards Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.	
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report, January 2018	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report, January 2018	
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report, July 2018	

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including: <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Portsmouth City Council’s ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	Audit results report, July 2018
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Governance & Audit & Standards Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	We have enquired of management and those charged with governance. We have no matters to report
Fraud	<ul style="list-style-type: none"> • Enquiries of the Governance & Audit & Standards Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Governance & Audit & Standards Committee responsibility. 	Audit results report, July 2018

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Authority 	Audit results report, July 2018
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit planning report, January 2018 and Audit results report, July 2018
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the Governance & Audit & Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance & Audit & Standards Committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Audit results report, July 2018
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit results report, July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report, July 2018
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit results report, July 2018
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report, January 2018 and Audit results report, July 2018
Certification work	<ul style="list-style-type: none"> Summary of certification work 	Certification Report, expected to be issued September/October 2018

Management representation letter

Management Rep Letter

Helen Thompson
Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

This letter of representations is provided in connection with your audit of the financial statements of Portsmouth City Council ("the Council") for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Portsmouth City Council as of 31 March 2018 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, that are free from material misstatement, whether due to fraud or error.

Management representation letter

Management Rep Letter

5. We believe that the effects of the unadjusted audit difference, shown in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented is immaterial to the financial statements taken as a whole. We have not corrected this difference identified by and brought to our attention from the auditor because it is judgmental, and it is immaterial and therefore will not impact the understanding of a reader of the accounts.

- B. Non-compliance with law and regulations, including fraud
 1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
 2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
 3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

- C. Information Provided and Completeness of Information and Transactions
 1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
 3. We have made available to you all minutes of the meetings of the Council and Cabinet (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date:
 - Full Council: 10 July 2018
 - Cabinet: 06 July 2018

Management representation letter

Management Rep Letter

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than as described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

Management representation letter

Management Rep Letter

G. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment, the IAS19 pension fund liability, and the business rates appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

H. Estimates - Valuation of property, plant and equipment, IAS19 pension liability, PFI valuation, and minimum revenue provision:

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We confirm that the significant assumptions used in making the valuation of property, plant and equipment, IAS19 pension liability, PFI valuation, and minimum revenue provision estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Management representation letter

Management Rep Letter

Yours faithfully,

Chris Ward
(Director of Finance and Information Technology, and Section 151 Officer)

I confirm that this letter has been discussed and agreed at the Governance and Audit and Standards Committee on 27 July 2018

Councillor Will Purvis
(Chair of the Governance and Audit and Standards Committee)

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.



Title of meeting:	Governance and Audit and Standards Committee
Date of meeting:	27 th July 2018
Subject:	Risk and assurance management policy
Report by:	Director of HR, Legal and Performance
Wards affected:	n/a
Key decision:	No
Full Council decision:	No

1. Purpose of report

- 1.1 The report presents the council's risk and assurance management policy to the Governance and Audit and Standards Committee for approval.

2. Recommendations

- 2.1 The Governance and Audit and Standards Committee are asked to:
- 1) Approve the attached Risk and Assurance Management Policy
 - 2) Agree to review the risk management policy in June 2020, including risks current at the time and lessons learnt over the previous year.

3. Background

- 3.1 The Council is committed to embedding a culture of risk awareness within our everyday activities such that formal processes and unnecessary documentation can be minimised but that risk management remains an effective part of the governance framework.
- 3.2 The attached Risk and Assurance Management policy sets out how this will be achieved. Significant features of the policy are:
- Roles and responsibilities are set out clearly
 - Components of process, such as training and monitoring are clearly described.
- 3.3 Whilst it is accepted that risk cannot be entirely eradicated, the following are areas on which the council will not compromise its position by taking a greater level of risk than is absolutely necessary and will take all reasonable steps to eliminate or mitigate the risks where identified:
- Where there is risk of physical harm

- Where non-compliance with Legislation could lead to imprisonment or significant fines

4. Reasons for recommendations

- 4.1 The policy has been in effect since 2013, and has been regularly reviewed to ensure that it is in line with the current structure. For this review, a previous recommendation that this policy forms part of corporate induction has been removed, and a requirement to specify the "time" of a risk has been removed, with a request instead to consider this as part of assessing the nature of the risk. There are no other amendments considered necessary (for example, to practice or procedure).

5. Equality impact assessment

- 5.1 An equality impact assessment is not required as the recommendations do not have a negative impact on any of the protected characteristics as described in the Equality Act 2010.

6. Legal implications

- 6.1 Legal considerations have been taken into account in the preparation of this report and where appropriate embodied within it.

7. Director of Finance's comments

- 7.1 There are no financial implications arising from the recommendations in this report.

.....
Signed by: Jon Bell, Director of HR, Legal and Performance

Appendices:

Appendix 1 - Risk and Assurance Management policy

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

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Policy Title: *Risk & Assurance* *Management*

Summary:

Risk is a fact of life in an ever changing landscape. By attempting to foresee and avert problems in the delivery of services and maximise opportunities, it helps ensure that resources are used in the best way possible. Risk management is a fundamental part of how we operate and forms part of our Corporate Governance Framework.

These Policy and Procedures are designed to support a risk culture which is embedded in the way we work rather than having a process which itself is used to drive risk management.

ID	<i>RM-002</i>
Last Review Date	<i>June 2018</i>
Next Review Date	<i>June 2020</i>
Approval	<i>G&A&S</i>
Policy Owner	<i>Director of HR, Legal and Performance</i>
Policy Author	<i>Corporate Performance Manager</i>
Advice & Guidance	<i>Kelly Nash 023 9268 8157 kelly.nash@portsmouthcc.gov.uk</i>
Location	<i>Policy hub</i>
Related Documents	<i>http://intranlink/Media/HST_2012_Apr_Corp_Health_and_Safety_Pol_3rd_edition.pdf</i>
Applicability	<i>All PCC staff</i>

Section One: Risk Management Statement of Policy

1. Statement of policy

- 1.1 The Council is committed to embedding a culture of risk awareness within everyday activities such that formal processes and unnecessary documentation can be minimised, but that risk management remains an effective part of the governance framework.
- 1.2 It is accepted that not all risks can be eliminated or mitigated, and a balance must always be struck between the costs of risk reduction against the likelihood and impact of the risk (risk exposure).
- 1.3 Where the organisation is required to behave in a specific way to meet legal and financial governance requirements for example, statutory officers have determined corporate directive controls, such as the City Constitution which have been approved by Members. Compliance with these controls should prevent governance legal and financial threats arising in the first place. Where service controls are required these fall under the auspices of the relevant head of service, which includes their implementation and monitoring.
- 1.4 Risk impacts can be financial loss, non-achievement of objectives, environmental damage, personal injury or ill-health, legal action and reputational damage or a mix of these. Most serious risk impacts will include financial loss, legal action **and** reputational damage but the very worst are likely to include an element of either service failure, injury or environmental damage as well.
- 1.5 Evaluation of the potential financial impact of a risk will include not only the direct costs such as fines, infrastructure repairs and liability claims but indirect costs such as loss of officer time, including support staff such as Finance and Legal, loss of staff morale and productivity, lost opportunities, increased insurance premiums and reduced funds which could impact on future service delivery.
- 1.6 The Council as a public body has to protect and preserve its ability to provide services and ensure that assets are protected against significant loss and damage and interruption to service delivery is minimised.
- 1.7 Whilst it is accepted that risk cannot be entirely eradicated, the following are areas on which the council will not compromise its position by taking a greater level of risk than is absolutely necessary and will take all reasonable steps to eliminate or mitigate the risks where identified:
 - Where there is risk of physical harm
 - Where non-compliance with legislation could lead to imprisonment or significant fines

SECTION TWO: Procedures

2. Roles and responsibilities

- 2.1 It is the responsibility of all members and employees to be aware of risks when carrying out their duties and to alert the relevant service manager to the threat. Managers must ensure that threats are properly evaluated and mitigated.
- 2.2 The following table details the roles and responsibilities of Members and Officers of the Council

Governance and Audit and Standards Committee	<ol style="list-style-type: none"> 1. Monitor the effectiveness of the Council's overall risk management arrangements as part of the Governance Framework 2. Review and approve the Council's Risk Management Policy 3. Seek assurance that risks are being managed effectively 4. Review the adequacy of the system of internal control as highlighted by Internal Audit 5. Promote member compliance with the RM Policy
Cabinet/ Portfolio Holders/ all Members	<ol style="list-style-type: none"> 1. Seek assurance that risks are being managed effectively 2. Set the Council's risk culture and appetite 3. Consider risk implications when making or evaluating decisions 4. Challenge the adequacy of controls or actions taken to mitigate identified risks.
Chief Executive/ Deputy Chief Executive	<ol style="list-style-type: none"> 1. Determine the RM Policy and procedures and create the environment for them to work effectively including promoting and supporting a risk awareness culture, 2. Maintain awareness and oversight of the most significant risks facing the organisation 3. Obtain assurance from Directors that risks have been considered, in the delivery of their services and mitigated 4. Challenge Directors on the adequacy of controls or actions taken to mitigate risks 5. Ensure regular reporting to Governance and Audit and Standards Committee
Corporate Governance Group	<ol style="list-style-type: none"> 1. To keep under review the Risk Management & Assurance Framework to ensure its adequacy & effectiveness 2. To identify any themes that arise and propose corporate actions to mitigate or escalate as appropriate 3. To review the risk register prior to submission to

	Governance and Audit and Standards Committee 4. To ensure that assurance for key areas is mapped and any gaps in assurance addressed
Directors	<ol style="list-style-type: none"> 1. Promote risk awareness and responsibilities to employees 2. Consider risks to service delivery and evaluate appropriate responses including the introduction and monitoring of effective control 3. Obtain assurance that risks have been considered, in the delivery of their services and mitigated 4. Risk assess any decisions and option analyses 5. Report promptly to the Chief Executive/ Deputy Chief Executive & relevant Portfolio Holders any perceived new risks or significant failures in controls 6. Maintain channels of communication to encourage bottom up reporting of risks and control failures 7. Ensure compliance with corporate directives controls as a first response to governance financial and legal threats. 8. Where Directors are acting as Project Directors they must ensure that risks have been considered and mitigated (where possible) recorded and form part of the information to the Corporate Governance Group and Members
Strategy Unit	<ol style="list-style-type: none"> 1. Maintain the RM Policy and oversight of communications and training 2. Report on significant risks to G&A&S 3. Maintain a Directory of most significant risks affecting the Authority 4. Report to Corporate Governance Group and G&A&S within the relevant timing of the risks on mitigation with either assurance or alerting to weaknesses in actions
Internal Audit and Assurance	<ol style="list-style-type: none"> 1. Carry out periodic audits on assurance and effectiveness of RM procedures 2. Assist in providing assurance on the management of risk and effectiveness of controls
Managers, supervisors, team leaders	<ol style="list-style-type: none"> 1. Promote risk awareness and communicate responsibilities to employees 2. Maintain awareness of the risks within their area of responsibility 3. Actively encourage staff to report risk concerns 4. Evaluate risks and appropriate responses 5. Escalate risks that have significant impact to relevant Directors

All employees (including contractors and partners)	<ol style="list-style-type: none"> 1. Be aware of threats, opportunities weaknesses or failures in control in their day to day activities 2. Comply with controls that have been set up to mitigate risks and identify where they can be strengthened 3. Report promptly to their manager any perceived new risks, failures in controls, lost opportunities or where controls can be strengthened
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3. Training and Embedding

3.1 Embedding the risk culture will be achieved by a combination of the following:

- (1) E-learning on Risk Awareness to be completed as part of induction and every three years thereafter by all staff
- (2) Risk alert forms to be available on Intralink for staff to report risks to their manager
- (3) Risks to be considered at DMT's, meetings with portfolio holders, one to ones and any other meetings held to discuss service performance, objectives, progress, new decisions, options, changes in working practices or legislation,
- (4) Risks identified by outside parties such as partners, contractors insurance providers etc. will be brought to the attention of the relevant manager and dealt with accordingly
- (5) Significant risks from Audit reports will be included in the Risk & Assurance Directory
- (6) Significant risks highlighted from Managers responses to the governance framework will also be included in the Risk & Assurance Directory
- (7) The Risk & Assurance Directory will be reported to Corporate Governance Group based on the timing of the risk.

4. Risk and Assurance Directory

- 4.1 The Risk & Assurance Directory will be a formal register of all significant risks that could impact the Authority and will be maintained by the Strategy Unit.
- 4.2 They will be recorded in assurance categories (see 6.3) with the mitigating actions and person responsible.
- 4.3 Risks will be profiled as High (red) Medium (Amber) or Low (Green).
- 4.4 Each risk will contain a comment from the relevant Director re the risk appetite applied to the risk and any costs of mitigation.

5. Risk Assessments

- 5.1 Significant risks will be escalated to the Risk & Assurance Directory by the relevant person as detailed in the following paragraphs.

- 5.2 Significant risks are where the threat, likelihood and impact could cause:
- the failure or unacceptable interruption of the delivery of a service that is provided to ensure support to vulnerable people, or to protect the environment
 - Personal Injury or harm
 - Loss of trust or integrity in the Council's dealings with others
 - Ineffective use of council resources resulting in objectives not being met or reducing resources such that it impacts on the delivery of other objectives or services.
 - A missed opportunity to contribute long term to objectives that would make a positive difference to how a service is delivered
- 5.3 Activities that will identify significant risks to be escalated to the Risk & Assurance Directory include:
- Project managers will provide regular feedback to relevant project boards. Any significant risks will be escalated to the Risk & Assurance Directory by the Project Director either directly to the Chief Executive/ deputy Chief Executive or via performance returns dependent on timing of the risk
 - Legal risks will be considered by the Deputy Chief Executive and Resources Portfolio holder and will be contained within their own register .
 - IT project risks will provide regular feedback to the project board/sponsor and any significant risks escalated to the Risk & Assurance Directory by the Project Manager.
 - Significant risks highlighted from the review of the Governance Framework will be escalated to the Risk & Assurance Directory by the Director concerned.
 - Significant risks identified by staff, DMT's, Directors, Partners, Contractors, Audit or inspection reports and Members must be escalated to the Risk & Assurance Directory by the relevant Director or reported to the Corporate Performance Manager for inclusion.
- 5.4 All risks will be profiled in terms of High Medium or Low as stated in 4.2.
- 5.5 Risk assessments will include direct and indirect costs of control, mitigation and exposure:
- Staff costs, including HR, Legal and Finance (support staff costs)
 - Fines
 - Legal Claims
 - Increase in Insurance premiums
 - Infrastructure repairs
 - Hidden costs such as impact on staff performance and morale
 - Reputational harm

- 5.6 Risk assessments should also include the timing of the threat e.g. is the threat likely to be in the next few months? Coming year? Winter? Summer? Etc. If a time cannot be attributed to it the threat maybe incorrectly defined.
- 5.7 Examples of areas of risk include:
- Business Continuity
 - Fraud
 - Security of data
 - People: Delegations, Competency of staff, compliance with Policies, Recruitment and performance, health and safety
 - Procurement and contract letting and monitoring
 - Finance; budgetary control, cash management
 - Organisation: governance, policies, priorities, consultation, communication, structures, security,
 - Service delivery; resources, partners, joint or shared working
 - Environment; buildings comply with legislation, legionella, asbestos, severe weather
- 5.8 Examples of questions to consider when assessing risks include:
- What are the threats (re fraud, business continuity etc) in particular which ones are key to your service delivery or could impact on another's service delivery?
 - What are the threats that could cause a service to fail? What would the impact of that failure be?
 - Are there are any compensating controls and if they are robust?
 - How do you gain assurance that they are?
 - What is the timing of the threat? Could it happen at any time?
 - What is the risk appetite? Is it ok for the threat to materialise because for example there is a backup plan that can be immediately (or quickly) implemented?
 - What is the cost of the control?
 - What would the cost of the threat (s) materialising be?

6. Assurance

- 6.1 All Directorates will have a mechanism to identify and assess risk on a continuous basis and determine mitigation. Controls introduced to mitigate threats must be monitored at regular intervals to ensure that they are effective. If they are not effective action to remedy the situation must be taken e.g. to review the control itself or enforcement. This testing of controls and any other mitigation will form the assurance that a threat is being managed.
- 6.2 Assurance must be available in the form of evidence that can be verified (e.g. business continuity business plan and testing of its robustness) where significant risks are identified.
- 6.3 To give assurance on the key areas (as defined from time to time by the Corporate Governance Group) an assurance map showing the evidence to support the management of those areas will be compiled and maintained by the Internal Audit Service. This map will currently cover the following areas:

- Financial risks including risk of/exposure to fraud
- Technical eg. cybercrime, system failure and disaster recovery
- Political including decision-making
- Legal risk, including fulfilling Statutory obligations
- Specific vulnerabilities including Legionella, Data Protection, Fire risk etc

7. Monitoring and Review

- 7.1 The Risk & Assurance Directory and assurance map will be considered by Corporate Governance Group and G&A&S in accordance with timings of risks.
- 7.2 Managers are responsible for monitoring their own risks in accordance with this policy and procedures and escalating where relevant

Agenda Item 9

Title of meeting:	Governance and Audit and Standards Committee
Date of meeting:	27 July 2018
Subject:	Treasury Management Monitoring Report for the First Quarter of 2018/19
Report by:	Chris Ward, Director of Finance and Information Technology (Section 151 Officer)
Wards affected:	All
Key decision:	No
Full Council decision:	No

1. Executive Summary

This report outlines the Council's performance against the treasury management indicators approved by the City Council on 20 March 2018.

2. Purpose of report

The purpose of the report is to inform members and the wider community of the Council's Treasury Management position at 30 June 2018 and of the risks attached to that position.

In March 2009 the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Panel issued a bulletin on Treasury Management in Local Authorities. The bulletin states that "in order to enshrine best practice it is suggested that authorities report formally on Treasury Management activities at least twice yearly and preferably quarterly". The report in Appendix A covers the first quarter 2018/19.

3. Recommendations

It is recommended that the following be noted:

- 3.1 That there have been no breaches of the Treasury Management Policy 2018/19 in the period up to 30 June 2018.
- 3.2 That the actual Treasury Management indicators for June 2018 in Appendix A be noted.

4. Background

The Council's treasury management operations cover the following:

- Cash flow forecasting (both daily balances and longer term forecasting)
- Investing surplus funds in approved investments
- Borrowing to finance short term cash deficits and capital payments
- Management of debt (including rescheduling and ensuring an even maturity profile)
- Interest rate exposure management

The key risks associated with the Council's treasury management operations are:

- Credit risk - ie. that the Council is not repaid, with due interest in full, on the day repayment is due
- Liquidity risk - ie. that cash will not be available when it is needed, or that the ineffective management of liquidity creates additional, unbudgeted costs
- Interest rate risk - that the Council fails to get good value for its cash dealings (both when borrowing and investing) and the risk that interest costs incurred are in excess of those for which the Council has budgeted
- Maturity (or refinancing risk) - this relates to the Council's borrowing or capital financing activities, and is the risk that the Council is unable to repay or replace its maturing funding arrangements on appropriate terms
- Procedures (or systems) risk - ie. that a treasury process, human or otherwise, will fail and planned actions are not carried out through fraud or error

The total debt of the Council at 30 June including finance leases and private finance initiative (PFI) schemes is £627m. The Council has investments lodged with 58 institutions and funds that amount to £421m. The cost of the Council's borrowings and the income derived from the Council's investments are included within the Council's treasury management budget of £23m per annum. The Council's treasury management activities account for a significant proportion of the Council's overall budget. As a consequence the Council's Treasury Management Policy aims to manage risk whilst optimising costs and returns. The Council monitors and measures its treasury management position against the indicators described in this report. Treasury management monitoring reports are brought to the Governance and Audit and Standards Committee for scrutiny.

The Governance and Audit and Standards Committee noted the recommendations to Council contained in the Treasury Management Policy 2018/19 on 9 March 2018. The City Council approved the Treasury Management Policy 2018/19 on 20 March 2018. The policy sets out:

- The Treasury Management Strategy
- The Annual Revenue Provision for the Repayment of Debt Policy
- The Annual Investment Strategy

5. Reasons for Recommendations

To highlight any variance from the approved Treasury Management Policy and to note any subsequent actions.

To provide assurance that the Council's treasury management activities are effectively managed.

6. Equality impact assessment (EIA)

The contents of this report do not have any relevant equalities impact and therefore an equalities impact assessment is not required.

7. Legal Implications

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2011 to ensure that the Council's budgeting, financial management, and accounting practices meet the relevant statutory and professional requirements. Members must have regard to and be aware of the wider duties placed on the Council by various statutes governing the conduct of its financial affairs.

8. Director of Finance and Information Technology (Section 151 Officer) comments

All financial considerations are contained within the body of the report and the attached appendices.

.....
Signed by Director of Finance and Technology Services (Section 151 Officer)

Appendices:

Appendix A: Treasury Management Monitoring Report

Appendix B: Libor rates 2017/18

Appendix C: Composition of Investment Portfolio with Investment Returns at 30 June 2018

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<u>Title of document</u>	Location
1 Treasury Management Records	Financial Services

TREASURY MANAGEMENT POSITION FOR THE FIRST QUARTER OF 2018/19

A1. SUMMARY OF TREASURY MANAGEMENT INDICATORS

The Council's debt at 30 June was as follows:

Prudential Indicator	Limit £m	Actual £m
Authorised Limit - the maximum amount of borrowing permitted by the Council	660	627
Operational Boundary - the maximum amount of borrowing that is expected	645	627

The maturity structure of the Council's fixed rate borrowing was

	Under 1 Year	1 to 2 Years	3 to 5 Years	6 to 10 Years	11 to 20 Years	21 to 30 Years	31 to 40 Years	41 to 50 Years
Lower Limit	0%	0%	0%	0%	0%	0%	0%	0%
Upper Limit	10%	10%	10%	20%	30%	30%	30%	40%
Actual	1%	1%	4%	7%	24%	11%	25%	27%

The maturity structure of the Council's variable rate borrowing was

	Under 1 Year	1 to 2 Years	3 to 5 Years	6 to 10 Years	11 to 20 Years	21 to 30 Years	31 to 40 Years	41 to 50 Years
Lower Limit	0%	0%	0%	0%	0%	0%	0%	0%
Upper Limit	10%	10%	10%	20%	30%	30%	30%	10%
Actual	2%	2%	7%	12%	24%	26%	27%	0%

The Council's sums invested for periods longer than 365 days at 30 June 2018 were:

	Limit	Quarter 1 Actual
	£m	£m
Maturing after 31/3/2019	158	108
Maturing after 31/3/2020	133	75
Maturing after 31/3/2021	110	27

The Council's interest rate exposures at 30 June 2018 were:

	Limit	Actual
	£m	£m
Fixed Interest - Borrowing and (Lending)	454	292
Variable Interest - Borrowing and (Lending)	(289)	(155)

A2. GOVERNANCE

The Treasury Management Policy Statement, Annual Minimum Revenue Provision for Debt Repayment Statement and Annual Investment Strategy approved by the City Council on 20 March 2018 provides the framework within which treasury management activities are undertaken.

A3. COMBINED BORROWING AND INVESTMENT POSITION (NET DEBT)

On 30 June 2018 the Council had gross debt including finance leases and private finance initiative (PFI) schemes of £627m and gross investments of £421m giving rise to a net debt of £206m. The current high level of investments has arisen from the Council's earmarked reserves and borrowing in advance of need to take advantage of low borrowing rates thus securing reduced funding costs for the Council's capital programme. The current high level of investments does increase the Council's exposure to credit risk, ie. the risk that an approved borrower defaults on the Council's investment. In the interim period when investments are high in advance of capital expenditure being incurred, there is also a short term risk that the rates (and therefore the cost) at which money has been borrowed will be greater than the rates at which those loans can be invested. The difference between current borrowing and investment rates is 0.63%. Securing cheap funding for the capital programme will provide longer term savings through reduced borrowing costs.

A4. BORROWING ACTIVITY

The Council employs Link Asset Services to provide interest rate forecasts. The forecast overall longer run trend is for gilts and Public Works Loans Board (PWLB) rates to rise, albeit gently, with 25 year rates expected to rise from their current 2.8% to 3.5% by December 2020.

The Council has not undertaken any new borrowing in 2018/19.

The Council aims to have a reasonably even maturity profile so that the Council does not have to replace a large amount of borrowing in any particular year when interest rates might be high. The maturity profile of the Council's borrowing is within the limits contained in the Council's Treasury Management Policy (see paragraph A1).

A5. INVESTMENT ACTIVITY

Investment rates followed a falling trend in the first two months of 2018/19. Appendix B shows the actual market rates available for the first quarter of 2018/19. Base rate is not forecast to rise to more than 0.75% this year and then to only rise slowly.

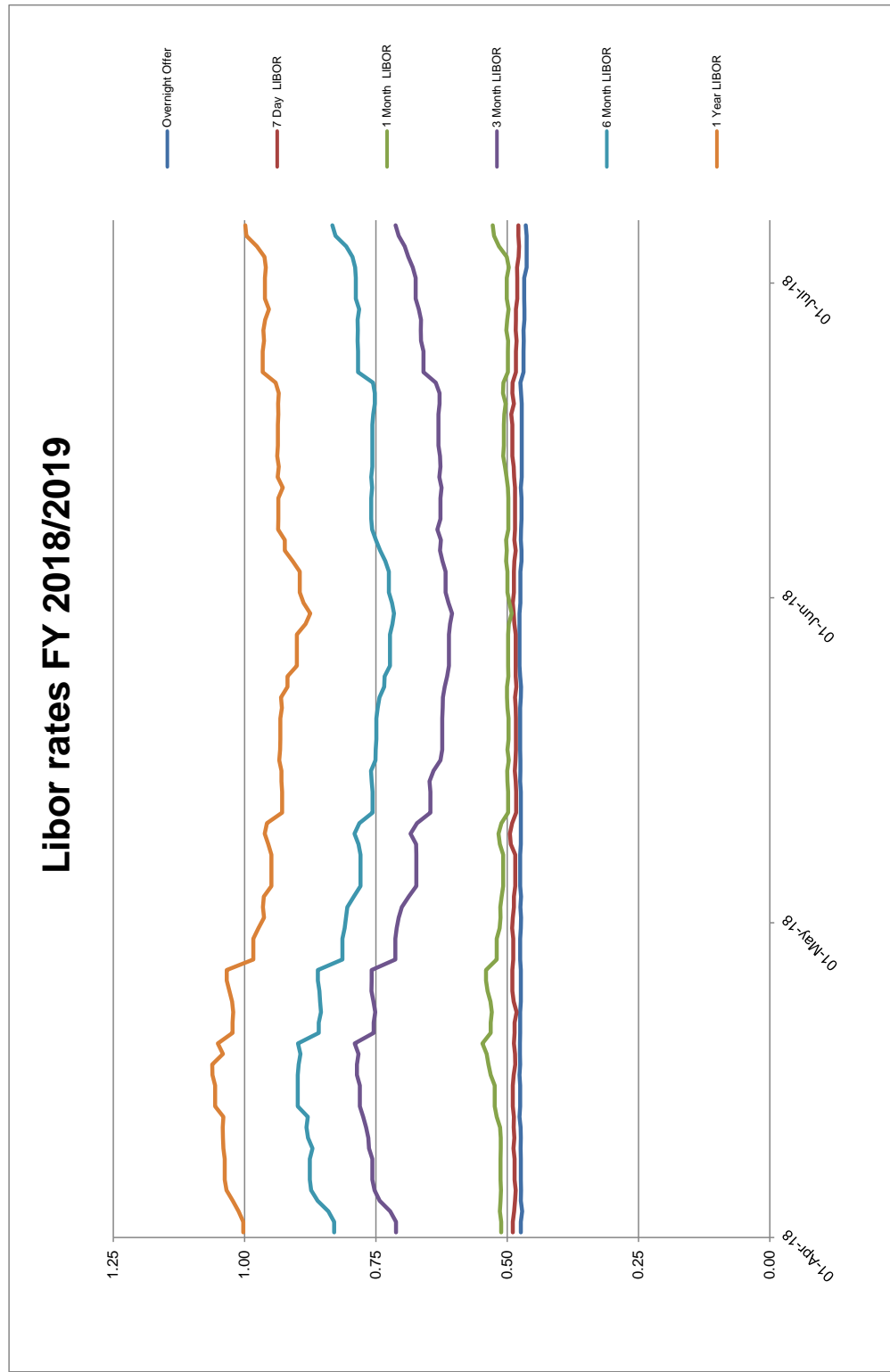
The Council's cash investments have increased by £2.7m from £418.7m at 1 April 2018 to £421.4m at 30 June 2018. The average return on the Council's investments for the first quarter of 2018/19 was 1.03%. This compares with 0.90% for 2017/18. The Council's budgeted investment return for 2018/19 is £3.1m and performance for the year to date is £0.3m above budget. This was due to obtaining better interest rates and having more cash to invest than had been anticipated. The Council's investments were within the Council's Treasury Management Policy.

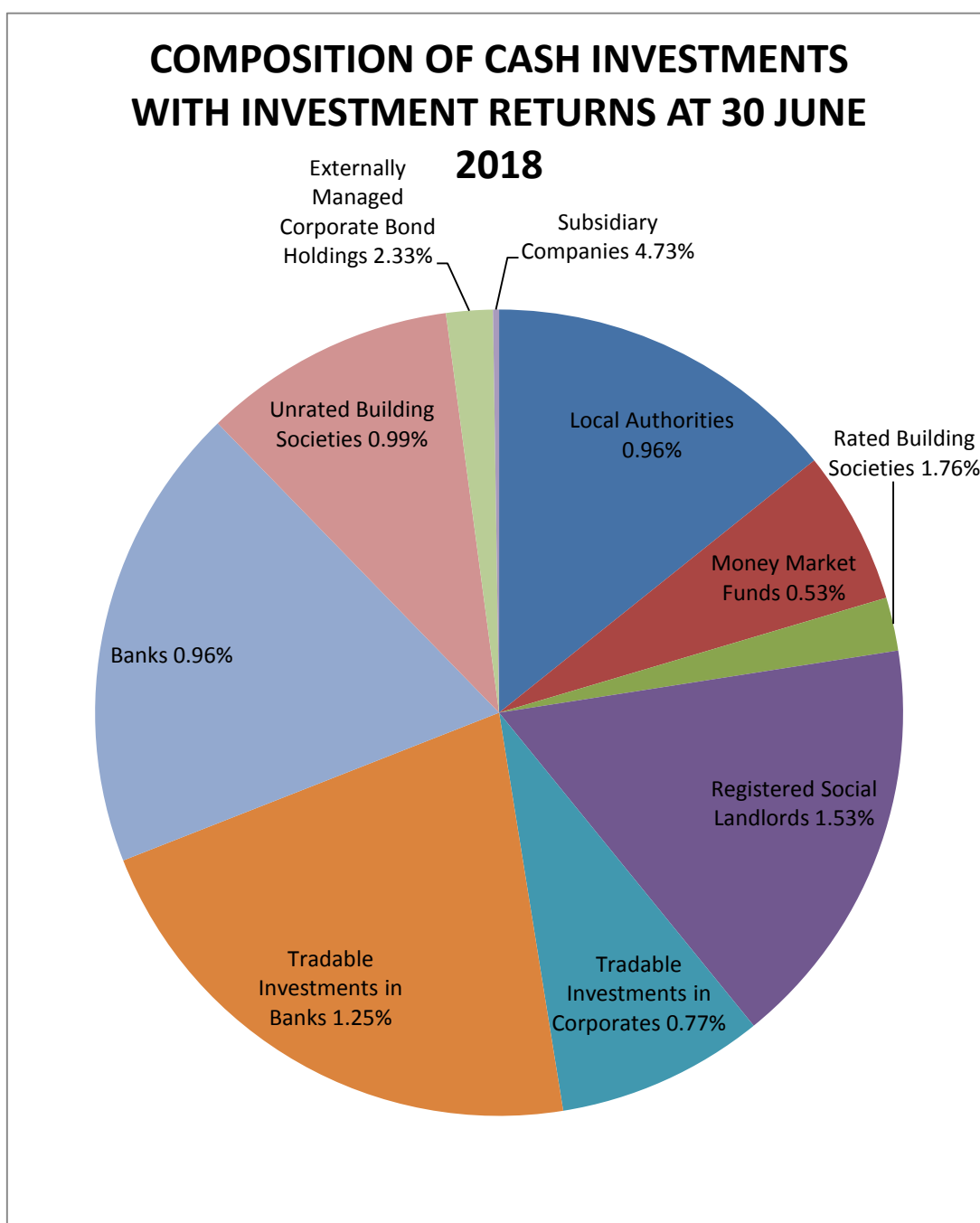
A summary of the Council's investment portfolio is contained in Appendix C. The investment returns shown are as at to 30 June 2018 and are not the cumulative returns over the first quarter of 2018/19. Investment returns shown are influenced by the date upon which investments were made and the length of the investment in addition to the nature of the investment.

A6. INTEREST RATE EXPOSURES

Fixed interest rates avoid the risk of budget variances caused by interest rate movements, but prevent the Council from benefiting from falling interest rates on its borrowing or rising interest rates on its investments. The Council's net fixed interest rate borrowing at 30 June was £292m which was within the limit set in the Treasury Management Policy of £454m. Variable interest rates expose the Council to the benefits and dis-benefits of interest rate movements and can give rise to budget variances. The Council's net variable interest rate investments at 30 June were £155m which was within the limit set in the Treasury Management Policy of £289m.

Libor rates are London inter-bank offer rates and give an indication of the rates available in the London money market





Money market funds are instant access investments in AAA rated pooled funds.

Some investments in banks and corporates (commercial companies) are tradable. This means that the Council can sell the investments at any time to a third party. This contrasts with bank and building society term deposits which can only be repaid by the bank or building society.

The Council has some externally managed corporate bond holdings. These consist of tradable debt issued by commercial companies.

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Title of meeting:	Governance and Audit and Standards Committee
Date of meeting:	27 July 2018
Subject:	Revised Corporate Complaints Policy
Report by:	Louise Wilders, Director of Community and Communications
Wards affected:	all
Key decision:	No
Full Council decision:	No

1. Purpose of report

The purpose of this report is to introduce a revised policy for dealing with corporate complaints, including the management of vexatious and persistent complaints and seeks approval of the new policy.

2. Recommendations

That the revised policy at Appendix 1 is approved

3. Background

There are approximately 500 corporate complaints per annum, which are managed by a corporate complaints officer and supported by the customer service team within the city helpdesk. The corporate complaints policy covers the majority of complaints, with notable exceptions around Adult Social Care and Children's Social Care complaints, which are managed by specialist teams within directorates.

4. Reasons for recommendations

Through customer and officer feedback it has become clear that the existing policy and some processes need to be reviewed, and supported by updated communications materials for our customers and officers to ensure the way the complaints process works is clear and easy to understand.

The corporate complaints policy and the persistent and vexatious complaints policy have been reviewed and the two policies combined into one simplified document which sets out the approach the council will follow around complaints, including the three stage escalation process.

The review of the policy has been done in consultation with officers responsible for dealing with complaints and the Local Government Ombudsman's office, who have approved the

revised policy. The revised policy will be supported by a refresh of the web pages for complaints, and a new leaflet explaining the complaint process for our customers, as well as by new internal communications materials for officers.

Alongside the changes to the policy, we will also be reviewing the processes and systems used to manage complaints to ensure more robust reporting and learning.

5. Equality impact assessment

A preliminary equality impact assessment (Appendix 2) has been completed and the recommendation does not have a negative impact on any of the protected characteristics as described in the Equality Act 2010 for the following reasons:

- The channels that the customer can use have not changed, they can still access our complaints process which is best suited for them for example face to face, email, hard copy form
- Our complaints form will still have the option for people to tick if they perceive their complaint is discrimination to ensure equalities is taken into account
- When the literature has been revised to make it easier for our customer, various protected characteristic groups will be involved to ensure it's easy and clear to understand for all our customers

6. Legal implications

There are no legal implications arising out of the recommendations contained in this report.

7. Director of Finance's comments

There are no financial implications arising from the recommendation in the report

.....
Signed by: Director of Community and Communication

Appendices: **App 1 - Revised Complaints Policy**
 App 2 - Preliminary EIA form

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

Corporate complaints policy

1 Introduction

- 1.1. Portsmouth City Council is committed to providing an excellent service for our customers but we know we don't always get it right and we recognise our customers have a right to complain when we fall short.
- 1.2. As well as giving the council the chance to put things right when something has gone wrong, complaints give us valuable feedback on our services that we use to help us improve.
- 1.3. Our complaints policy explains our process for managing complaints.
- 1.4. This policy applies to the majority of complaints made to the council. It does not apply to complaints about social care, schools, and the conduct of councillors, which are covered by separate policies. The policy also does not apply to appeals in relation to housing benefit, school admissions, parking tickets and planning applications: all of which are covered by different processes.
 - Social care complaints
www.portsmouth.gov.uk/ext/the-council/transparency/making-a-complaint-about-adult-social-care
www.portsmouth.gov.uk/ext/the-council/transparency/how-to-make-a-complaint-about-children-and-families-social-care
 - Conduct of councillors
www.portsmouth.gov.uk/ext/the-council/councillors-and-mps/complaining-about-a-councillor
 - Housing benefit
www.portsmouth.gov.uk/ext/benefits-and-support/benefits/housing-benefit---can-i-appeal
 - School admissions
<https://www.portsmouth.gov.uk/ext/schools/waiting-list-and-appeals-for-a-school-place>
 - Parking tickets
www.portsmouth.gov.uk/ext/parking-travel-and-roads/parking/parking-fines-penalty-charge-notices
 - Planning applications
www.portsmouth.gov.uk/ext/development-and-planning/planning/planning-application-appeals
- 1.5. This policy does not apply to complaints by council staff, which are covered by the following internal policies: whistleblowing policy, formal action policy, and grievance policy.

Corporate complaints policy

2. What is a complaint?

- 2.1. A complaint is any expression of dissatisfaction about a service provided by the council, one of our staff or someone acting on our behalf.
- 2.2. A complaint is not a request for service or an enquiry about a service. A request for service may become a complaint if the council fails to meet our service standards after receiving the initial enquiry.

3. Making a complaint

3.1. Who is responsible for corporate complaints at the council?

- A corporate complaints officer manages complaints as part of the customer services team.
- All complaints will be acknowledged, recorded and monitored by customer services.
- If a complaint is made to a Councillor, the customer will be referred to customer services and the complaint will be managed in line with this policy. The Councillor(s) will be provided with a copy of the response to the complaint.

3.2. How we manage complaints?

- All complaints are managed confidentially.
- We will handle all complaints fairly and honestly regardless of who is making a complaint.
- All complaints will be responded to promptly. Where possible we will respond in accordance with the timescales set out in section 4 of this policy but it should be noted that these timescales are a guide and our policy is to respond promptly.
- All complainants will be kept informed of the progress of their complaint and of any delays.

3.3. Support for customers who want to make a complaint

- Customers who would like help framing their complaint can get advice and assistance from the corporate complaints officer.

3.4. How can a complaint be made?

- Complaints are accepted orally or in writing.
- In person

Corporate complaints policy

- By telephone
- By letter or email
- Online complaint form
- Through a councillor
- Through a representative

3.5. Oral complaints will be confirmed with the person making the complaint. This confirmation may be oral or in writing. Once agreed, the complaint will be processed in line with this policy.

3.6. Anonymous complaints will not be processed in line with this policy. They will be forwarded to the relevant service as a comment, to ensure action is taken wherever appropriate and we learn from all our customer feedback.

3.7. Complaining through a representative

- Everyone has the right to appoint someone else to act on their behalf. A representative can be a parent, a husband, wife, or civil partner, an adult child, a friend, or an attorney, advocate, or solicitor. Regardless of the closeness of the relationship between the complainant and the person acting on their behalf, we must have proper consent before we can correspond with the representative.
- If a complaint is made through a representative, we will need to ensure we have consent from the complainant. This would usually be written consent from the complainant giving the representative permission to act on their behalf.

3.8. When can a complaint be made?

- We will consider complaints made within six months of the issue becoming apparent to the person making the complaint.
- We may still look into a complaint made outside of the timescales if there are exceptional circumstances. However, we will expect to see evidence that the complainant was affected by circumstances that were exceptional, and that those circumstances caused the delay.

4. Complaints procedure

4.1. The council has a clear three stage complaint process.

- 4.2. Complaints will only be escalated through the complaint process if the person making the complaint is able to:
- explain clearly and specifically why they are not satisfied with the outcome of the previous stage
 - explain what more they think the council should do

Corporate complaints policy

- 4.3. We will not escalate a complaint simply because the person making the complaint disagrees with the response.

4.4. Stage one

- Once a complaint has been logged it will be passed to the relevant service manager to investigate and respond.
- We aim to send the complainant an acknowledgement in writing by email, or by post if an email address is not provided, within three working days of logging the complaint.
- We aim to respond to a stage one complaint within ten working days. If we are not able to meet these timescales, we will let the complainant know.
- If the complainant is unhappy with the response to their stage one complaint and can clearly and specifically explain why they are not satisfied and what more they expect the council to do, then they can ask the council to escalate their complaint for further investigation at stage two.

A request to escalate a complaint to stage two must be received within ten working days of the date of the stage one response. We will then either investigate and respond to the complaint in fifteen working days or let the complainant know we will not escalate the complaint and explain why.

4.5. Stage two

- If we agree that a complaint should be escalated to stage two, an investigation will be carried out by the relevant senior manager or director for the service that is the subject of the complaint.
- As at 4.4 above, in order for a complaint to be escalated to stage two of the process, the complainant needs to explain clearly and specifically why they are not satisfied with the response received at stage one, and explain what more they think the council needs to do.
- We aim to send the complainant an acknowledgement in writing by email, or through the post if an email address is not provided, within three working days of logging the stage two complaint.
- We aim to respond to a stage two complaint within fifteen working days. If we are not able to meet these timescales, we will let the complainant know.
- If the complainant is unhappy with the response to their stage two complaint and can clearly and specifically explain why they are not satisfied and what more they expect the council to

Corporate complaints policy

do, then they can ask the council to escalate their complaint for further investigation at stage three.

A request to escalate a complaint to stage three must be received within ten working days of the date of the stage two response. We will either investigate and respond to the complaint in twenty working days, or let the complainant know we will not investigate the complaint and explain why.

4.6. Stage three

- If we agree that a complaint should be escalated to stage three, an investigation will be carried out on behalf of the chief executive.
- As at 4.5 above, in order for a complaint to be escalated to stage three of the process, the complainant needs to explain clearly and specifically why they are not satisfied with the response received at stage two, and explain what more they think the council needs to do.
- We aim to send the complainant an acknowledgement in writing by email, or through the post if an email address is not provided, within three working days of logging the stage three complaint.
- We aim to respond to a stage three complaint within twenty working days. If we are not able to meet these timescales, we will let the complainant know.

5. Local Government and Social Care Ombudsman and Housing Ombudsman Service

- 5.1. If a complainant remains unhappy after following the council's complaints process, they can contact the **Local Government and Social Care Ombudsman**.
 - Online complaint form at www.lgo.org.uk
 - Telephone 0300 061 0614
- 5.2. If someone with a housing complaint is still unhappy after following the council's complaints process, they can contact the **Housing Ombudsman Service**.
 - Online complaint form at www.housing-ombudsman.org.uk
 - Telephone 0300 111 3000
- 5.3. The ombudsman will not investigate most complaints until they have gone through the council's complaints process.

6. Complaints about Portsmouth City Council contractors

- 6.1. The council contracts organisations to provide services on its behalf.

Corporate complaints policy

- 6.2. If a complaint is made about a service provided by one of the council's contractors, it should be managed in line with this policy. Our contractors are expected to comply with the policy, including providing information to council officers as requested and providing assistance with further investigations as appropriate.
- 6.3. If we receive a complaint that relates to a service provided by one of the council's contractors, we will reply on behalf of the contractor.
- 6.4. A contractor who receives a complaint is expected to notify the council of the complaint via the corporate complaints team. Notifications should be made in line with the timescales in this policy, and the contractor should provide a notification initially, at any escalation stages and at conclusion, so the complaint can be logged and monitored.

7. Persistent complaints and unreasonable behaviour from complainants

- 7.1. We are committed to resolving complaints, and learning from feedback we get from customer complaints to help us to improve.
- 7.2. We expect complaints to be made in a reasonable way so we can investigate. This means communicating with us in a way that is reasonable, both in terms of the nature and frequency of contact.
- 7.3. We recognise that someone with cause to complain may be upset, and this may be reflected in their behaviour towards us. In dealing with complaints, we will understand and empathise with customers who are upset.
- 7.4. We recognise that someone making a complaint is justified in making reasonable attempts to follow-up their complaint to make sure it is being dealt with.
- 7.5. However, in a small minority of cases, there is a point at which the behaviour of complainants becomes unreasonable and makes it more difficult for us to resolve complaints, either because they impede the investigation or because they take up a significant amount of time without due cause.
- 7.6. This unreasonable behaviour can originate in isolated incidents, or can come from a build-up of issues over a longer period of time.
- 7.7. If complainants become persistent, or otherwise unreasonable in their behaviour towards us, we will take steps to manage this and protect our staff and their associates from harassment and abuse.
- 7.8. Wherever possible, we will try to manage persistent or unreasonable behaviour in a way that enables a complaint to progress through the process.

Corporate complaints policy

7.9. Persistent complaints

7.9.1. Making persistent complaints means contacting the council unreasonably frequently about one or more complaints. This takes up staff time and makes it harder for us to investigate and resolve complaints, both for the complainant and for other customers who have complaints.

7.9.2. If a complainant's persistence is such that it affects our ability to provide a service to other customers, we may need to manage this by restricting contact. The process for restricting contact is set-out in section 8 below.

7.9.3. If repeated complaints are made by the same complainant about subjects that are the same or very similar, we will not log or process the complaints.

7.10. Unreasonable behaviour from complainants

Unreasonable behaviour from complainants makes it more difficult for us to investigate and resolve complaints. Unreasonable behaviour includes, but is not limited to, refusing to cooperate with our investigation of your complaint, changing the basis of your complaint, or retracting information, when an investigation is already in progress, and harassing or abusing our staff.

7.10.1. Refusal, includes:

7.10.1.1. Refusing to meet with staff, refusing to accept offers of assistance, or refusing to provide information to progress the complaint.

7.10.1.2. Refusing to accept evidenced decisions or outcomes, including submitting repeat complaints with minor alterations as new complaints.

7.10.1.3. Refusing to accept the limitations of the corporate complaints policy.

7.10.2. Changing the basis of your complaint, includes:

7.10.2.1. Retracting statements once the complaint is in progress.

7.10.2.2. Introducing new questions or providing new information unrelated to the complaint.

7.10.3. Harassment and abuse, includes:

7.10.3.1. Making abusive or threatening comments.

7.10.3.2. Repeatedly contacting or harassing staff connected with the complaint, and/or repeatedly contacting or harassing their colleagues, family, friends or any other associates.

Corporate complaints policy

7.10.3.3. Making unjustified complaints about staff involved in investigating the complaint.

7.11. How will we respond to persistent or unreasonable behaviour from complainants?

7.11.1. In responding to unreasonable behaviour, we will take action that is proportionate and, wherever possible, enables the complaint to continue to process through the process.

7.11.2. How will we respond to refusal to cooperate?

7.11.2.1. If a complainant refuses to meet or accept our offers of assistance, or refuses to provide the additional information we need to investigate the complaint, we will stop the investigation, and let the complainant know their complaint will be closed unless they cooperate to enable the investigation to continue. If the complainant continues to refuse to cooperate, the complaint will be closed and the complainant will be notified.

7.11.2.2. Once they have been informed in writing, if a complainant refuses to accept a decision and continues to correspond once a complaint has been closed or a decision has been taken not to investigate or escalate through the complaint stages, that correspondence will be read and placed on file but a written acknowledgment will not be sent.

7.11.3. How will we respond if the complainant changes the basis of their complaint?

7.11.3.1. If a complainant changes the basis of their complaint, we will close the original complaint and communicate that to the complainant. A new complaint will be logged on the new basis, if requested by the complainant.

7.11.3.2. If a complainant provides information or asks questions that are unrelated to their original complaint, this correspondence will be read and placed on file. A written acknowledgement of this correspondence will not be sent unless the complaints officer believes there is a new complaint that should be responded to: in this case the complaints officer will advise the customer to log a new complaint.

7.11.4. How will we respond to abuse and harassment?

7.11.4.1. We will not tolerate abuse or harassment of our staff.

7.11.4.2. Any abuse or harassment will be documented, recorded and reported appropriately.

7.11.4.3. If a complainant abuses or harasses our staff, we will apply restrictions to your contact with us: this could include restricting who you talk to and when, and could include ensuring meetings are witnessed.

Corporate complaints policy

8. Restricting complainant contact

- 8.1. If a complainant's persistence affects our ability to do our work and provide a service to others, we may take steps to manage unreasonable behaviour.
- 8.2. Any steps we take will be proportionate and, wherever possible, we will apply restrictions in a way that allows the investigation and resolution of the complaint in line with the policy.
- 8.3. Restrictions could include placing limits on contact with the complainant, including (but not limited to) restricting the complainant to one method of contact, restricting the number of contacts, such as phone calls, that will be accepted, or by restricting contact to one named employee.
- 8.4. In cases where we believe the complainant has committed a criminal offence, or where the complainant refuses repeated requests to leave council premises, we will involve the police.

8.5. What will happen before we make a decision to restrict contact?

- 8.6. Before making a decision to restrict contact, we will let the complainant know their behaviour is considered unreasonable and explain what the unreasonable behaviour is, and we will let the complainant know that if the unreasonable behaviour continues, we will apply restrictions as per section 8.3 above.
- 8.7. Before a decision is taken to restrict contact as a result of unreasonable behaviour from the complainant, the following actions will be considered and taken where appropriate:
 - offering a meeting with an officer of appropriate seniority to talk about how the complaint could be resolved and to explain why the behaviour is unreasonable
 - providing the complainant with a copy of the corporate complaints policy
 - helping the complainant to find a suitable advocate: particularly if the complainant needs additional help or support

8.8. Who is responsible for making the decision to restrict contact?

- 8.9. Decisions to restrict contact are taken by the Director Community and Communications, in consultation with the corporate complaints team.
- 8.10. In making a decision, the director will consult with the corporate complaints team and will consider whether the complainant is raising legitimate concerns, whether the complaint has been properly investigated and communications have been adequate. The director will also review whether circumstances that relate the complainant's mental health, age, sex, sexual orientation, belief or disability have been considered.

Corporate complaints policy

8.11. What happens when a decision to restrict contact is taken?

8.12. If a decision to restrict contact is taken, we will contact the complainant in writing, provide a copy of the policy and explain why the decision has been taken, detail the restricted contact arrangements, including how long the arrangements will be in place for, and explain what the complainant can do to get the decision reviewed.

8.13. How long will restrictions apply for?

8.14. The length of time restrictions will be in place for will vary depending on the circumstances. We will explain how long restrictions will be in place for and why.

8.15. We will either review the situation at the end of the period of restricted contact, or after six months if restrictions have been imposed for a longer period. Unless there are good reasons to extend, the restrictions will be lifted, we will go back to normal contact arrangements and we will let the complainant know.

8.16. If there are grounds to continue to restrict contact following the review, we will contact the complainant in writing to explain the reasons and to say how long the restrictions will be extended for.

9. Review

9.1. This policy will undergo regular review to respond to any changes.

9.2. The corporate complaints policy is the responsibility of Community and Communications.

Equality Impact Assessment

Preliminary assessment form v5 / 2013

www.portsmouth.gov.uk

The preliminary impact assessment is a quick and easy screening process. It should:

- identify those policies, projects, services, functions or strategies which require a full EIA by looking at:
 - negative, positive or no impact on any of the equality groups
 - opportunity to promote equality for the equality groups
 - data / feedback
- prioritise if and when a full EIA should be completed
- justify reasons for why a full EIA is not going to be completed

Directorate:

Director of Community & communications

**Function e.g. HR,
IS, carers:**

Corporate complaints

Title of policy, service, function, project or strategy (new or old) :

Corporate complaints policy

Type of policy, service, function, project or strategy:

- Existing
- New / proposed
- Changed

Q1 - What is the aim of your policy, service, function, project or strategy?

- To set out a definition of a complaint that can be clearly communicated to residents / customers
- To establish clear minimum service standards that are capable of being monitored and reported
- To be responsive to the needs of our customers
- To be transparent and easy to understand
- To reflect best practice
- To assist the council in learning from complaints
- To enable our staff to deal with complaints effectively at the earliest stage in the process

Q2 - Who is this policy, service, function, project or strategy going to benefit or have a detrimental effect on and how?

The policy will benefit residents/customers and stakeholders.
 This policy will not have a detrimental effect on any of the above as there are various channels that people can use to access the complaints process to ensure its equitable for all, and additional support is available to help customers who need extra help to articulate their complaints.

Q3 - Thinking about each group below, does, or could the policy, service, function, project or strategy have a negative impact on members of the equality groups below?

Group	Negative	Positive / no impact	Unclear
Age	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Disability	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Race	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Transgender	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sexual orientation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Religion or belief	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pregnancy and maternity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other excluded groups	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

If the answer is "negative" or "unclear" consider doing a full EIA

Q4 - Does, or could the policy, service, function, project or strategy help to promote equality for members of the equality groups?

Group	Yes	No	Unclear
Age	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Disability	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Race	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Transgender	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sexual orientation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Religion or belief	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pregnancy or maternity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other excluded groups	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

If the answer is "no" or "unclear" consider doing a full EIA

Q5 - Do you have any feedback data from the equality groups that influences, affects or shapes this policy, service, function, project or strategy?

Group	Yes	No	Unclear
Age	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Disability	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Race	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Transgender	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sexual orientation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Religion or belief	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Pregnancy and maternity

Other excluded groups

If the answer is "no" or "unclear" consider doing a full EIA

Q6 - Using the assessments in questions 3, 4 and 5 should a full assessment be carried out on this policy, service, function or strategy?

yes

No

Q7 - How have you come to this decision?

Revisions have been made to combine two existing policies that do not disproportionately impact negatively on any of the equality groups.

This policy sets out how customers can make a complaint about our services, including clear escalation routes, and there are various ways people can access this service.

If people have a disability, home visits can be arranged and all our literature is available in alternative formats for example large print, braille, audio or another language to ensure access to this service. If we receive complaints from customers for whom English is not a first language, and a home visit is desirable, we can provide interpreters to support.

The literature regarding the complaints procedure is produced in plain English so its easy to understand. The literature will be reviewed in line with the revised policy, and plain English will continue to be used.

The complaints information we collect from individuals helps us to understand the issues people have and enables us to identify any trends or problem areas that hopefully can be rectified.

If you have to complete a full EIA please contact the Equalities and diversity team if you require help
Tel: 023 9283 4789 or email:equalities@portsmouthcc.gov.uk

Q8 - Who was involved in the EIA?

Charlotte Smith, Assistant Director Community and Communications, Gina Perryman, Access and Equality Advisor

This EIA has been approved by:

Contact number:

Date:

Please email a copy of your completed EIA to the Equality and diversity team. We will contact you with any comments or queries about your preliminary EIA.

Telephone: 023 9283 4789

Email: equalities@portsmouthcc.gov.uk

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Agenda Item 13

THIS ITEM IS FOR INFORMATION ONLY



Portsmouth
CITY COUNCIL

Title of meeting:	Governance and Audit and Standards Committee
Subject:	Procurement Management Information
Date of meeting:	27 July 2018
Report by:	Director of Finance and Information Services
Wards affected:	N/A

It is recommended that the attached appendices 1, 4 and 5 be considered as an exempt/confidential matter and that the press and public are excluded for the following reasons:

- Exempt information is defined in section 100A and, by reference, Schedule 12A of the Local Government Act 1972 ("the 1972 Act"). To be exempt, information must fall within one of the categories listed in paragraphs 1 to 7 of Schedule 12A, must not fall within one of the excluded categories in paragraphs 8 and 9 and the public interest in maintaining the exemption must outweigh the public interest in disclosing the information;
- The attached Appendices 1, 4 and 5 contain some information relating to the financial or business affairs of particular companies as well as PCC; and
- Although there is a public interest favouring public access to local authority meetings, given the financial and commercially sensitive information contained in the report the public interest in maintaining the exemption outweighs the public interest in disclosing the (exempt) information.

1. Requested by

Governance and Audit and Standards Committee

2. Purpose

To provide evidence to allow the committee to evaluate the extent that Portsmouth City Council is achieving value for money in its contracts for goods, services and works.

3. Information Requested

The way that the City Council demonstrates that it is paying competitive rates is by:

- a) subjecting procurement to a competitive process
- b) ensuring that we obtain the quality of service that we are paying for
- c) testing value for money against industrial comparators

Section 1: Compliance with Contract Procedure Rules

This table reports on all invoices paid against purchase orders with a value of £5,000 or more in **April 2018**. This corresponds to the threshold between low-value and medium-value contracts from the Contract Procedure Rules.

Contracts of £5,000 or more must be published on the Contracts Register

The presence of a contract on the Contracts Register implies that either:

- The contract has been awarded following a competitive process of quotation or tender and that at least three written quotations or tenders have been received; or
- A waiver has been approved by the appropriate Director, Procurement Manager or Gateway Board to allow departure from the Contract Procedure Rules with written justification for this approval.

Members approved a recommendation of a target of greater than 95% conformance with Contract Procedure Rules. Where this target is not met by an individual directorate, a comment on the risk of the non-compliant spend in the monitoring month is provided by the Procurement Manager.

Purchase orders that are linked to a contract on the Contracts Register are flagged as compliant. Legal Services has commented that whilst this methodology is indicative of good practice, is not definitive as to compliance with legal requirements.

THIS ITEM IS FOR INFORMATION ONLY



Directorate	Full year 2017/18			Apr-18			Risk (if less than 95% target)
	Total transaction value	Total value of non-compliant transactions	% compliance	Total transaction value	Total value of non-compliant transactions	% compliance	
Adult Services	£40,594,111	£2,796,465	93%	£2,899,436	£62,384	98%	
Children's Services and Education	£22,797,026	£2,816,857	88%	£1,991,191	£872,385	56%	LOW
Community and Communication	£1,355,004	£85,951	94%	£115,208	£0	100%	
Culture and City Development	£4,350,851	£892,616	79%	£316,353	£33,227	89%	LOW
Finance and Information Services	£4,374,767	£649,267	85%	£326,575	£4,370	99%	
HR, Legal and Performance	£1,784,126	£81,129	95%	£155,294	£0	100%	
Portsmouth International Port	£10,566,628	£6,479	100%	£50,776	£0	100%	
Property and Housing	£47,960,989	£4,901,453	90%	£3,705,951	£32,071	99%	
Public Health	£10,415,555	£402,195	96%	£155,773	£18,586	88%	LOW
Regeneration	£19,092,918	£2,883,465	85%	£357,826	£6,920	98%	
Chief executive	£20,819	£20,819	0%	£10,000	£0	100%	
Capital schemes	£38,033,372	£4,883,547	87%	£4,314,369	£10,640	100%	
TOTAL	£201,346,166	£20,420,243	90 %	£14,398,752	£1,040,583	93%	

A detailed commentary on non-compliant transactions in the month of April 2018 is provided in **Appendix 1** (exempt).

Reports on low level transactions (less than £5,000) have not been requested by the Procurement Manager and so do not appear in Appendix 1.

Section 2: Waivers awarded this quarter

This table presents a summary of those contracts added to the contract register during Q1 2018/19 which have a waiver associated with them.

Waivers for procurements which depart from the Contract Procedure Rules are recorded for contracts over £5,000 value.

Available reasons for waivers are:

- Insufficient time
- Emergency
- Not obtaining 3 bids
- Not advertising the opportunity
- Direct award
- Use of a previous tender
- Original spend estimate wrong
- Extension of lapsed contract for continuity
- Shared service
- Single source
- Service user choice
- Other

Under the Contract Procedure Rules, waivers can be approved by:

- Director (or Chief Executive, or Deputy Chief Executive) - up to £100,000
- Procurement Manager - £100,000 to £1M
- Gateway Board - over £1M

More detail regarding waivers approved in Q1 2018/19 is provided in **Appendix 2**

Reason for waiver	Number of contracts	Contract value
Emergency	1	£8,000,000
Direct award	40	£1,470,452
Not obtaining 3 bids	6	£747,873
Not advertising the opportunity	3	£78,041
Insufficient time	2	£35,250
Single source	3	£14,212
Use of previous tender	1	£12,000
Other	1	£6,735
Original spend estimate wrong	1	£5,113
Total	58 (45% of all contracts awarded in Q1)	£10,369,676 (50% of all contracts awarded in Q3)



	Value of all contracts awarded Q1	Total number of contracts awarded Q1	Waiver reasons	Value of Waivers Q1	Number of waivers Q1
Adult Services	£ 8,015,000	2	Emergency	£ 8,000,000	1
			Direct award	£ 15,000	1
			TOTAL WAIVERS Waivers as % of all contracts	£ 8,015,000 100%	2 100%
Children's Services and Education	£ 4,465,294	14	Direct award	£ 74,465	2
			TOTAL WAIVERS Waivers as % of all contracts	£ 74,465 2%	2 14%
Children's Social Care	£ 2,990,482	13	Direct award	£ 706,682	5
			TOTAL WAIVERS Waivers as % of all contracts	£ 706,682 24%	5 38%
Community and Communication	£ 78,173	2	Direct award	£ 78,173	2
			TOTAL WAIVERS Waivers as % of all contracts	£ 78,173 100%	2 100%
Culture	£ 332,453	32	Not advertising the opportunity	£ 66,546	2
			Single source	£ 7,000	1
			Direct award	£ 161,157	8
			TOTAL WAIVERS Waivers as % of all contracts	£ 234,703 71%	11 34%
Finance and Information Services	£ 536,816	18	Not obtaining 3 bids	£ 43,434	1
			Single source	£ 7,212	2
			Direct award	£ 118,578	6
			Insufficient time	£ 35,250	2
			TOTAL WAIVERS Waivers as % of all contracts	£ 204,474 38%	11 61%
HR Legal and Performance	£ 554,894	9	Direct award	£ 5,286	1
			Not obtaining 3 bids	£ 72,000	1
			Use of previous tender	£ 12,000	1
			TOTAL WAIVERS Waivers as % of all contracts	£ 89,286 16%	3 33%
Portsmouth International Port	£ 1,399,833	7	Direct award	£ 53,220	5
			Original spend estimate wrong	£ 5,113	1
			TOTAL WAIVERS Waivers as % of all contracts	£ 58,333 4%	6 86%
Property and Housing	£ 1,907,492	15	Not obtaining 3 bids	£ 626,885	3
			Direct award	£ 15,987	2
			TOTAL WAIVERS Waivers as % of all contracts	£ 642,872 34%	5 33%
Public Health	£ 44,266	2	Direct award	£ 44,266	2
			TOTAL WAIVERS Waivers as % of all contracts	£ 44,266 100%	2 100%
Regeneration	£ 418,449	16	Not advertising the opportunity	£ 11,495	1
			Not obtaining 3 bids	£ 5,554	1
			Direct award	£ 197,638	6
			Other	£ 6,735	1
			TOTAL WAIVERS Waivers as % of all contracts	£ 221,422 53%	9 56%
TOTAL	£ 20,743,152	130			

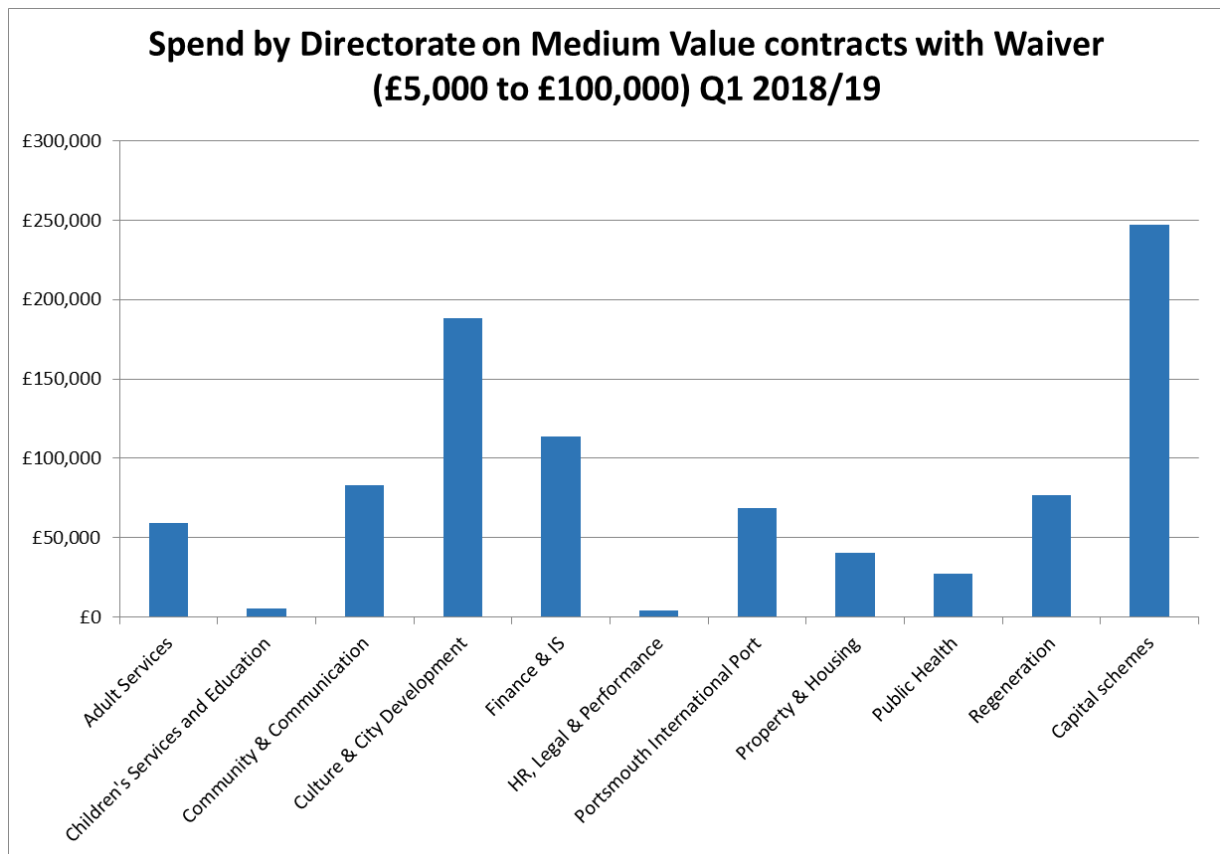
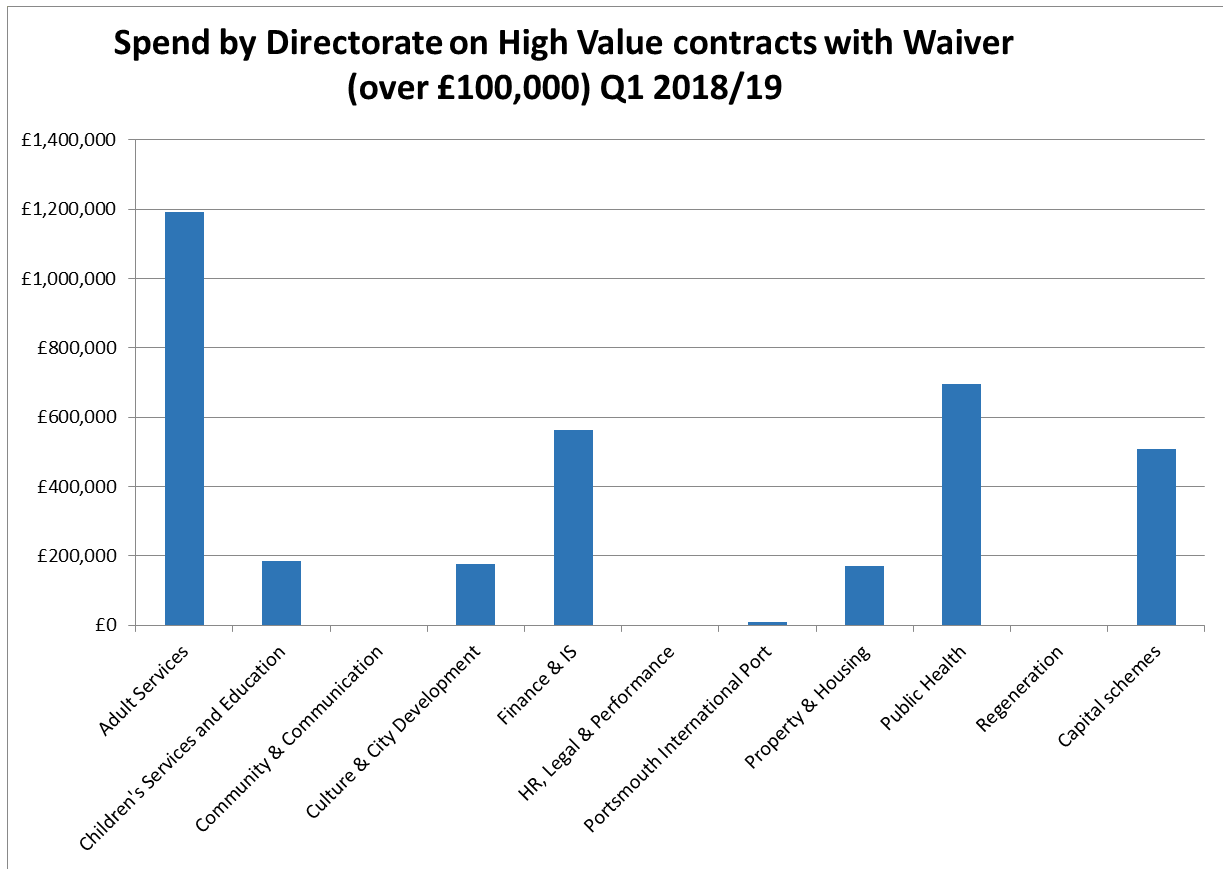
Section 3: Spend with Waiver

The table and graphs provide a breakdown by Directorate of the actual spend during Q1 2017/19 on contracts which have waivers associated with them.

Waivers are not required for contracts below £5,000 (under CPRs).

See **Appendix 3** for details of payments under contracts with waivers in Q1.

	Total spend in quarter	Waiver spend in quarter	% of total spend covered by waiver in quarter
Adult Services	£10,903,682	£1,251,011	11%
Chief Executive service	£10,000	£0	0%
Children's Services and Education	£5,308,673	£190,367	4%
Community & Communication	£338,201	£83,227	25%
Culture & City Development	£992,820	£364,948	37%
Finance & IS	£1,117,284	£675,332	60%
HR, Legal & Performance	£773,206	£4,206	1%
Portsmouth International Port	£926,599	£77,360	8%
Property & Housing	£12,445,039	£211,048	2%
Public Health	£1,832,692	£724,101	40%
Regeneration	£638,197	£76,792	12%
Capital schemes	£11,484,027	£754,886	7%
TOTAL	£46,770,420	£4,413,280	9%

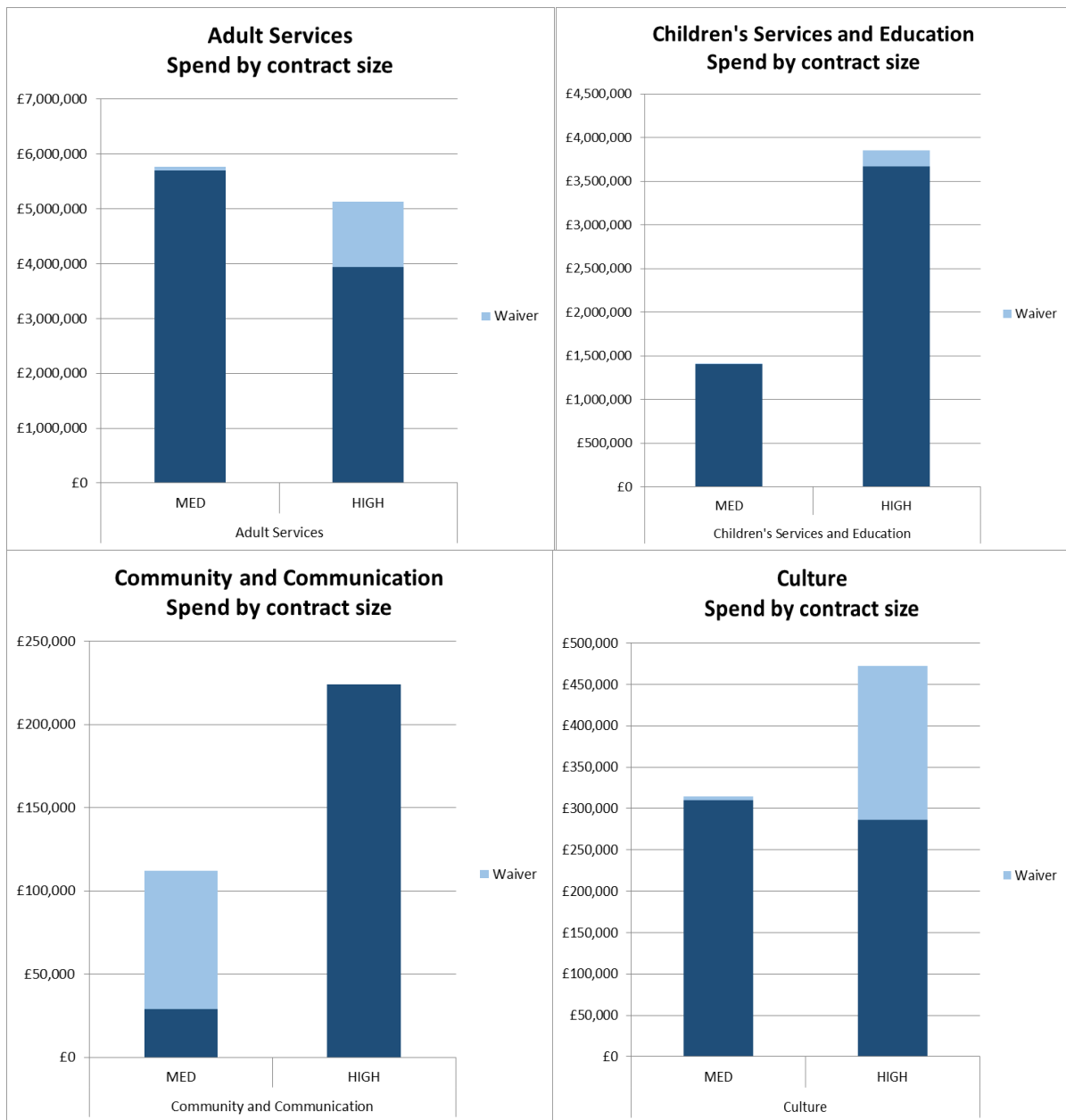


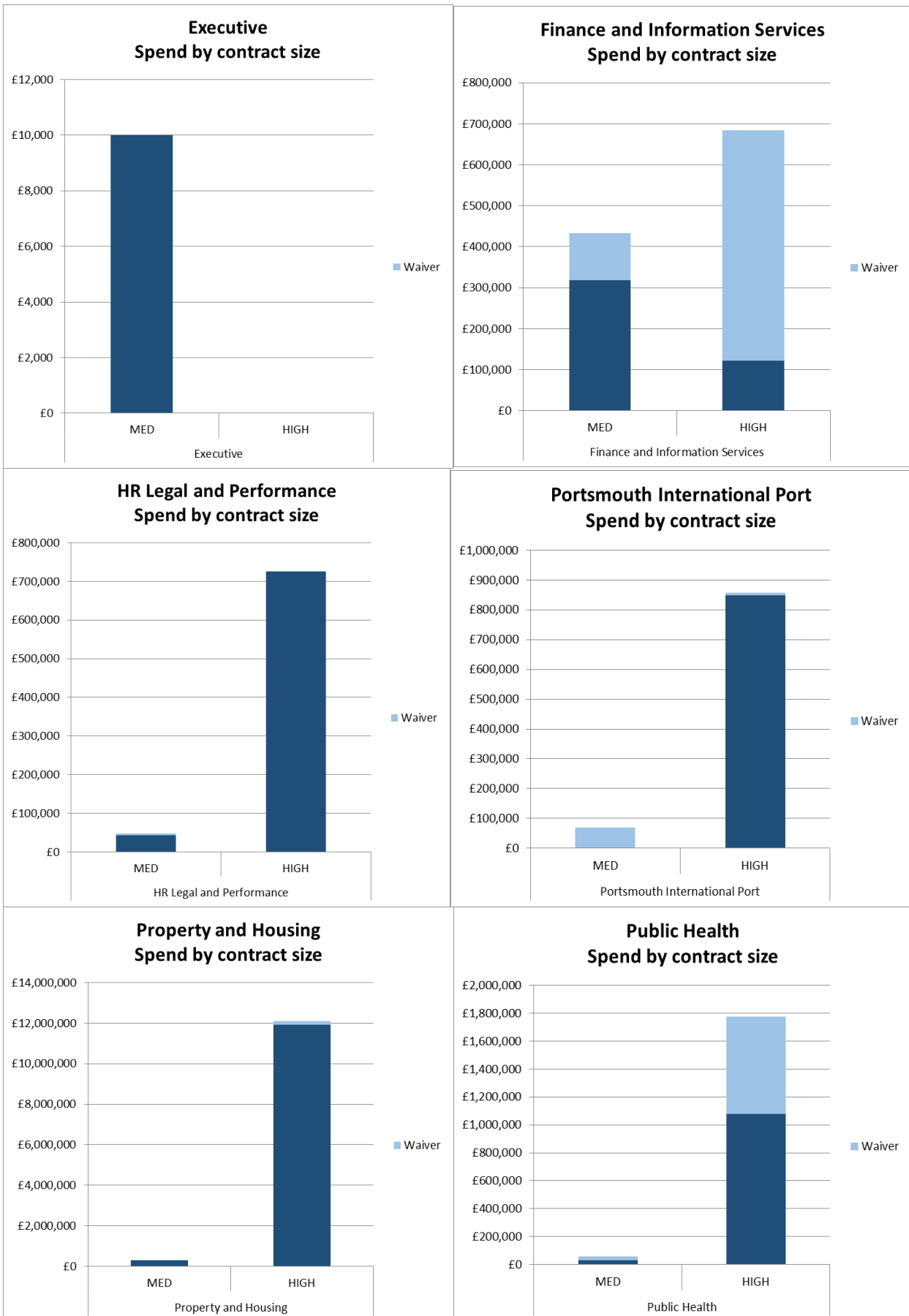
Section 4: Spend by Contract Size

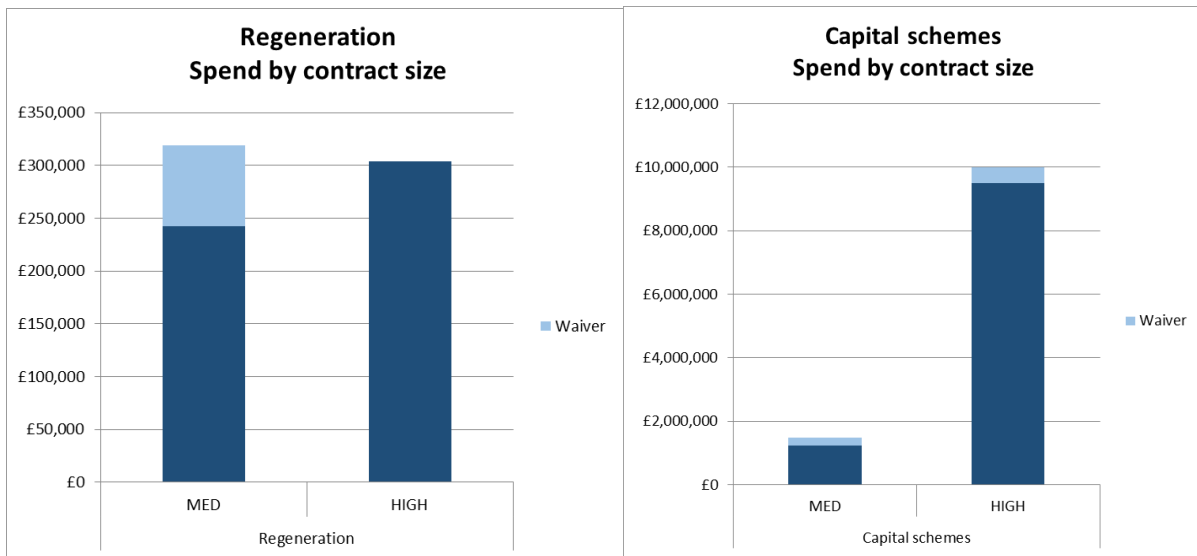
The following graphs present the actual spend by Directorate in Q1 2018/19, and how this is broken down into spend under high and medium value contracts.

High value contracts £100,000 and over
 Medium value contracts between £5,000 and £100,000

The columns are stacked to show the proportion of the total spend which has been associated with a waiver.







Section 5: Suppliers paid over £100,000 in Q1 by Directorate

The tables show those suppliers who have been paid over £100,000 in Q1 2018/19 by directorate. They are arranged in descending order of value by directorate.

The spend with these suppliers represents **78%** of the total spend in Q1.

The **79** suppliers below represent **12%** of the total number of suppliers paid in Q1 (650).

	Q3 spend with supplier	% of Directorate Q3 spend
Adult Services		
DIMENSIONS (UK) LTD	£939,284	8%
HAMPSHIRE COUNTY COUNCIL	£781,474	7%
MILLBROOK HEALTHCARE	£515,271	5%
SEVACARE (UK) LTD	£505,513	4%
NHS PORTSMOUTH CCG	£474,853	4%
COMMUNITY INTEGRATED CARE (CIC)	£341,130	3%
APEX PROPERTY VENTURES LTD	£312,001	3%
THE YOU TRUST	£304,511	3%
AFFINITY TRUST LTD	£286,295	3%
VOYAGE CARE	£275,708	2%
MOUNTJOY LIMITED	£267,827	2%
CREATIVE ADVANCES LTD	£222,768	2%
CARE MANAGEMENT GROUP LIMITED	£221,064	2%
DOLPHIN HOMES LTD	£188,670	2%
CRESCENT COMMUNITY CARE SERVICES LTD	£185,342	2%
KARE PLUS NATIONAL	£155,193	1%
CHOICE CARE GROUP	£153,195	1%
AUTISM HAMPSHIRE	£144,783	1%
CHAOS SUPPORT LIMITED	£134,598	1%
MINSTEAD TRAINING TRUST	£130,536	1%
ROYAL MENCAP SOCIETY	£127,803	1%
RICHMOND FELLOWSHIP	£125,589	1%
CROSSBIND LTD T/A COSHAM COURT	£124,482	1%
OXFORD COMPUTER CONSULTANTS LIMITED	£112,537	1%
GLENSIDE MANOR HEALTHCARE SERVICES LTD	£111,568	1%
AGINCARE UK	£109,982	1%
PATHWAYS SUPPORT	£106,476	1%
BEACONSFIELD RESIDENTIAL CARE HOME	£105,773	1%
BRITISH RED CROSS SOCIETY	£100,000	1%
Children's Services and Education		
D M HABENS (THE BUILDER) LTD	£967,100	13%
MOUNTJOY LIMITED	£612,605	8%
GRANNAG LIMITED	£541,696	7%
CAMBIAN GROUP LTD	£335,327	5%
ISS FACILITY SERVICES EDUCATION	£271,595	4%
V CARE 24 LIMITED	£256,795	3%

SERVELEC GROUP LTD	£204,880	3%
SILWOOD FACILITIES LTD	£187,389	3%
PETES AIRLINK LIMITED	£156,584	2%
ST EDWARDS SCHOOL	£148,167	2%
SUNBEAM FOSTERING AGENCY	£142,265	2%
HIGHBURY COLLEGE	£137,791	2%
HAMPSHIRE COUNTY COUNCIL	£127,954	2%
BARNARDO SERVICES LTD	£124,131	2%
DURHAM COUNTY COUNCIL	£121,196	2%
CORE ASSETS GROUP	£115,279	2%
HILLCREST CHILDRENS SERVICES LIMITED	£108,971	1%
CAPITA BUSINESS SERVICES LIMITED	£108,067	1%
AQUA CARS LIMITED	£108,017	1%
BRAMLEY CARE LTD T/A APPLE ORCHARD	£103,738	1%
HAMPSHIRE PARTITIONING CONTRACTS LTD	£100,005	1%
Culture and City Development		
MOUNTJOY LIMITED	£223,972	14%
REDS BUILDERS LTD	£185,814	12%
STUDIO MB LTD	£163,476	10%
Finance and Information Services		
CIVICA UK LTD	£405,336	36%
WESTCOAST LIMITED	£108,690	10%
HR Legal and Performance		
COMENSURA LTD	£709,986	92%
Portsmouth International Port		
RAVESTEIN B V	£185,753	20%
CARLISLE SECURITY SERVICES LTD	£176,964	19%
Public Health		
SOLENT NHS TRUST	£1,050,060	57%
THE SOCIETY OF ST JAMES	£542,120	30%
Regeneration		
BAM CONSTRUCTION LTD	£1,197,259	25%
KNIGHTS BROWN CONSTRUCTION LTD	£1,162,124	24%
BALFOUR BEATTY GROUP	£850,218	18%
ENSIGN HIGHWAYS LTD	£403,178	8%
SAVILLS (UK) LTD	£382,454	8%
COLAS LTD	£150,682	3%
Property and Housing		
COMSERV (UK) LIMITED	£4,433,567	30%
MOUNTJOY LIMITED	£3,507,168	24%
PMC CONSTRUCTION AND DEVELOPMENT LTD	£1,188,175	8%
BIFFA MUNICIPAL LTD	£1,005,387	7%
FELTHAM CONSTRUCTION LIMITED	£971,969	7%
LIBERTY GAS GROUP LIMITED	£834,233	6%
CANADA LIFE INVESTMENTS	£534,560	4%
D M HABENS (THE BUILDER) LTD	£428,410	3%
ENGIE REGENERATION (APOLLO) LTD	£235,002	2%

CORRIGENDA LIMITED T/A CHURCHES	£170,939	1%
E C ROBERTS CENTRE	£149,181	1%
THE SALVATION ARMY	£139,493	1%
THE SOCIETY OF ST JAMES	£130,119	1%
TWO SAINTS LTD	£103,242	1%

Section 6: Supplier Performance

	Total number of contracts	KPI score (see legend below)				Expired KPI (more than 1 year since last scored)	KPI never scored	KPI not yet due	No KPI scheduled
		Gold	Green	Amber	Red				
Jan 2016	711	46	210	22	0	34	88	247	64
Jun 2016	728	53	211	24	1	24	96	258	61
Sep 2016	672	47	219	24	3	26	91	202	60
Jan 2017	699	50	202	24	2	49	110	190	72
Sept 2017	709	58	174	27	2	36	112	191	109
Jan 2018	737	60	168	30	4	37	117	209	112
Jun 2018	766	43	190	26	5	43	120	227	112

Section 6: Notes

Key	
• Gold:	Outstanding performance
• Green:	Performing to standard
• Amber:	Some areas of improvement required
• Red:	Failing to perform
• Expired KPI:	a schedule is in place, and at least one KPI score has been recorded, but there has been no KPI scoring in the last 12 months
• KPI never scored:	a schedule is in place, but there have been no KPI scores for the contract
• KPI not yet due:	a schedule is in place, but KPI scores are not due yet. This includes contracts where KPIs are overdue by less than 3 months (grace period)
No KPI scheduled:	no KPI instances have been scheduled.

KPIs are not scheduled for the following reasons: Temporary accommodation (33); Overarching framework agreements (14); Concessions (15); Not subject to Procurement Regulations (10); Leases (5); Grants (2); Registration, subscription and membership fees (7); Single Supplier markets (6); and Locally commissioned services (3)

The remaining 17 contracts without KPI schedules will be investigated and addressed as necessary.

There are 5 contracts where the supplier is performing to an unsatisfactory level and remedial action is taking place (Red KPI score), and 27 contracts which require improvement in performance (Amber KPI score).

Reports from contract managers on those contracts with a Red KPI score and a list of those contracts with an Amber KPI score are provided in **Appendix 4** (exempt).

Please note that at the briefing meeting the committee instructed that reports be obtained for contracts with Amber KPI in addition to Red KPI. This has not been possible in the time available between the briefing meeting and the deadline for papers for the decision meeting. These Amber reports will be available in the next report due in October 2018

THIS ITEM IS FOR INFORMATION ONLY
Section 7: Supplier Performance Monitoring



Contracts which have never had a KPI score:

Directorate	KPIs never scored			
	Total number of contracts (Q1)	Number of contracts with no KPI score (Q1)	% of contracts with no KPI score (Q1)	Annual contract value of un-scored contracts (Q1)
Adult Services	94	9	10%	£224,740
Children's Services and Education	43	5	12%	£2,066,628
Children's Social Care	42	4	10%	£289,738
Community and Communication	39	7	18%	£80,892
Culture and City Development	101	21	21%	£2,655,231
Executive	3	0	0%	£0
Finance and Information Services	105	12	11%	£2,774,843
HR Legal and Performance	71	11	15%	£66,685
Portsmouth International Port	36	3	8%	£8,078,721
Property and Housing	145	32	22%	£9,997,525
Public Health	14	0	0%	£0
Regulatory Services and Community Safety	6	1	17%	£5,060
Regeneration	67	15	22%	£12,718,156
TOTAL	766	120	16%	£38,958,219

Contracts which have not had a KPI score in 12 months:

Directorate	KPIs not scored for 12 months			
	Total number of contracts (Q1)	Number of contracts with old KPI score (Q1)	% of contracts with old KPI score (Q1)	Annual contract value of un-scored contracts (Q1)
Adult Services	94	5	5%	£2,760,000
Children's Services and Education	43	1	2%	£147,000
Children's Social Care	42	0	0%	£0
Community and Communication	39	3	8%	£53,199
Culture and City Development	101	11	11%	£329,200
Executive	3	0	0%	£0
Finance and Information Services	105	4	4%	£110,821
HR Legal and Performance	71	1	1%	£1,965
Portsmouth International Port	36	0	0%	£0
Property and Housing	145	6	4%	£159,123
Public Health	14	1	7%	£27,656
Regulatory Services and Community Safety	6	0	0%	£0
Regeneration	67	11	16%	£1,129,000
TOTAL	766	43	6%	£4,717,964

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Signed by (Director)

Appendices:

Appendix 1: Non Conformance (exempt)

Appendix 2: Waivers

Appendix 3: Payments under waiver

Appendix 4: Contract performance issues (exempt)

Appendix 5: Minutes from the Strategic Contract Management Board (17/04/18) (exempt)

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

Appendix 2

Details of waivers approved in Q1 2018/19

To be read in conjunction with section 2 of the report

Procurement Management Information

27 July 2018

Directorate	Title	Supplier	Contract Value	Current contract annual value	Contract Start Date	Contract Expiry Date	Reference number	Reason for waiver	Waiver authoriser
Adult Services	Provision of Care - Harry Sotnick House	Hampshire County Council	£8,000,000	£3,900,000	01/04/18	31/03/20	C00004050	Emergency	Gateway Board
Adult Services	Care Training Programme For Unit Managers	Alium care training ltd	£15,000	£15,000	01/03/18	30/09/18	C00004058	Direct award	Director
Children's Services and Education	Attendance Monitoring and Electronic Personal Education Plans	Welfare Call (LAC) Ltd	£67,265	£33,638	01/04/18	31/03/20	C00004045	Direct award	Director
Children's Services and Education	Brass and Woodwind Instrument Repairs	Broken Wind	£7,200	£900	01/04/11	31/03/19	C00004106	Direct award	Director
Children's Social Care	Continuing Care Packages	Solent NHS Trust (formerly Solent Healthcare)	£557,000	£70,000	01/04/11	31/03/20	C00004024	Direct award	Procurement manager
Children's Social Care	Increased Placement Choice for Children	Link Maker Systems	£16,646	£5,270	01/04/15	30/04/19	C00004035	Direct award	Director
Children's Social Care	Travel Warrants for Social Workers in Children's Social Care	Multiple Suppliers	£44,000	£22,000	01/04/18	31/03/20	C00004044	Direct award	Director
Children's Social Care	Boarding Out Allowance System Annual Support	SoftBox Limited	£56,036	£56,036	01/07/02	31/03/19	C00004061	Direct award	Director
Children's Social Care	Up2U Staffing Costs	Southern Domestic Abuse Service	£33,000	£33,000	01/07/18	30/06/19	C00004147	Direct award	Director
Community and Communication	Advisor Capacity at Advice Portsmouth	YOU	£60,000	£30,000	01/04/18	31/03/20	C00004104	Direct award	Director
Community and Communication	Project Bridge Facilitation	Workshop Cookbook Ltd (trading as Paraffin)	£18,173	£18,173	01/06/18	31/05/19	C00004125	Direct award	Director
Culture and City Development	Supply of music streaming and downloads	Library Ideas, LLC	£15,810	£7,905	01/04/18	31/03/20	C00004020	Direct award	Director
Culture and City Development	Audio Guides - D-Day Museum	ATS Heritage	£17,215	£0	01/04/18	01/07/19	C00004022	Not advertising the opportunity	Director
Culture and City Development	Big Screen Control System Replacement 2018	Daktronics UK Ltd	£5,906	£5,906	27/03/18	31/08/18	C00004023	Direct award	Director
Culture and City Development	Football Capture / Analysis	SPRINGBOARD RESEARCH LTD	£30,912	£9,936	03/04/18	02/04/21	C00004026	Direct award	Director
Culture and City Development	Conan Doyle Exhibition AV Hardware	D J Willrich Ltd	£16,500	£16,500	09/04/18	31/05/18	C00004030	Direct award	Director
Culture and City Development	Air Quality Targeted Feasibility Study Parts 1 - 5	Aecom Infrastructure & Environment UK Ltd	£8,750	£3,250	17/04/18	31/07/18	C00004039	Direct award	Director
Culture and City Development	Fitness Gym Flooring - Mountbatten Centre	Physical Company	£49,331	£49,331	01/06/18	30/06/18	C00004063	Not advertising the opportunity	Director
Culture and City Development	Kite Flyers for Portsmouth International Kite Festival 2018/22	The Kite Society	£7,000	£7,000	01/04/18	31/03/19	C00004081	Single source	Director
Culture and City Development	Bandstand Programme 2018	A Stones Throw Event Co Ltd	£60,000	£60,000	01/05/18	30/09/18	C00004094	Direct award	Director
Culture and City Development	Personal Journey Planning - Part of Air Quality Grant Fund	Steer Davies Gleave	£12,000	£12,000	15/05/18	30/04/19	C00004099	Direct award	Director
Culture and City Development	Fitness Gym Equipment - Mountbatten Centre	Physical Company	£11,279	£11,279	01/06/18	30/06/18	C00004107	Direct award	Director
Finance and Information Services	Recruitment of Health and Social Care Group Accountant	CMA Financial Recruitment Ltd	£9,998	£9,998	01/10/17	30/04/18	C00004033	Direct award	Director
Finance and Information Services	EBS Developer for VESL	Proactive Appointments Ltd	£22,935	£22,935	08/01/18	30/04/18	C00004036	Direct award	Director
Finance and Information Services	Health Check and Penetration Testing	SureCloud	£43,434	£14,478	07/05/18	04/05/21	C00004054	Not obtaining 3 bids	Director
Finance and Information Services	PlanetPress 2018 - 2021	Objectif Lune Consulting Ltd	£14,352	£4,784	01/05/18	30/04/21	C00004055	Direct award	Director
Finance and Information Services	Maintenance Renewal of Folder Inserter: TFI-80 (2018)	Twofold Limited	£3,606	£1,803	15/01/18	14/01/20	C00004056	Single source	Procurement manager
Finance and Information Services	Maintenance Renewal of Folder Inserter: TFI-90 (2018)	Twofold Limited	£3,606	£1,803	05/01/18	04/01/20	C00004057	Single source	Procurement manager
Finance and Information Services	OLM support for Oracle 31/05/2018-30/05/2019	OLM Systems	£5,453	£5,453	31/05/18	30/05/19	C00004062	Direct award	Director

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Appendix 3Procurement Management Information
27 July 2018

To be read in conjunction with section 3 of the report

Q1 spend with HIGH VALUE (>£100,000) contracts with Waiver

Adult Services			
C00004050	Provision of Care - Harry Sotnick House	Hampshire County Council	£745,100
C00003645	Supported Living in Seven Properties	Voyage 1 Limited	£137,466
C00003953	Supported Living at Temple Court	COMMUNITY INTEGRATED CARE	£110,819
C00003337	Temporary Staff - Adult Social Care	Staff 2000 Limited	£98,070
C00003775	Discharge Home to Assess (H2A)	Agincare Group Ltd	£97,599
C00001351	Mechanical Planned Servicing & Reactive Repairs	Churches	£2,500
Children's Services and Education			
C00001457	Children's Centre Database and Management Information System, estart	Capita Business Services Limited	£108,067
C00003498	Disclosure and Barring Service Checks	Disclosure & Barring Service	£22,704
C00003580	Financial Modelling For South Central Adoption	GJS FINANCIAL SERVICES LIMITED	£21,299
C00003913	Portsmouth Parent Voice	Portsmouth Disability Forum (PDF)	£21,000
C00001187	Provision of Outreach Practical Parenting Support	Home-Start Portsmouth	£10,500
C00003916	Care and Support for Children and Young People with Disabilities (Contract Two)	The Rose Road Association	£1,657
Culture and City Development			
C00003173	Mortuary Costs Portsmouth - Coroner's Office	Portsmouth Hospitals NHS Trust	£81,924
C00003251	Pathologist Fees - Coroner's Office	Multiple Suppliers	£35,531
C00003083	Portsmouth DMP Promotion on London Underground	Exterior Media (UK) Ltd	£23,710
C00003251	Pathologist Fees - Coroner's Office	Multiple Suppliers	£9,274
C00003514	Fire and Intruder Alarm Servicing, Maintenance and Monitoring	Solent Sound Systems Ltd	£6,915
C00003251	Pathologist Fees - Coroner's Office	Multiple Suppliers	£4,668
C00003251	Pathologist Fees - Coroner's Office	Multiple Suppliers	£4,162
C00003498	Disclosure and Barring Service Checks	Disclosure & Barring Service	£3,872
C00003372	Retail Purchasing 2016 - 2019 - Culture	Multiple Suppliers	£2,153
C00003372	Retail Purchasing 2016 - 2019 - Culture	Multiple Suppliers	£2,136
C00003372	Retail Purchasing 2016 - 2019 - Culture	Multiple Suppliers	£1,443
C00003251	Pathologist Fees - Coroner's Office	Multiple Suppliers	£596
C00003372	Retail Purchasing 2016 - 2019 - Culture	Multiple Suppliers	£29
Finance and Information Services			
C00003906	Microsoft Enterprise Agreement 2017	Civica UK Ltd	£405,336
C00003089	Provision of Desktop Hardware	XMA Limited	£108,690
C00003132	External Audit Services	Ernst & Young LLP	£41,808
C00002284	Website Hosting 2014	Timico Ltd	£5,740
Portsmouth International Port			
C00003774	Berth 2 Walkway for Portsmouth International Port	ML UK LTD	£8,650
Property and Housing			
C00001718	Core Homeless Services -	The Salvation Army	£88,703
C00001351	Mechanical Planned Servicing & Reactive Repairs	Churches	£69,989
C00003339	Domiciliary Care Services through Guaranteed Hours	Sevacare (UK) Ltd	£11,613
Public Health			
C00003045	Provision of 0-5 services (Health Visitors)	Solent NHS Trust (formerly Solent Healthcare)	£616,996
C00003685	School Nursing - early help and prevention services	Solent NHS Trust (formerly Solent Healthcare)	£71,538
C00003826	Out of Area Sexual Health Services	Multiple Suppliers	£4,071
C00003826	Out of Area Sexual Health Services	Multiple Suppliers	£3,997
Regeneration			
C00004018	Mountbatten Centre Refurbishment	Mountjoy Ltd	£223,972
C00003872	Transforming the D-Day Museum - Design and Build / Exhibition Fit Out	Studio MB Limited	£163,476
C00003947	Water Feature Portsmouth Seafront - Groundwork Construction	Red's Builders Limited	£45,486
C00001351	Mechanical Planned Servicing & Reactive Repairs	Churches	£45,104
C00003372	Retail Purchasing 2016 - 2019 - Culture	Multiple Suppliers	£17,188
C00003086	Civic Offices IS Office Refurbishment	Year Building Services Limited	£12,290
Capital schemes			
C00004018	Mountbatten Centre Refurbishment	Mountjoy Ltd	£223,972
C00003872	Transforming the D-Day Museum - Design and Build / Exhibition Fit Out	Studio MB Limited	£163,476
C00003947	Water Feature Portsmouth Seafront - Groundwork Construction	Red's Builders Limited	£45,486
C00001351	Mechanical Planned Servicing & Reactive Repairs	Churches	£45,104
C00003372	Retail Purchasing 2016 - 2019 - Culture	Multiple Suppliers	£17,188
C00003086	Civic Offices IS Office Refurbishment	Year Building Services Limited	£12,290

Appendix 3Procurement Management Information
27 July 2018

To be read in conjunction with section 3 of the report

Q1 spend with MEDIUM VALUE (£5,000 to £100,000) contracts with Waiver

Adult Services			
C00003605	Training Provided By Hampshire County Council	Hampshire County Council	£28,000
C00003972	Social Care Consultancy	LeRay Consultancy Limited	£12,882
C00003978	Tovertafel (Magic Table)	Shift 8 Ltd	£12,000
C00003640	Adult Mental Health Advocacy Support Services	HAVANT AND EAST HANTS MIND	£4,575
C00003639	Brain Injury Information and Support Service	Headway Portsmouth and South East Hampshire	£2,000
Children's Services and Education			
C00003599	Provision of SACRE Services	Hampshire Inspection and Advisory Services	£2,025
C00003641	Portsmouth Teenage Project	Enable Ability	£1,667
C00002930	Room Hire PSCB Training	PAFG	£1,065
C00002949	Tuition 1:1 /Small Group Tuition Services	Home School Tutoring UK (Hampshire West/Central)	£384
Community and Communication			
C00003367	Shopmobility Service	Portsmouth Disability Forum (PDF)	£25,000
C00003985	Support for the Disability Information Advice Line	Portsmouth Disability Forum (PDF)	£25,000
C00003865	Change of Circumstances - Online Form	Victoria Forms	£18,000
C00003841	New Lord Mayor's Robe	Anne Marie Designs	£6,240
C00003831	Revenues and Benefits Remote Processing Framework	Northgate Public Services (UK) Limited	£5,074
C00003901	Health and Care Portsmouth Website Build	whitelight Creative limited	£3,873
C00003933	Legal debt recovery services: Insolvency Proceedings and Charging Order enforcement	Wilkin Chapman LLP	£40
Culture and City Development			
C00004094	Bandstand Programme 2018	A Stones Throw Event Co Ltd	£40,000
C00003975	Conan Doyle Exhibition - Construction & Installation	Realize Concept Interior Ltd	£39,323
C00003957	Transforming the D-Day Museum - Signage Design and Marketing	StudioLR	£22,005
C00004030	Conan Doyle Exhibition AV Hardware	D J Willrich Ltd	£16,406
C00003551	Visit Portsmouth Website 2017	New Mind Internet Consultancy Limited	£15,998
C00003971	Portsmouth Champions Destination Training	Bournemouth Borough Council	£11,653
C00003344	Regulatory Service IDOX Uniform	IDOX Software Ltd	£9,929
C00003989	Marquee Floor Replacement - Southsea Castle	Buchanan Marquees	£5,800
C00003175	Staffing Support Grant - Fratton Community Centre	Fratton Community Association	£5,500
C00003984	Mandela 100	African Women's Forum	£5,000
C00003905	Richard Lancelyn Green Collection Branding	The Cambridge Centre	£4,890
C00003149	Asbestos Analysis - Coroner's Office	Occupational and Environmental Analytical Diagnostic Services Ltd	£3,000
C00003954	Portsmouth Cultural Audience Research	The Audience Agency	£2,750
C00003150	Mortuary Costs Southampton - Coroner's Office	Southampton University Hospital	£2,186
C00003598	Landscape Masterplan D-Day Museum & Public Realm Strategy	Spindrift Development Services Limited	£2,077
C00003238	Transportation of Bodies - Portsmouth & South East (Portsmouth)	Barrells Funeral Directors	£910
C00003236	Transportation of Bodies - Portsmouth & South East (Petersfield)	Dignity Funerals T/A Carrells Funeral Service	£640
C00003150	Mortuary Costs Southampton - Coroner's Office	Southampton University Hospital	£396
C00003451	Lift Emergency Phone Lines	Six Degrees Group	£75
Finance and Information Services			
C00003555	Licence Support Renewal (10537947) 2017 - 2018	Oracle Corporation UK Ltd	£50,216
C00003808	Oracle Licences & Support - Application Server & Database Enterprise	OLM Systems	£14,858
C00003622	Education Budget Software	Access UK Ltd	£11,350
C00004036	EBS Developer for VESL	Proactive Appointments Ltd	£6,545
C00003128	CIPFA - Training and Exams	CIPFA Business Ltd.	£6,110
C00003593	iManage and Street Name and Numbering 2017 - 2020	Aligned Assets	£6,029
C00003986	Server Rental for Northgate	Hamilton Asset Management	£5,738
C00004062	OLM support for Oracle 31/05/2018-30/05/2019	OLM Systems	£5,452
C00004121	Financial Management Support	Salvis Energy Services Ltd	£3,960
C00004054	Health Check and Penetration Testing	SureCloud	£3,500
HR Legal and Performance			
C00003046	Employee Assistance Programme RM932	Right Corecare Limited t/a Workplace Wellness	£4,206
Portsmouth International Port			
C00004013	Baggage Trolleys - Portsmouth International Port	Handle-iT Ltd	£12,675
C00003695	Maintenance of X-Ray Machines and Arches	L3 Communications UK L:d	£10,000
C00003620	Software Support Services for in-house Databases	Business Technology Partners Limited	£8,000
C00003924	Provision of Stanby Berthing Services	Southern Maritime Services Limited	£7,936
C00004007	Emergency Fender Repairs - Albert Johnson Quay	Trelleborg Offshore & Construction AB	£7,800
C00003665	Berth 4 Passenger Sideloader Replacement Tilt Sensors and Controllers	Rotec Hydraulics Ltd	£6,004
C00004101	Supply of Welding Machine - Portsmouth International Port	Express Weldcare Services Ltd	£6,000
C00004047	Road Markings - Portsmouth International Port	Emily's Maintenance Services Ltd	£5,158
C00003265	Business Rates Consultancy 2017 - 2021	Jones Lang LaSalle	£5,137
Property and Housing			
C00003651	Landport Community Centre Association IT Provision	Landport Community Association	£18,500
C00004092	Installation of PV - Installation of PV - Corben Lodge Extension - 2 x 4kW	Solar Voltaics Ltd	£10,411
C00001918	Dry Riser Testing for Housing and Property Services 2013-2018	M&P Dry Risers Ltd	£5,820
C00003451	Lift Emergency Phone Lines	Six Degrees Group	£3,807
C00003356	Rental of PA and Sound Equipment - Civic Offices	Stanley Security Solutions Limited (DUP)	£2,205
Public Health			
C00003787	Safe Space	Street Pastors Portsmouth	£15,000
C00003884	GoodGym	GoodGym	£12,500

Q1 spend with MEDIUM VALUE (£5,000 to £100,000) contracts with Waiver

Regeneration			
C00003203	Replacement handheld equipment and associated items	Spur Information Solutions Ltd	£32,687
C00003344	Regulatory Service IDOX Uniform	IDOX Software Ltd	£29,786
C00003115	Northgate Payments Arrangements Module and Maintenance.	Northgate Public Services (UK) Limited	£3,177
C00003461	Provision of Analyse Local Services	Inform CPI	£2,289
C00003075	Adult Functional Skills Qualifications - The Learning Place	Northern Council for Further Education (NCFE)	£1,609
C00004026	Footfall Capture / Analysis	SPRINGBOARD RESEARCH LTD	£1,104
C00003451	Lift Emergency Phone Lines	Six Degrees Group	£115
Capital schemes			
C00003944	Mountbatten Clip & Climb	Entre-Prises	£85,472
C00003934	Beacon View Kitchen Block Works	JPC Property Services Limited	£38,401
C00003943	Mountbatten Softplay	Softplay Solutions Ltd	£29,995
C00003928	Monitoring Work by Sixense	Sixense Limited	£22,070
C00003929	MMD Container Port Redevelopment - Subsight Surveys Ltd	Subsight Surveys Limited	£15,310
C00003864	Transforming the D-Day Museum Glass Specialist	Saint-Gobain Glass (United Kingdom) Limited (Manvers, Rotherham)	£13,285
C00003598	Landscape Masterplan D-Day Museum & Public Realm Strategy	Spindrift Development Services Limited	£10,935
C00003894	Hilsea Splash Pool Cleaning And Repair	Redlynch Leisure Installations Limited	£9,376
C00004011	Fees To Use Images Of D-Day For The D-Day Story	Imperial War Museum	£8,303
C00003960	Transforming the D-Day Museum - Storage Units	Ridon Joinery Ltd	£7,715
C00003085	Cost Consultancy - Dunsbury Hill Farm	Mace Limited	£4,224
C00003878	Water Feature Portsmouth Seafront - Contract Administrator	Parker Torrington Ltd	£2,244
C00003451	Lift Emergency Phone Lines	Six Degrees Group	£41

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