



NOTICE OF MEETING

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

FRIDAY, 26 JULY 2019 AT 4.00 PM

THE EXECUTIVE MEETING ROOM - THIRD FLOOR, THE GUILDHALL

Telephone enquiries to Joanne Wildsmith, Democratic Services Tel: 023 9283 4058

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

Membership

Councillor Leo Madden (Chair)
Councillor Simon Boshier (Vice-Chair)
Councillor John Ferrett
Councillor Hugh Mason
Councillor Judith Smyth
Councillor Neill Young

Standing Deputies

Councillor Matthew Atkins
Councillor Ben Dowling
Councillor Graham Heaney
Councillor Donna Jones
Councillor Terry Norton
Councillor Chris Attwell

(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 Previous Meeting - 8 March 2019 (Pages 7 - 18)

RECOMMENDED that the minutes of the meeting held on 8 March 2019 be approved as a correct record to be signed by the Chair.

4 External Annual Audit Report for 2018/19 (Pages 19 - 70)

The External Auditor will give a verbal update on the areas of ongoing work which are reflected in the report.

Portsmouth City Council's Audit Results are for noting.

5 Annual Internal Audit Performance Status Report for 2018-19 Audit Plan and Annual Opinion (Pages 71 - 116)

The report by the Chief Internal Auditor is to update the Governance and Audit and Standards Committee on the Internal Audit Performance for 2018/19 against the Annual Audit Plan, highlight areas of concern and areas where assurance can be given on the internal control framework.

In addition to this the Annual Opinion on the effectiveness of the Internal Control Environment is provided in the attached Appendix C. This opinion feeds into the Annual Governance Statement and is a requirement of the Local Government Act 1999 and the Public Sector Internal Audit Standards.

RECOMMENDED:

(1) That Members note the Audit Performance for 2018/19 to 5th July 2019.

(2) That Members note the highlighted areas of control weakness from the 2018/19 Audit Plan.

(3) That members note the Annual Audit Report and Opinion for 2018/19.

6 Annual Governance Statement (Pages 117 - 156)

The report by the Corporate Performance Manager seeks approval from the Governance and Audit and Standards Committee for the council's Annual Governance Statement (AGS) for 2018/19.

RECOMMENDED that the Governance and Audit and Standards Committee:

- (1) **Agrees the Annual Governance Statement 2018/19 (Appendix 1)**
- (2) **Approves the refreshed Local Code of Governance (as set out in Appendix 2).**

7 Annual statement of accounts (Pages 157 - 324)

The report by the Director of Finance and Section 151 Officer is for the consideration of the Statement of Accounts for 2018-19.

RECOMMENDED that:

- (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 2018/19 Statement of Accounts after 26 July should this be required following comments by the auditor.**

8 Treasury Management Outturn Report for 2018/19 (Pages 325 - 340)

The purpose of the report by the Director of Finance and Section 151 Officer is to inform members and the wider community of the Council's treasury management activities in 2018/19 and of the Council's treasury management position as at 31 March 2019.

RECOMMENDED that the actual prudential and treasury management indicators based on the unaudited accounts, as shown in Appendix B, be noted (an explanation of the prudential and treasury management indicators is contained in Appendix C).

9 Treasury Management Monitoring report for First Quarter of 2019-20 (Pages 341 - 352)

The purpose of the report by the Director of Finance and Section 151 Officer is to inform members and the wider community of the Council's Treasury Management position, ie. its borrowing and cash investments at 30th June 2019 and of the risks attached to that position.

Whilst the Council has a portfolio of investment properties and some equity shares which were acquired through the capital program; these do not in themselves form part of the treasury management function. The performance of the investment property portfolio was reported to the Cabinet on 9th October 2018.

RECOMMENDED that the following be noted:

- (1) **That there have been no breaches of the Treasury Management Policy 2019/20 in the period up to 30th June 2019.**

(2) That the actual Treasury Management indicators as at 30th June 2019 set out in Appendix A be noted.

10 Regulation of Investigatory Powers Act 2000 (RIPA) (Pages 353 - 394)

The report by the Chief Internal Auditor seeks to update Members on the Authority's use of Regulatory Powers for the period from 29th January 2016 to 5th July 2019 and the changes required to the Policy. (The proposed changes to the policy are highlighted in Appendix A.)

RECOMMENDED that Members of the Governance and Audit and Standards Committee:

(1) Note that there have not been any RIPA applications authorised since the last report to this Committee on the 29th January 2016;

(2) Approve the required changes detailed under section 6, which have been made following the introduction of new Codes of Practice and Guidance and changes key in personnel.

11 Disapplication of Political Balance rules in relation to members complaints sub committees (Pages 395 - 396)

The report by the City Solicitor asks the committee to consider whether it wishes to disapply the political balance rules in respect of its Sub-Committees which consider complaints against Members and to agree that the same rule shall apply to the Initial Filtering Panel.

RECOMMENDED 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.

12 Performance Management Update - Quarter 4 2018-19 (Pages 397 - 430)

The purpose of the report by the Corporate Performance Manager is to report significant performance issues, arising from Quarter 4 performance monitoring, to Governance and Audit and Standards committee and highlight areas for further action or analysis.

RECOMMENDED that the Governance and Audit and Standards Committee is asked to:

(1) note the report in the revised format;

(2) agree if any further action is required in response to performance issues highlighted.

13 Call-in Rules/Procedures - request for a report

Under Standing Order 56, Councillor Simon Boshier has requested that an item come to Governance & Audit & Standards Committee.

Councillor Simon Boshier requests that the following elements of the Council's Call-in rules and by extension process, be reviewed:

- 1) A suitable time limit is in place for which Scrutiny Management to consider the call in
- 2) The subject decision of the Cabinet/Portfolio Holder should not be implemented until such time as the call in has been properly considered
- 3) The nature of a call in can be a lengthy meeting and perhaps should be the subject of a special meeting and not included on the agenda of a scheduled meeting.
- 4) If a call in is successful and the subject report is referred back to Cabinet for reconsideration, the original unaltered report should not be the subject for reconsideration.

Note: Any changes to amend the Constitution would require recommendation to full Council for approval.

The Governance & Audit & Standards Committee is asked to consider this request from Councillor Boshier.

14 Dates of future meetings

Members are asked to agree the following meeting dates and times:

Friday 20th September (at 4pm or earlier?)

29th November

6th March 2020

15 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 to the report 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 appendices are 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 Local Democracy Officer at the conclusion of the meeting for shredding.)

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

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

16 Procurement Management Information (Pages 431 - 464)

The information report by the Director of Finance seeks 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.

(Appendices 4 & 5 contain exempt information)

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>

Agenda Item 3

GOVERNANCE & AUDIT & STANDARDS COMMITTEE

MINUTES OF THE MEETING of the Governance & Audit & Standards Committee held on Friday, 8 March 2019 at 10.30 am at the 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 Leo Madden (in the chair)

Councillor Simon Boshier
Councillor John Ferrett
Councillor Hugh Mason

Officers

Michael Lawther Deputy Chief Executive, City Solicitor and Monitoring Officer
Peter Baulf, Deputy City Solicitor and Monitoring Officer
Julian Pike, Deputy Head of Finance & Deputy S151 Officer
Michael Lloyd, Directorate Finance Manager
Jon Bell, Director of HR Legal and Performance
Elizabeth Goodwin, Chief Internal Auditor
Paul Somerset, Deputy Chief Internal Auditor
Kelly Nash, Corporate Performance Manager
David Moorman, Senior Procurement Professional

External Auditor

David White, Manager, Assurance - Government and Public Sector, Ernst & Young.

16. Apologies for Absence (AI 1)

The Chair, Councillor Leo Madden, welcomed everyone to the meeting and advised that it is being livestreamed and would be available to view on the website. The Chair then read out the housekeeping rules relating to evacuation procedures in the event of an emergency.

The Chair advised that Michael Lawther, City Solicitor would soon be retiring and this would be his last attendance at Governance & Audit & Standards Committee. He thanked him for all the good advice he had given and wished him well in his retirement. The Chair welcomed Peter Baulf to the meeting advising that Peter would be replacing Michael on this committee.

Apologies for absence were received on behalf of Councillor Neill Young and Councillor Ian Lyon.

17. Declarations of Members' Interests (AI 2)

There were no declarations of members' interests.

18. Minutes of the Meeting held on 1 February 2019 (AI 3)

RESOLVED that the minutes of the meeting held on 1 February 2019 be confirmed and signed by the Chair as a correct record.

Matters arising from the minutes

The query relating to page 5 of the minutes concerning the "requirement to seek comparative quotes for procurements over £30k" being set at quite a high figure had not been revisited. The City Solicitor said he would chase this up and advise the committee.

The City Solicitor said he would provide Mr Brown with the anonymised schedule of claims he referred to which had been circulated to the committee.

The Chair said he would look into how follow-ups could be put into the public domain.

Deputations were then made by Mr Jerry Brown on the following items on the agenda:

Item 5- Audit Performance Status Report to 22 February 2019
Item 9- Quarterly Performance Management Report

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-08Mar2019>

19. External Auditors 2017/18 Certification Report (AI 4)

(TAKE IN REPORT - for information only)

David White, Manager, Assurance - Government and Public Sector, Ernst & Young, introduced the report which covers the work on the Council's housing benefit subsidy claim for 2017/2018. He explained that external audit undertake a programme of work set out by the Public Sector Audit Appointments Ltd (PSAA). Detailed case testing is carried out on an initial sample of 20 cases per benefit type. More extensive '40+' or extended testing is undertaken if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the certification of previous years claims.

Errors were found in a small number of areas and extended testing was therefore carried out identifying errors which the Council amended. They had a net impact of increasing subsidy claimed by £43,565. He explained that they had reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter to the Department for Work and Pensions which then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. The report includes a summary of the main issues reported in the qualification letter.(pages 5 to 7). Mr White advised that the overall rate of error is small and is similar to prior years and is also comparable with other authorities of similar size.

Mr White advised that a small additional fee had been charged as the work carried out in 2017/18 had increased since 2015/16, the year on which the scale fee was based. He explained that the scale fee was set by the PSAA. The additional fee had been agreed by the Director of Finance but remained subject to agreement with PSAA.

In response to a query, Mr White advised there was no assurance rating as such, but the certification process requires the subsidy claim to be signed off as correct subject to the qualification letter.

The report was noted.

20. Audit Performance Status report to 22 February 2019 (AI 5)

(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-08Mar2019>

The Chief Internal Auditor introduced the report which updates the Committee on the internal audit performance for 2018/19 to 22 February 2019 against the Annual Audit Plan, highlights areas of concern and areas where assurance can be given on the internal control framework.

She advised that expected reporting times are given in the reports but these could be delayed if the work has not been completed - as happened for some of the MMD audits which will be deferred to the next reporting cycle.

She said that the audit plan is almost completed as set out in section 5 of the report. There are no critical risk exceptions.

However there is one area of no assurance - community centres. The Authority currently has overall responsibility and ownership of 18 Community Centre buildings across the City. 5 of the Centres fall within the remit of the Housing, Neighbourhood & Building Services Directorate and are managed by Portsmouth City Council. The remaining 13 fall within the remit of the Culture & City Development Directorate and are managed by Community Associations. The audit carried out was only in respect of the 5 centres being managed by PCC.

To summarise, eight high risk exceptions have been raised as a result of this audit review and a no assurance opinion has been given as a result of testing. Internal Audit has discussed the results with the Directorate concerned and full co-operation has been given and actions are now in place to address the many issues raised and a follow-up audit will be carried out in the new Municipal Year to check everything has been implemented. An exercise will be undertaken next year in relation to the community centres that receive grants but that audit will be slightly different.

The Chief Internal Auditor said the report also includes the 2019/20 Audit Plan - but this is not a complete list of audits as it will depend on the number of follow-ups relating to work currently in progress. Any area of high risk and critical risk will be followed up. The Plan submitted will therefore grow.

With regard to schools, internal audit will undertake some reviews but negotiation will determine which schools they will be. A discussion has not yet taken place with the directors of MMD as to what will be within the scope of the audit.

The City Solicitor advised that PCC only owned two active companies - VESL and MMD - and he confirmed that they should both be fully compliant with PCC policies.

During discussion

- With regard to community centres run by associations, it was confirmed that these would be the focus of a future audit. Two independent audits had been carried out into what was happening in community centres and although the Chief Internal Auditor was aware of the contents of the reports, these were not carried out by Internal Audit. The City Solicitor confirmed that one report had been carried out by Mr Greg Povey into the management and running of one centre by the Paulsgrove Community Association. The second report was carried out by Mark Heath, a former City Solicitor at a neighbouring authority, to look at the procedure followed in the initial report by Mr Povey and found that the first report was sound. One Member said that there seemed to be some serious issues around community centres and he was concerned that liability rests with the Council. There is a need to focus on the best use of assets we have.
- The Chief Internal Auditor confirmed that the number of community centres run by associations had erroneously included Drayton Centre, so the number should be 17 and not 18 community centres.
- With regard to a query about the audit plan for the coming year, and the scope of the audit as regards the Guildhall and the Pyramids, the Chief Internal Auditor said these were provisional. With regard to the Guildhall, internal audit would be looking at the use of funds and also how any PCC assets are being used and will also be looking at long term Trust plans and how these correlate with the funds they have.

- With regard to the Pyramids, the Chief Internal Auditor said they have carried out reviews on the contract and management side but a number of financial and reputational risks rest with the authority. Internal audit has not looked at the Pyramids for a few years. The Pyramids review is likely to be largely contract related.

RESOLVED that Members

(1) Noted the Audit Performance for 2018/19 to 22nd February 2019.

(2) Noted the highlighted areas of control weakness from the 2018/19 Audit Plan.

(3) Endorsed the Audit Plan for 2019/20.

21. Treasury Management Policy (AI 6)

(TAKE IN REPORT for information only)

The Chair drew members' attention to page 61 where it states that the report was before this committee to fulfil the requirement for scrutiny before being recommended to the Council.

Michael Lloyd introduced the report advising that the Policy Document attached sets out the policies on borrowing and investing surplus cash. He advised that government guidance had been revised and is reflected in the Policy. In particular, the Treasury Policy in previous years included the risk appetite statement and the minimum revenue provision policy. Those are now in the new Capital Strategy going to Cabinet and Council.

The report also sets out the Treasury Management indicators - the boundary within which the council's Treasury Management Policy activities should operate.

There are two significant changes to this:

- (i) That a new category of non-specified investments be added to permit investment in pooled investment vehicles including equity funds, property funds, supply chain finance funds and multi asset funds with a limit of £50m per fund
- (ii) That the maximum limit of an investment in a subsidiary company be increased from £20m to £30m

Mr Lloyd advised that the reason for increasing the limit is to allow development of a subsidiary company to develop housing in the Portsmouth area on a commercial basis.

The report also contains a recommendation for officers to be given delegated authority as set out in 3.1(d) and a recommendation on who should be informed if there are any variances from the Treasury Management Policy when they become apparent as set out in (3.1 (e)).

In response to questions

- The Committee was advised that there is substantial amounts of borrowing in our capital programme (such as in respect of the Port). In terms of flexibility - borrowing costs are fixed so there is less flexibility in future years to set the budget. Mr Lloyd said we have to accept this as part of the Council's capital plans. He did not consider this to be a

serious issue as he believed the revenue resulting from the investment would counteract those effects. All borrowings are subject to a detailed financial appraisal and that would dictate whether or not PCC would enter into that borrowing.

- With regard to reference to "pooled investment vehicles" in the recommendations, PCC would be likely to pool with private sector organisations such as pension funds. Effectively, a number of organisations pay into a fund and it is managed by an investment manager - similar to a unit trust.
- With regard to page 89 and the housing company, it was confirmed that the company has been formed - Ravelin - and the company is putting in place a framework to allow it to build houses but it will do so in accordance with its own business case and it is not possible to comment on what the housing mix will be at this stage as matters had not progressed that far.
- With regard to debt re-scheduling mentioned on page 77, it was confirmed that premium payments to the Public Works Loans Board would be by lump sum rather than in instalments. If a loan is paid off early PCC would have to find the money to do that - usually from surplus cash balances. This would only happen if PCC wanted to redeem a loan early and this would have to be of net benefit to the council. It would be unusual to restructure debt on this basis.
- With regard to Page 79 - although the Municipal Bonds Agency was set up a few years ago, it has not really progressed yet. .
- With regard to reverse repo mentioned on page 88, essentially this is where PCC could lend to an organisation that may not meet PCC's credit criteria but would be secured on acceptable collateral as set out in 11.21 making it a very safe investment. The policy includes this to maintain PCC's ability to invest in this way although it has not yet done so.

RESOLVED that the Committee noted the recommendations to Council set out in section 3 of the report.

22. Health and Wellbeing Board Constitution (AI 7)

(TAKE IN REPORT)

Kelly Nash introduced the report advising that the recent review of partnerships has concluded that there would be benefits for efficiency of working and effectiveness of decision-making, if the current three cross-organisation partnerships that look at issues around health and wellbeing in the city (the Health and Wellbeing Board (HWB), the Safer Portsmouth Partnership (SPP) and the Children's Trust Partnership (CTP)) came together as one grouping with a single Terms of Reference and membership, and that this should be under the auspices of the Health and Wellbeing Board as the statutory body. All three partnerships agreed that this would be their preferred way forward.

Consequently there was a need to draw up revised Terms of Reference and as this represented a Constitutional change, it had to be brought to Governance & Audit & Standards Committee and Council.

During discussion

- It was confirmed that the success of the HWB could be judged by whether or not it achieved its objectives. Ms Nash said she would be happy to circulate these if that would be useful.
- It was confirmed that HWB is audited as part of Internal Audit's programme and was last audited in 2016/17. It is not causing concern at present but would be audited again in the future.
- One Member expressed some reservations about the lack of explanation and justification contained in the report for combining the three partnerships and was concerned in case elements that had been dealt with by the individual bodies would not be dealt with as effectively when combined. In particular he was concerned about crime statistics and trends that had been focused on previously by SPP. He appreciated that SPP was in agreement with the recommendations in the report and would be interested to see anything that had been put in writing by SPP to that effect.

Ms Nash said that the re-written aims included in the report covered SPP's previous focus. There had been convergence by the separate entities on many issues anyway over the last few years so to an extent this was formalising the position. She said that the separate bodies had tended to look at the same issues from different perspectives whereas the joint body could look at the issues from all angles. The membership of the new HWB had been extended to include for example the Chief Superintendent of Police, probation colleagues and representatives from schools. She said she would be happy to let Members have details of the discussions that had been had relating to setting up the combined HWB. The Member concerned said he would find that useful.

The Chair said the membership of HWB had evolved and he considered its composition to be more balanced now. He said that the matters raised today had been fully discussed by the bodies concerned and they had concluded that the combined HWB would be an improvement on the previous separate arrangements. He said that as the report was going on to full Council, the Member concerned could express his reservations there if he remained unconvinced that this represented an effective way forward. Meanwhile Kelly Nash could provide him with additional information.

Kelly Nash confirmed that there are some very specific functions for SPP and HWB and these have generally been carried out by task and finish groups and these would continue unchanged under the combined HWB.

With regard to the Constitution, Kelly Nash said that the lead Member for Community Safety was not a member but that role would be fulfilled by the Leader of the Council who was a member.

RESOLVED that the Governance & Audit & Standards Committee

- (1) Supported the changes to the constitution for the Health and Wellbeing Board set out in the report and**
- (2) Recommended these to Council on 19 March 2019.**

23. Councillor Training and Development (AI 8)

(TAKE IN REPORT for information only)

The City Solicitor introduced the report which updates members on the 2019 training programme for councillors.

During discussion

- The City Solicitor confirmed that the only training that is mandatory before members could sit on the committees is in respect of Licensing and Planning. He said that it was not possible to make training mandatory because neither the Code of Conduct nor the Localism Act had effective sanctions should a member not attend training. He said that the Code of Conduct is under review nationally so it may be that this situation changes in future.
- The City Solicitor said he would look into whether it would be possible for members to have a formal record of their training so they could use it on future CVs.
- One Member suggested that training enforcement could perhaps be carried out informally through the group leaders regularly reviewing who had attended training and using their influence to encourage members to attend.

The Chair thanked members for requesting this report which was noted.

24. Quarterly Performance Management Update (AI 9)

(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-08Mar2019>

Kelly Nash introduced the report advising that this is a regular report and the themes are generally similar - as outlined in sections 3.6, 3.7 and 3.8 of the report.

Ms Nash said that it had been agreed at the last meeting that the report format would be revised for the new Municipal Year to provide a subset of information and would be moving to a strategic risk basis. An example of the new report format would be circulated to members at the end of the meeting and was similar to that which was provided by other authorities.

In response to questions

- With regard to page 189 - regeneration - stating "There are some risks around consultation on major schemes such as coastal defences with the extra cost of delivery that may result from these processes", Kelly Nash said she would find out what these risks were and would circulate the response to the committee.
- With regard to page 195 - referrals to early help - this seems to have gone up significantly. Kelly Nash advised that part of this is that for some years, the authority did not have an early help offer but it has now been made available and uptake is increasing.
- With regard to the RAG rating on page 197 - youth offending team caseloads - this was still rated Red as it is still high compared with other authorities and the service considers it to be high and wants to reduce it.
- It was confirmed that the Directors' summaries will be retained in the new report format. Kelly Nash agreed to chase up the detailed report from Public Health that is missing from this report.
- In response to a query about why work on the Air Quality action plan is on hold (page 267), Kelly Nash explained that much work is in fact going on. Some of it is around validating the data that is held by DFT that has resulted in the ministerial directive. Some contradictions have been in evidence as the government has relied on modelling which is at variance with actual data collected in Portsmouth.

In future, reports, the Air Quality Action Plan will appear as a line in its own right to make progress clear.

- With regard to page 349 - recruitment and retention of teachers in the city - it was confirmed that Portsmouth Education Partnership will have oversight of this matter and this is their top priority.
- In relation to the Troubled Families recovery plan mentioned on page 348, Members asked whether the 2020 target date is likely to be achieved as progress appears to be slowing down. The Committee was advised that much work is being done to reverse the slow down and the most recent data shows that Portsmouth is the most improved authority. This has resulted in some money being released so the expectation is that progress will accelerate again.
- It was confirmed that the replacement of fire doors referred to on page 365 would be at the contractor's expense.
- With regard to page 377 mentioning the full business case on the Southsea Flood Defence Scheme, it was confirmed that PCC is approaching LEP for funding. However this is not the only body being approached. Members said it would be useful to be given an idea of the sequence and timing of who is being approached and when. Kelly Nash said she would request the relevant teams to supply that information.

The proforma for the revised report was then circulated to the committee members.

RESOLVED that the Governance and Audit and Standards 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.

25. Exclusion of Press and Public (AI 10)

The Chair, Councillor Leo Madden, proposed 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 exempt appendices in item 11 on the grounds that the appendices contain information defined as exempt in part 1 of schedule 12A to the Local Government Act 1972. This was agreed.

RESOLVED that the meeting move into exempt session for the consideration of the exempt appendices relating to item 11.

The Chair explained that provision had been made on the agenda to consider the exempt appendices in item 11 in exempt session but that he would keep the meeting in open session during discussion of the non-exempt parts of the report.

26. Procurement Management (information) report (AI 11)

(TAKE IN INFORMATION ONLY REPORT)

David Moorman, Senior Procurement Professional, introduced the report which was divided into 8 sections and which had 5 appendices.

He summarised each section of the report.

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 **December 2018**.

Section 2 - **waivers awarded this quarter**

This table presents a summary of those contracts added to the contract register during Q3 2018/19 which have a waiver associated with them. Although broadly in line with previous reports, more detail regarding waivers approved in Q3 is contained in Appendix 2.

Section 3: **spend with waiver**

The table and graphs provide a breakdown by directorate of the actual spend during Q3 2018/19 on contracts which have waivers associated with them (regardless of when the waiver was approved).

Section 4: **spend by contract size**

The graphs present the actual spend by directorate in Q3 2018/19, and how this is broken down into spend under high and medium value contracts.

Section 5: **top 20 suppliers**

The table shows the council's top 20 suppliers and provides details of the nature and value of the contracts with them.

Section 6: suppliers paid over £100,000 in Q3 by directorate

The tables show those suppliers who have been paid over £100,000 in Q3 2018/19 by directorate. They are arranged in descending order of value by directorate.

Section 7: supplier performance

Section 8: Supplier Performance Monitoring

This section shows contracts which have never had a KPI score and contracts that had not had a KPI score in 12 months.

During discussion

- With regard to a query relating to the words on page 436 "not indicative of compliance with legal requirements", it was confirmed that this should not concern members as it would have to be compliant to be on the register and there is a link that relies on officers to tag the link to the contract in the register (which is sometimes overlooked). The City Solicitor said the committee could rest assured that if there is a problem the legal team will deal with it.
- With regard to the requirement to obtain 3 bids being waived in one instance, the committee was advised that there are a number of reasons for this - for example sometimes there are niche markets, sometimes it is a matter of scheduling and supplying and sometimes it could be that the contract is too small to be of interest to many suppliers.
- With regard to page 445, it was confirmed that there are 2 separate contracts each for £130m.

The committee then moved into exempt session to give more detailed consideration to the two exempt appendices.

Following on from the confidential examination of appendix 4 (relating to contract performance issues) and appendix 5 (minutes from the strategic contract management board 10/12/18) there were two pieces of work requested:

- i) Awarding of capital contracts of a transportation nature - Internal Audit would undertake this specific project
- ii) Contingency/business continuity planning to ensure commercial failures can be dealt with.

The meeting concluded at 12.40 pm.

Councillor Leo Madden
Chair

Portsmouth City Council Audit results report

Year ended 31 March 2019

July 2019

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Agenda Item 4

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

Building a better
working world

15 July 2019



Dear Governance and Audit and Standards Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Governance and Audit and Standards Committee. This report summarises our preliminary audit conclusion in relation to the audit of Portsmouth City Council for 2018/19. We will issue our final report following the Governance and Audit and Standards Committee meeting scheduled for 26 July 2019.

Our audit of Portsmouth City Council for the year ended 31 March 2019 is in progress at the date of writing this report. We plan for our work to be substantially complete by the date of the Governance and Audit and Standards Committee on 26 July 2019 and will provide an update on the ongoing areas of our work at the meeting.

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, by the accounts publication date of 31 July 2019. We also have no matters to report 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 and Audit and 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 and Audit and Standards Committee meeting on 26 July 2019.

Yours faithfully

A handwritten signature in black ink that reads "Helen Thompson". The signature is written in a cursive style.

Helen Thompson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk). This 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 April 2018)' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary



Executive Summary

Scope update

In our audit planning report tabled at the 1 February 2019 Governance and Audit and 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 exceptions:

- Changes in materiality: We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of 1.8% of gross expenditure on provision of services, we have updated our overall materiality assessment to £10.64m (audit planning report – £10.49m). This results in updated performance materiality, at 75% of overall materiality, of £7.98m, and an updated threshold for reporting misstatements of £0.53m.

A 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.

Status of the audit

Our audit of Portsmouth City Council for the year ended 31 March 2019 is in progress at the date of writing this report. We plan for our work to be substantially complete by the date of the Governance and Audit and Standards Committee on 26 July 2019 and will provide an update on the ongoing areas of our work at the meeting. 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:

- Property, Plant and Equipment (including additions), Investment Property and Heritage Assets – see section 2 for status update on key areas
- Short Term Debtors and Creditors – samples selected, evidence is being collated and testing is in progress
- Cash – testing is in progress
- Short and Long Term Borrowings and Investments – a small number of confirmations are outstanding
- Provisions – business rates appeals provision to be reviewed
- PFI – see section 2 for status update
- Pension liability – see section 2 for status update
- Reserves and MRP – testing is in progress for reserves; see section 2 for status update on MRP
- Income and Expenditure – samples selected, evidence is being collated and testing is in progress
- Disclosures and Annual Governance Statement – work is ongoing
- Housing Revenue Account – samples selected, evidence is being collated and testing is in progress
- Journal Entry testing – sample is being selected
- General audit procedures – work is ongoing

Executive Summary

Status of the audit (continued)

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

A national issue has resulted in the consideration of the need for a relatively late change to the Authority's accounts and IAS19 disclosures. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft accounts did not recognise this issue as it was considered not to be sufficiently material to disclose a contingent liability. However, since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27th June 2019 which denied the Government leave to appeal, which suggested that the amounts should in fact be able to be fully calculated and so included in the IAS19 liability disclosed within the financial statements. At the time of writing this report, the Authority is awaiting a revised IAS19 report from the Actuary of Hampshire Pension Fund, to enable an assessment of the materiality of McCloud adjustments to the Authority's accounts. We will provide a further update at the meeting of the Governance and Audit and Standards Committee on 26 July 2019.

We do not expect to issue the audit certificate at the same time as the audit opinion as we will not complete work on the Authority's WGA submission prior to 31 July 2019. The deadline for completion of WGA is 13 September 2019 and the audit certificate will be issued once this work is complete.

Audit differences

No unadjusted audit differences have been identified to date.

A small number of disclosure errors have been identified as a result of our work to date, and have been corrected. One adjusted audit difference exceeding our performance materiality (in a disclosure note) is noted in section 4.

As our audit work is ongoing at the time of writing this report, further adjusted and unadjusted misstatements may be identified. We will update the Governance and Audit and Standards Committee at the meeting on 26 July 2019 if we identify any issues from the work that remains outstanding at the time of writing this report.



Executive Summary

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 and Audit and Standards Committee.

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Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. 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 identified during our audit.

There are no matters we wish to report.

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 have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



Executive Summary

Other reporting issues

We review the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. This work is currently ongoing, and we will provide an update to the Committee at the meeting on 26 July 2019.

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission in September 2019 and provide an update to the Committee on the outcome of this work. This does not affect our ability to sign the audit opinion on your financial statements by 31 July 2019.

We have reviewed the Authority's group accounts assessment for 2018/19 and accepted the rationale provided for not preparing group accounts in respect of Portico Shipping Limited (formerly MMD (Shipping Services) Limited).

We have no other matters to report.

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Independence

Please refer to Section 9 for our update on Independence. We have no independence issues to report.



02 Areas of Audit Focus



Significant risk

Risk of fraud in revenue and expenditure recognition – inappropriate capitalisation of revenue expenditure

What is the risk?

Under ISA (UK) 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We assessed that the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure, leading to overstatement of Property, Plant and Equipment (PPE) and/or Investment Property (IP) in the Balance Sheet, and understatement of expenditure in the Comprehensive Income and Expenditure Statement.

The value of PPE additions in 2018/19 was £108m, and the value of IP additions was £29m.

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What judgements are we focused on?

Our work has focussed on any judgements exercised in determining whether expenditure is capital in nature, and therefore appropriate to be capitalised rather than charged to the Comprehensive Income and Expenditure Statement.

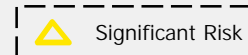
What did we do?

Our approach focused on:

- We selected a sample of additions to test and confirm the item was appropriate to capitalise through agreement to evidence such as invoices and capital expenditure authorisations.
- When performing journals testing, we challenged entries that could be indicative of inappropriate capitalisation, such as any significant journals transferring expenditure from non-capital codes to PPE/IP additions or from revenue to capital codes on the general ledger at the end of the year.

What are our conclusions?

We have selected our sample for additions are awaiting the related supporting evidence, which we will then review. No indications of material inappropriate capitalisation of revenue expenditure have been identified to date; we will provide a further update at the meeting of the Governance and Audit and Standards Committee on 26 July 2019.





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) 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?

Our assessment of risk led us to create a series of criteria for the testing of journals, focusing specifically on areas that could be open to management manipulation. We have also focused specifically on capitalisation of expenditure as a potential area of manipulation, which is recorded as a separately identified significant risk on the previous page of this report.

Our work on estimates focussed on PPE and Investment Property valuation, IAS19 pension estimates, PFI valuation, and calculation of the Minimum Revenue Provision, which we have identified as areas of higher inherent risk. Our findings on these areas is set out on the subsequent pages in this section of our report.

What did we do?

Our approach focused on:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Assessing accounting estimates for evidence of management bias.
- Evaluating the business rationale for significant unusual transactions.

Further to this, we have:

- Inquired of management about risks of fraud and the controls put in place to address those risks, as well as gaining an understanding of the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.

What are our conclusions?

Our work in relation to this risk is ongoing at the time of writing this report. To date:

- We have not identified any evidence of material management override.
- We have not identified any instances of inappropriate judgements being applied or other management bias both in relation to accounting estimates and other balances and transactions.
- We have not identified any other transactions which appeared unusual or outside the Authority's normal course of business

We will provide a further update at the meeting of the Governance and Audit and Standards Committee on 26 July 2019.





Areas of Audit Focus

Other areas of audit focus

Valuation of Land and Buildings and Investment Property

What is the risk?

The fair value of Property, Plant and Equipment (PPE) and Investment Property (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.

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 net book value of PPE at 31/03/2019 was £1.27bn, and the value of IP was £182m.

What did we do?

We:

- Considered 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.
- Tested on a sample basis the accuracy of information used by the valuer in performing their valuations (for example floor plans to support valuations based on price per square metre) and challenged the valuer's key assumptions.
- Considered the annual cycle of valuations to ensure that assets have been valued within a suitable rolling programme as required by the Code for PPE, and annually for Investment Property.
- Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated.
- Confirmed that accounting entries have been correctly processed in the financial statements.

What are our conclusions?

We have selected samples for PPE and IP valuation and received supporting evidence, which is now being worked through. A small further sample of investment property is currently awaiting evidence from the valuer. We will provide a further update at the meeting of the Governance and Audit and Standards Committee on 26 July 2019.



Areas of Audit Focus

Other areas of audit focus

PFI accounting

What is the risk?

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 specialist in 2016/17. We will review the accounting entries and disclosures in relation to PFI in detail in 2018/19, with a focus on any significant changes since the specialist's review in 2016/17.

The total finance lease liability for PFIs was £65m at 31/03/2019, and the value of PFI assets was £131m.

What did we do?

- Reviewed assurances brought forward from prior years regarding the appropriateness of the PFI financial models.
- Reviewed the PFI financial models for any significant changes.
- Ensured the PFI accounting models had been updated for any service or other agreed variations and confirmed consistency of current year models with prior year brought forward assurances.
- Agreed outputs of the models to the accounts, including balances and disclosures for Assets, Liabilities, and Expenditure, and reviewed the completeness and accuracy of disclosures.

What are our conclusions?

We have reviewed assurances brought forward from prior years, reviewed the models for significant changes, and reviewed the models for consistency with the prior year, for 3 of the 4 PFIs. Our work on the 4th PFI is ongoing.

Our work to agree the outputs of the models to the accounts is ongoing. As part of this we will test PPE additions relating to the highways PFI as these are material in 2018/19.

We will provide a further update at the meeting of the Governance and Audit and Standards Committee on 26 July 2019.



Areas of Audit Focus

Other areas of audit focus

Pension Liability Valuation

What is the risk?

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. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the 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) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The net pension liability at 31/03/2019 was £365m.

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What did we do?

We:

- Liaised 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.
- Assessed the work of the Pension Fund actuary (Aon Hewitt) including the assumptions they 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.
- Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

What are our conclusions?

Our work on pensions is ongoing at the time of writing this report. As referenced in section 1 of our report, the Authority is awaiting a revised IAS19 report from the Actuary of Hampshire Pension Fund, to enable an assessment of the materiality of McCloud adjustments to the Authority's accounts. We will provide a further update at the meeting of the Governance and Audit and Standards Committee on 26 July 2019.



Areas of Audit Focus

Other areas of audit focus

Minimum Revenue Provision (MRP)

What is the risk?

Local authorities are normally required each year to set aside some of their revenues as provision for capital expenditure financed by borrowing or credit arrangements. This provision is known as MRP. MRP is a real charge that impacts on the general fund and therefore the council tax financing requirement. The Authority has amended its method for calculating MRP, using an annuity approach, which has resulted in reduced MRP charges in the short term and the calculation of a historic over-provision of MRP. The calculation of MRP is inherently complex and as such we have used an internal specialist to assist with our review of the Authority's revised MRP calculations.

What did we do?

- Considered the outputs of the review by our internal specialist of the Authority's MRP calculations commenced in 2017/18; and
- Used this to inform our assessment of the material accuracy of the Authority's MRP estimate and historic overprovision

What are our conclusions?

Our work on minimum revenue provision has been ongoing since 2017/18, due to the complexity of underlying calculations and supporting information. A number of iterations of queries have been raised by our specialist and responded to by officers. Some matters remain to be resolved between the date of writing this report and the end of our 2018/19 audit. There was no material impact on our 2017/18 audit as a result of the issue being ongoing into 2018/19.

We will provide a further update at the meeting of the Governance and Audit and Standards Committee on 26 July 2019.



Other areas of audit focus

New Accounting Standards

What is the risk?

IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from contracts) apply from 1 April 2018.

IFRS 9 will change:

- How financial assets are classified and measured;
- How the impairment of financial assets are calculated; and
- The disclosure requirements for financial instruments.

There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of Practice on Local Authority Accounting provides guidance on the application of IFRS 9.

The key requirements of IFRS 15 cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15. The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

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What did we do?

We:

- Assessed the Authority's implementation arrangements and accounting for 2018/19.

Specifically, for IFRS 9, we:

- Considered the classification and valuation of financial instruments.
- Reviewed the implementation of the new expected credit loss (ECL) model impairment calculations for assets.
- Checked additional disclosure requirements for compliance with the CIPFA Code.

What are our conclusions?

The Authority was able to demonstrate that implementation of IFRS 15 had no material impact on its financial reporting arrangements.

For IFRS 9 we are satisfied that:

- Required changes to the classification and accounting for financial instruments were made correctly.
- An ECL model has been used to determine potential impairments or provisions necessary for financial assets. We noted that the Authority had not made these additional impairments/provisions due to their low value. As they were below our threshold for reportable audit differences, and we are satisfied with the material accuracy of the approach taken, no further action was judged necessary.
- CIPFA Code disclosure requirements have been met.



Areas of Audit Focus



Other matters

The Code requires the Authority to make preparations for the implementation of another new accounting standard for 2020/21, namely IFRS 16 – Leases. There is an inherent risk in relation to implementing new accounting standards and carrying out a sufficient assessment and evaluation.

IFRS 16 replaces IAS 17 Leases and its related interpretations. It will apply to the 2020/21 financial statements. The changes introduced by the standard will have substantial practical implications for local authorities that currently have material operating leases, and are also likely to have an effect on the capital financing arrangements of the authority.

We will consider the Authority's implementation plan and preparedness for IFRS 16 and report to the Governance and Audit and Standards Committee if we have any concerns in this regard.

In addition, changes have been made to the CIPFA/LAASAC Code for 2019/20, as noted below:

- The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework), the main elements being (2019/20 Code Cpt 2.1 refers);
 - new definitions of assets, liabilities, income and expenses
 - updates for the inclusion of the recognition process and criteria and new provisions on de-recognition
 - enhanced guidance on measurement bases
- Guidance in the treatment of the Apprenticeship Levy (2019/20 Code Cpt 2.11 refers)
- Updated guidance on IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation & LOBOs (2019/20 Code Cpt 2.11 refers)
- Clarifications for the disclosure requirements with respect to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (2019/20 Code Cpt 9 refers).



03 Audit Report



Audit Report

Draft audit report

Our draft 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 2019 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 related notes 1 to 42 and Expenditure and Funding Analysis, the Collection Fund and the related notes 1 to 3, the Housing Revenue Account, Movement on the HRA Statement and the related notes 1-12.

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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Portsmouth City Council as at 31 March 2019 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 2018/19.

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 and 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 and 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

Draft audit report

Our draft opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 2018/19 set out on pages 4 to 38, other than the financial statements and our auditor's report thereon. The Director of Finance and 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 2019.

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 Authority;
- 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

Draft audit report

Our draft opinion on the financial statements

Responsibility of the Director of Finance and Information Technology (Section 151 Officer)

As explained more fully in the Statement of Responsibilities set out on page 39, the Director of Finance and 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance and 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 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 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 2019.



Audit Report

Draft audit report

Our draft opinion on the financial statements

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Portsmouth City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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 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. Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Portsmouth City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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 Authority and the Authority'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



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

We highlight the following misstatements greater than £7.98m identified during the course of our audit to date which have been amended in the final version of the financial statements:

- £83.3m overstatement of the prior year comparator for minimum lease payments due in over five years where the Authority is lessee, in note 37 Leases. This is a disclosure issue only and does not impact the primary statements or other notes. Our work on the current year figures in this disclosure is ongoing at the time of writing this report.

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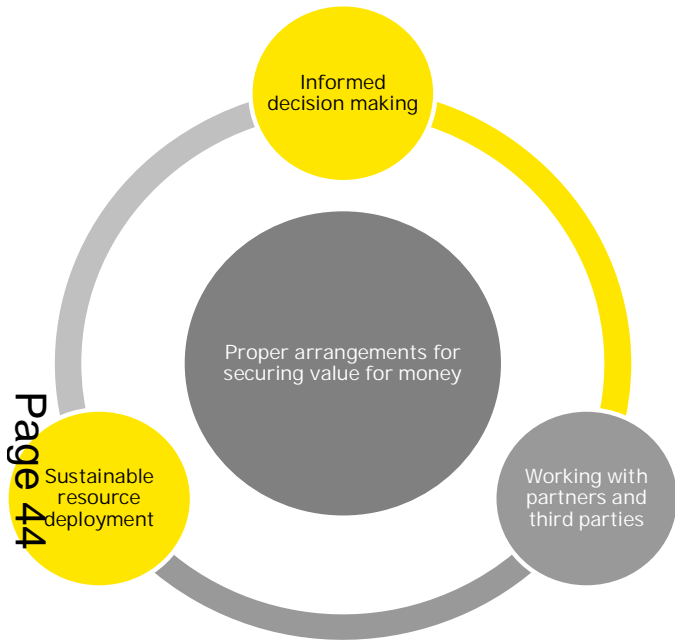
No unadjusted differences have been identified to date.

As our audit work is ongoing at the time of writing this report, further adjusted and unadjusted misstatements may be identified. We will provide an update at the Governance and Audit and Standards Committee meeting on 26 July 2019.



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 2018/19 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.

As part of our work, we have considered the Authority’s preparations for Brexit. We have not identified any significant issues in this regard. Reasonable consideration has been given to the issue, in the context of the ongoing uncertainty around whether Brexit will be delivered, in what form, and when.

We therefore have 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 2018/19 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 in these areas is ongoing at the time of writing this report. We will provide a further update at the meeting of the Governance and Audit and Standards Committee on 26 July 2019.

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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.

We do not plan to complete the procedures required by the National Audit Office (NAO) on the WGA submission until after issuing our audit opinion, noting the revised deadline for auditor certification of the WGA submission is now 13 September 2019.

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.

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;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have reviewed the Authority’s group accounts assessment for 2018/19 and accepted the rationale provided for not preparing group accounts in respect of Portico Shipping Limited (formerly MMD (Shipping Services) Limited).

We have no other matters to report at the time of writing this report. We will provide a further update at the meeting of the Governance and Audit and Standards Committee on 26 July 2019.



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 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 that might result in a material misstatement in your financial statements of which you are not aware.



08 Data Analytics



Use of Data Analytics in the Audit

Data analytics – Income & expenditure testing, payroll testing and journals

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 2018/19, our use of these analysers in the Authority's audit included selecting samples for general income and expenditure testing, testing payroll costs, and identifying and focusing our journals testing on those entries we deemed to have the highest inherent risk to the audit.

We captured the data through our formal data requests and the data transfer took place on a secured EY website. The transfer methodology is 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 obtained downloads of all of the Authority's financial ledger transactions posted in the year. We performed 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 reviewed and sorted transactions, allowing us to more effectively identify and test journals that we considered to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also used our analysers in our payroll testing. We obtained all payroll transactions posted in the year from the General Ledger and performed procedures to understand the data and identify unusual items. We also reconciled the GL amount to the payroll subledger. We then analysed the data against a number of specifically designed procedures.



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09

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 1 February 2019.

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 and Audit and 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 and Audit and Standards Committee on 26 July 2019.

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 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services recorded 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 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements in 2018/19.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£	£
Total Audit Fee – Code work (note 1)	TBC	115,067	115,067	156,324
Non-audit work: Housing Benefit subsidy claim certification (note 2)	N/A	N/A	N/A	21,613

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All fees exclude VAT

Note 1: As our audit is ongoing at the time of writing this report, issues may arise which could lead to additional fee being sought. There are no such matters identified to date.

Note 2: The Authority has appointed a new reporting accountant for the 2018/19 housing benefit subsidy claim.



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			

Appendix B

Summary of communications




Date	Nature	Summary
22/11/2018	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.
18/01/2019	Meeting	The partner in charge of the engagement, along with the audit manager, met with the Section 151 Officer to review our draft audit planning report and to discuss current issues at the Authority to inform our continuous audit planning.
01/02/2019	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.
01/05/2019	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.
14/07/2019	Meeting	The audit manager met with the Section 151 Officer to discuss progress on the audit at the year-end stage.
16/07/2019	Report	The audit results report, including confirmation of independence, was presented to the Governance & Audit & Standards Committee.

In addition to the above specific meetings, the audit team met with the management team multiple times throughout the audit to discuss audit progress and findings.

Appendix C

Required communications with the Governance and Audit and 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 and Audit and 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 - February 2019	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report - February 2019	
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 2019	

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Major Local Audits	<p>For the audits of financial statements of public interest entities/Major Local Audits our written communications to the Governance and Audit and Standards Committee include:</p> <ul style="list-style-type: none"> • A declaration of independence • The identity of each key audit partner • The use of non-member firms or external specialists and confirmation of their independence • The nature and frequency of communications • A description of the scope and timing of the audit • Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits • Materiality • Any going concern issues identified • Any significant deficiencies in internal control identified and whether they have been resolved by management • Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the Governance and Audit and Standards Committee • Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof • The valuation methods used and any changes to these including first year audits • The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework • The completeness of documentation and explanations received • Any significant difficulties encountered in the course of the audit • Any significant matters discussed with management • Any other matters considered significant 	<p>Audit Planning Report – February 2019</p> <p>Audit Results Report – July 2019</p>

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <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 2019
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Governance and Audit and Standards Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report - July 2019
Fraud	<ul style="list-style-type: none"> • Enquiries of the Governance and Audit and 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 and Audit and Standards Committee responsibility. 	Audit Results Report - July 2019

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 2019
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> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit 	<p>Audit Planning Report – February 2019</p> <p>Audit Results Report – July 2019</p>

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> • Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy • Details of any contingent fee arrangements for non-audit services • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The Governance and Audit and Standards Committee should also be provided an opportunity to discuss matters affecting auditor independence 	
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 and Audit and 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 and Audit and 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
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 2019

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Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
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 2019
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 2019
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 2019
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 – February 2019 Audit Results Report – July 2019

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Management representation letter

Management Representation Letter

Ernst & Young LLP

Wessex House
19 Threefield Lane
Southampton
Hampshire
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 2019. 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 2019 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 2018/19.

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 2018/19.

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 2018/19. 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 2018/19, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented. **(NB - THIS IS SUBJECT TO FINAL CONFIRMATION)**

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.

Management representation letter

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, 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 the Cabinet held through the year to the most recent meeting on the following date: 24 July 2019.
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 year 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.

Management representation letter

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 described in 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.
2. We confirm that the content contained within the other information is consistent with the financial statements.

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

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates 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 2018/19.
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 estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
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

I confirm that this letter has been discussed and agreed by the Authority on 26 July 2019

Name: Chris Ward

Position: Director of Finance and Information Technology (Section 151 Officer)

Name: Councillor Leo Madden

Position: Chairman of the Governance and Audit and Standards Committee

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ED None

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Title of meeting:	Governance & Audit & Standards Committee
Date of meeting:	26 th July 2019
Subject:	Audit Performance Status Report for 2018-19 Audit Plan
Report by:	Chief Internal Auditor
Wards affected:	All
Key decision:	No
Full Council decision:	No

1. Summary

- 1.1 This is a final progress report for the 2018-19 planned audit activities. As at the previous reporting period there were two 'No Assurance' audits and no critical risks exceptions raised. However this report contains detail of an additional three 'no assurance' audits and two critical risk exceptions.
- 1.2 There are 64 Full Audits and 24 Follow ups, in the revised planned for 2018/19, totalling 88 reviews.
- 1.3 All items of work have been completed. To date, 88 (100%) have been completed as at 5th July 2019.
- 1.4 In addition to the planned audits there were 11 areas of on-going work and 2 continuous audits which contribute to risk assurance.
- 1.5 Areas of Assurance and completed follow up's since the last Governance and Audits and Standard's meeting are shown in Appendix A. No Assurance audits are shown in Appendix B.

2. Purpose of report

- 2.1 This report is to update the Governance and Audit and Standards Committee on the Internal Audit Performance for 2018/19 against the Annual Audit Plan, highlight areas of concern and areas where assurance can be given on the internal control framework.
- 2.2 In addition to this the Annual Opinion on the effectiveness of the Internal Control Environment is provided in the attached Appendix C. This opinion feeds into the Annual Governance Statement and is a requirement of the Local Government Act 1999 and the Public Sector Internal Audit Standards.

3. Recommendations

- 3.1 That Members note the Audit Performance for 2018/19 to 5th July 2019.
- 3.2 That Members note the highlighted areas of control weakness from the 2018/19 Audit Plan.
- 3.3 That members note the Annual Audit Report and Opinion for 2018/19.

4. Background

- 4.1 The Annual Audit Plan for 2018/19 was drawn up in accordance with the agreed Audit Strategy approved by this Committee on 8th June 2018 following consultation with Directors and the previous Chair of this Committee. The Plan was revised quarterly to take account of any changes in risks/ priorities, in accordance with the Strategy.
- 4.2 For 2018/19 Internal Audit have conducted 1011 days of audit work for external clients.

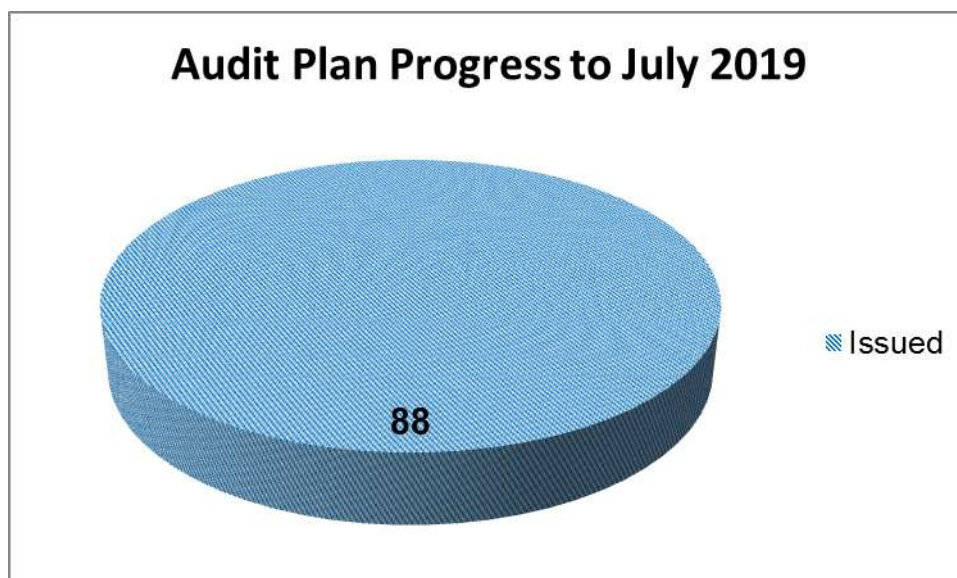
5. Audit Plan Status 2018/19

Percentage of the approved plan completed

- 5.1 100% of the annual audit plan has been completed as detailed below. Appendix A shows the completed audits for 2018/19, since the previous reporting period.

The overall percentage figure is made up as follows:

- 88 (100%) audits where the report has been finalised



5.2 As requested by Members of the Committee a breakdown of the assurance levels on completed audits since the last meeting is contained in Appendix A. Where specific parts of the control framework have not been tested on an area (because it has been assessed as low risk for example) it is recorded as NAT (No Areas Tested) within the Appendix. In addition to audits completed Appendix A also includes results of follow up audits performed since the last reporting period.

5.3 At the last committee meeting the members requested a schedule of when the planned reviews at Portico would be carried out and the results communicated. Below is the list of Portico audits, their audit type, status and expected reporting timeframe.

Audit	Audit Type	Status	Expected Reporting
Recruitment	Follow Up	Issued	Nov-18
Procurement	Follow Up	Issued	Feb-19
Payroll	Full Audit	Issued	Feb-19
Gifts and Hospitality	Full Audit	Issued	Feb-19
Health and Safety	Full Audit	Issued	Jul-19
GDPR	Full Audit	Issued	Jul-19
Budget Monitoring	Full Audit	Issued	Jul-19

Amendments to the 2018/19 audit plan.

5.4 Since the revised plan was approved there have been the following changes:

- Emergency and BC Planning follow up have been removed from the 2018/19 audit plan in order to carry out a full review of the arrangements at the Port.
- Application Support/ Management had been removed to the 2019/20 audit plan due to no current lead in this area.
- St Georges has been added in as a follow up due to high risks raised during the 2017/18 audit.

Reactive Work

5.5 Reactive Work undertaken by Internal Audit in 2018/19 includes:

- 19 special investigations (excludes Benefit and Council Tax Support cases)
- 11 items of advice, (where the advice exceeds an hours work)

Ongoing Areas

- 5.6 The following 11 areas are on-going areas of work carried out by Internal Audit;
- Regulation of Investigatory Powers Act (RIPA) - authorisations
 - Anti-Money Laundering monitoring and reporting
 - Investigations
 - Financial Rules Waivers
 - National Fraud Initiative (NFI) to facilitate national data matching carried out by the Cabinet Office
 - National Anti-Fraud Network (NAFN) bulletins and intelligence follow up
 - Counter Fraud Programme
 - Policy Hub project to ensure that all Council policies are held in one place and staff are notified of the policies relevant to them
 - G&A&S Committee reporting and attendance and Governance,
 - Audit Planning and Consultation
 - Risk Management

Continuous Audit Areas

- 5.7 The following 2 areas are subject to continuous audit (i.e. regular check to controls) and feed into overall assurance;
- Key risks management in services
 - Performance Management

6. Areas of concern

- 6.1 Attached in Appendix B are the areas of 'No Assurance'
- Port - CCTV
 - Home to School Transport
 - Hire Cars

7. Equality impact assessment (EIA)

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

8. Legal Implications

- 8.1 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.

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

9. Finance Comments

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

9.2 The S151 Officer is content that the completion of 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 – Completed audits, since last reporting period.
- Appendix B - Areas of concern
- Appendix C - Annual Audit Opinion

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/uksi/2011/817/contents/made
2 Previous Audit Performance Status and other Audit Reports	Refer to Governance and Audit and Standard meetings – reports published online.
3 Public Sector Internal Audit Standards	http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

.....
 Signed by:

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APPENDIX A - 2018/19 Audits Completed (since last reporting period)

Audit Title	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	Deadline for last implementation of the agreed actions
Appointeeships - Director of Adult Social Care	0	1	1	1	3	NAT	NAT	Reasonable Assurance	Limited Assurance	NAT	Reasonable Assurance	The issues raised were in relation to anomalies such as a weekly understatement of a £13 figure, not being highlighted within the client account bank reconciliations.	Apr-19
Youth Offending Team - Director of Children's Services	0	2	1	1	4	NAT	Assurance	NAT	Limited Assurance	NAT	Limited Assurance	The issues raised were in relation to cases exceeding the required timescales, no evidence that cases had been examined for any historic information before the commencement of the assessment, and no evidence of a warning letter which should have been issued to a young person.	Jul-19
Fostering Services - Director of Children's Services	0	1	0	1	2	NAT	Reasonable Assurance	Assurance	Limited Assurance	NAT	Reasonable Assurance	The issue raised was in relation to annual reviews for foster carers being late/ not being completed. One low risk exception was also raised as a result of this review.	Oct-19
SEND & Out of City Placements - Director of Children's Services	0	0	1	1	2	Assurance	Reasonable Assurance	Assurance	Assurance	NAT	Reasonable Assurance	The issue raised was in relation to a corrupted digital contract for an out of city placement which did not allow the contract to be viewable. One low risk exception was also raised as a result of this review.	May-19
Homelessness and Temporary Accommodation - Director of Housing, Neighbourhood and Building Services	0	1	1	0	2	NAT	Reasonable Assurance	Limited Assurance	NAT	NAT	Limited Assurance	The issues raised was in relation to the management, control and housekeeping of B&B payments, and the assessment and personalised housing plan process for eligible homelessness applicant not being completed within a suitable timeframe.	May-19
Accounts Payable and receivables (Port Finance) - Director of Port	0	0	4	0	4	Reasonable Assurance	Reasonable Assurance	Assurance	Assurance	Assurance	Reasonable Assurance	The issues raised were in relation to expired mandatory financial training, timeliness of raising purchase orders, a payment of £3477 being made in advance without the S151 approval, and the authorised signatory list for the Port not being updated since 2014.	May-19
PFI Contract - Director of Finance and Information Services	0	0	3	1	4	NAT	Reasonable Assurance	Reasonable Assurance	Reasonable Assurance	NAT	Reasonable Assurance	The issues raised were in relation to the time consumption from manual recording, the maintenance of an accurate asset register and the current schedule of rates which should be used for pricing additional work is not fit for purpose and it is not possible to establish if call schemes are achieving value for money for the authority. One low risk exception was also raised as part of this review.	Aug-20
Succession Planning - Director of HR, Legal and Performance	0	0	0	0	0	Reasonable Assurance	NAT	NAT	NAT	NAT	Reasonable Assurance	Preliminary work has identified that succession planning across the authority varies with some directorates further along in their arrangements. Additional work will be carried out over the course of the year to ascertain progress made at which point all details will be reported.	N/A

Audit Title	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	Deadline for last implementation of the agreed actions
IT Security, Email, back ups - Director of Port	0	3	0	0	3	NAT	Limited Assurance	Limited Assurance	NAT	NAT	Limited Assurance	The issues raised were in relation to password requirements not being in line with government guidelines/ best practice, incomplete mandatory training and critical updates not being applied to the Port systems.	Aug-20
Maintenance - Director of Port	0	2	1	0	3	Reasonable Assurance	NAT	Assurance	Limited Assurance	NAT	Limited Assurance	The issues raised were in relation to lack of; contractor performance reporting as specified in the contract addendum and lack of KPI targets set in the addendum, evidence to support signoff of requested jobs, and the value for money for the maintenance provided.	May-19
Business Planning & Risk Management - Director of Public Health	0	0	3	0	3	Reasonable Assurance	Assurance	NAT	Reasonable Assurance	NAT	Reasonable Assurance	The issues raised were in relation to; no written procedures for the business planning process, the public health risk register needing review to ensure all risks are covered, information reported to the G&A&S Committee re public health performance not being undertaken in a timely manner and the requirement to improve the sufficiency of the information on the Director's summary and KPI'S.	Sep-19
Ethnic Minority Achievement, Bilingual Support - Director of Children's Services	0	0	0	0	0	Assurance	Assurance	NAT	Assurance	NAT	Assurance	No issues were raised as a result of this review.	N/A
Troubled Families Grant - Director of Children's Services	0	0	0	0	0	NAT	NAT	NAT	NAT	NAT	Assurance	Grant sign off no issues arising.	N/A
Re-purchase of Housing - Director of Housing, Neighbourhood and Building Services	0	0	0	0	0	NAT	NAT	NAT	Assurance	Assurance	Assurance	No issues were raised as a result of this review.	N/A
Empty Properties - Director of Housing, Neighbourhood and Building Services	0	0	2	1	3	Reasonable Assurance	Reasonable Assurance	NAT	Reasonable Assurance	NAT	Reasonable Assurance	The issues raised were in relation to lack of web presence or marketing strategy for the team and lack of decision matrix on two enforcement cases. One low risk exception was also raised as a result of this review.	Jun-19
Governance (AGS) - Director of HR, Legal and Performance	0	0	0	0	0	Reasonable Assurance	NAT	NAT	NAT	NAT	Reasonable Assurance	No exceptions were raised as a result of this review; however an overall assurance of reasonable has been given due to the lack of awareness and proactive involvement from the directorates.	N/A
CCTV - Director of Port	0	4	0	0	4	Limited Assurance	Limited Assurance	Limited Assurance	Reasonable Assurance	Limited Assurance	No Assurance	Further details can be found within Appendix B	Oct-19
Home to School Transport - Director of Regeneration	2	2	1	1	6	NAT	No Assurance	NAT	Limited Assurance	NAT	No Assurance	Further details can be found within Appendix B	Sep-19
Hire Cars - Director of Regeneration	0	4	0	0	4	NAT	Limited Assurance	NAT	Limited Assurance	NAT	No Assurance	Further details can be found within Appendix B	May-19
Portico Health and Safety - PORTICO	0	2	1	0	3	NAT	Reasonable Assurance	NAT	NAT	NAT	Limited Assurance	The issues raised were in relation to incomplete mandatory training, the absence of completed risk assessments for areas of identified risk and inadequate security of information for accident and incident reports.	Jan-20

Audit Title	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	Deadline for last implementation of the agreed actions
Portico GDPR - PORTICO	0	1	1	0	2	NAT	Reasonable Assurance	Limited Assurance	NAT	NAT	Limited Assurance	The issues raised were in relation to inadequate policies and procedures in place and incomplete GDPR training and inadequate security controls on mobile devices	May-19
Portico Budget Monitoring - PORTICO	0	2	1	1	4	Reasonable Assurance	Limited Assurance	NAT	Limited Assurance	NAT	Limited Assurance	The issues raised were in relation to no budget monitoring in place and no regular meetings with finance, annual budget detail not uploaded onto the Navision system (main accountant system), and inadequate monitoring and control agreement. One low risk exception was also raised as a result of this review.	Aug-19

Follow Up Audits

Audit Title	Closed - Mgt Accepts Risk	Closed - No Longer Applicable	Closed - Verified	Closed - Not Verified	Started	Open	Grand Total
Out of City Placement - Director of Adult Social Care			2		1	1	4
Information Governance Data Sharing - Director of community and communication			3			2	5
Legionella - Director of Housing, Neighbourhood and Building Services	During 2018/19 the authority contracted the Water Hygiene Centre Ltd (WHC) to review and provide support to Portsmouth City Council with regard to its Water Quality policies and processes,. As part of this service the WHC were to conduct an audit of the service so as to avoid duplication of effort and resource Internal Audit did not conduct a follow up audit and requested to be furnished with the findings of the audit completed by the WHC representative.						
St George - Director of Children's Services			10				10
Social Media Covert Surveillance - Director of HR, Legal and Performance			2				

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Port - CCTV Full Audit (extract from audit report)

Executive Summary

An audit of the processes and procedures surrounding CCTV operation at Portsmouth International Port has been undertaken in accordance with the 2018/19 Audit Plan.

Achievement of Organisation's Strategic Objectives Assurance Level: Limited Assurance

CCTV Policy

Initial testing in December 2018 revealed that there was no current CCTV policy, and that staff were not aware of the existing Code of Practice. Copies of a newly formed CCTV Policy and Impact Assessment, dated February 2019, were provided during the course of audit testing.

A high-risk exception has been raised.

Compliance with Policies, Laws and Regulations Assurance Level: Limited Assurance

Compliance with Surveillance Camera Code of Practice

Audit testing sought to establish that CCTV camera operation at Portsmouth Port is being undertaken in accordance with the twelve guiding principles of the Surveillance Camera Code of Practice. Compliance with these principles was evaluated with reference to a completed self-assessment tool, with clarification and further evidence provided by the Duty Port Operations Manager.

Seven key issues were identified, where the CCTV operation at the port was not compliant with the expectations of the Code of Practice.

A high-risk exception has been raised.

Safeguarding of Assets Assurance Level: Limited Assurance

Staff Qualifications

Details of all twenty-five staff with access to the CCTV system were obtained from the Duty Port Operations Manager, alongside certificates of any relevant training. Testing established that:

- 24/25 (96%) staff had received certification in HABC Level 2 Award for Working as a CCTV Operator (Public Space Surveillance) within the Private Security Industry. This qualification is endorsed by the Security Industry Authority, a regulatory body affiliated with the Home Office.
- 1/25 (4%) did not have any formal CCTV-specific training; however, their role is as a download technician, working as part of IT services, rather than as a CCTV operative.

No issues were raised in respect of the above testing.

Access to the Control Room

Door access logs were obtained from the Duty Port Operations Manager, to show the members of staff that had gained access to the security lobby and port control main doors, between 31/12/18-01/03/19.

Access records were compared against the list of twenty-five staff with CCTV system permissions, in order to highlight any potentially inappropriate access to CCTV data. The following results were observed:

- 1547 separate entries were recorded during the time parameters tested. Of these, 1250 (81%) related to entries made by staff with CCTV permissions.
- 297 (19%) entries were made, either by named staff not on the CCTV permission list, or unnamed staff gaining access under a security pass.

A copy of the CCTV visitor log was obtained and reviewed in addition to the above records. The log is handwritten, and digital analysis was not possible; however, it is clear from the log that there are a large number of staff accessing the control room for a variety of listed reasons, including 'keys', 'photocopying', 'water' and 'delivery'. There is an option on the form to indicate that the visitor had been accompanied by an appropriate staff member; however, this had only been completed for 125/247 (51%) visits. Although there may be other reasons for staff to access the room in which CCTV equipment is held, the above results show that there is the potential for data to be viewed by unauthorised individuals, and a high-risk exception has been raised.

Backup of Data

A response was received from the Duty Port Operations Manager to state that regular backups of CCTV data are not undertaken. To mitigate the risk of any potential data loss, the system is supported by an Uninterrupted Power Supply (UPS) and generator, which is designed to maintain power to the equipment in the event of a total failure.

Principle six of the Surveillance Camera Code of Practice states that images should not be stored for more than that which is required for the stated purpose of the system, and that such information should be deleted once that purpose has been discharged. In compliance with this requirement, the Port's Privacy Impact Assessment Form states that images are typically retained for thirty days before being deleted. Thirty days has been designated an appropriate timeframe, as it is anticipated that Police would make a representation quickly, in the event of a serious incident.

A policy statement, made in February 2019, states that data may be stored for longer than thirty days, but only in response to receiving a lawful information request, made under the Data Protection Act 2018 or Freedom of Information Act 2000. The Duty Port Operations Manager has indicated on the self-assessment form that the Port would have no backup of data, if the Police should seize the CCTV hard drive; however, information sharing procedures indicate that if disclosure is required, DVD copies would normally be made, and this situation is unlikely.

No exception has been raised in relation to the above testing.

Effectiveness & Efficiency of Operations Assurance Level: Reasonable Assurance

Monitoring & Maintenance

The Duty Operations Manager advised that weekly user checks are undertaken by the Security Supervisor. Logs are stored within the Comino system, with copies held by the Engineering Manager and Deputy Port Operations Managers. Audit testing sought to evidence that weekly monitoring has been undertaken, and maintenance logs from 1st January 2019-29th March 2019 were requested from the Duty Operations Manager.

Logs were provided for 9/13 (69%) of the weeks requested, and the Duty Operations Manager advised that logs for the remaining four weeks (31%) were not available. Examination of the logs revealed that at least one minor issue was identified for 6/9 (67%) weeks provided.

Clarification from the Head of Engineering revealed, however, that maintenance checks on the system are also undertaken. These cover a similar set of criteria, and records were provided for each of the weeks in which the user checks were missing. Although

both sets of checks are considered necessary, the maintenance checks should mitigate any risk regarding the condition of the system, and an exception has not been considered necessary.

Image Quality

Principle eleven of the Surveillance Camera Code of Practice states that surveillance camera systems should '...be used to support public safety and law enforcement with the aim of processing images and information of evidential value.' This aim is supported by a defined set of minimum standards, as set out by the British Standards Institute.

The Duty Operations Manager advised that, at present, the system does not meet the required threshold; the quality of some recorded images renders them inadmissible in court, particularly with regard to facial recognition. This is due to image pixilation, which cannot be rectified as the replacement parts are no longer available.

The completed self-assessment form recognises that investigation into the provision of a new digital system is required; however, no further details are yet known.

Further confirmation was sought from the Network and Server Technician, who provided a technical specification for the CCTV system. The specification states that the system is compliant with British Standard BS8418. This standard provides a range of conditions for such systems, with BS8418:2015 (11.3) stating that, where data and/or images are stored digitally and might be required as evidence for a crime, then this should be in accordance with further standard BS IEC 62676-4:2014.

As such, it is reasonable to assume that the system 'as new' was compliant with evidential standards.

Although the self-assessment form indicates that the image quality has degraded, this view is not supported by the CCTV management group, and is not possible to substantiate without specialist analytical tools. The group have advised that there has been no negative feedback from the Police, and nothing to indicate that there is an issue with the image quality. As a result, no exception has been raised.

Reliability & Integrity of Data Assurance Level: Limited Assurance

Retrieval & Use of CCTV Data

Audit testing sought to ascertain that clear records are held of all requests made for CCTV footage, as well as records to show a clear management trail of the retrieval of any such data. Details of all requests and retrieval from 01/01/19-29/03/19 were requested, and records were examined with reference to the port's CCTV Access and Disclosure Work Instruction for staff.

Issues were noted in respect of all five sets of data within the sample, including the errors in the completion, or absence, of records, errors in the data, and supporting evidence for the request.

A high-risk exception has been raised.

Completion of the audit Assurance Level: No Assurance

Four high-risk exceptions have been raised as a result of audit testing. A *no assurance* audit was issued in March 2017, and, despite work being undertaken to reduce the level to *limited* in January 2018, several actions remained outstanding. Although some of these areas have now been addressed, subsequent to the start of this audit (audit commenced November 2018), it is not clear that these issues would have been progressed otherwise.

Despite the work undertaken, the audit identified several key issues with CCTV operations at Portsmouth Port, affecting compliance with the Surveillance Commissioner's Code of Conduct and internal policy.

Some additional evidence has been provided since the issue of the first 'final' report, and two exceptions have been removed, with this report noting that improvements across various areas have since been made, however there is acknowledgement by the Port that this was not the case as at testing. As a result of the remaining issues, Internal Audit are giving a no assurance opinion, based on the testing and evidence supplied at the time.

Senior management are confident that full evidence will be available to significantly improve this position in any future reviews. The CCTV management group's action plan has been attached to this report, to indicate the current position.

Home to School Transport Full Audit (extract from audit report)

Executive Summary

PCC currently coordinates home to school transport services to 640 children. An audit into Home to School Transport has been undertaken in accordance with the 2018/19 Audit Plan.

Compliance with Policies, Laws and Regulations Assurance Level: No Assurance

Insurance

Testing sought to establish that third party operators had provided evidence to show that they have had the required types and levels of insurance at all times, whilst providing transport services for the council. In addition, testing sought to establish that drivers operating for PCC had met the required conditions to be covered under PCC's fleet insurance.

It was not possible to confirm the list of PCC drivers operating home to school routes, in order to undertake a reconciliation with training records. Furthermore, testing was unable to evidence that operators employed to undertake home to school routes had provided the insurance documentation required under the procurement framework.

A critical-risk exception was raised in 2014/15, as operators were not being asked to provide evidence that they held the required insurances. Although corrective action was taken at the time, this has not continued, and a critical risk exception has again been raised.

Licensing & DBS

PCC provided home to school transport across 145 routes during 2018/19. Home to school transport is provided by PCC staff and local taxi companies, under a Dynamic Purchasing System (DPS) that was negotiated in 2016. All drivers and Passenger Assistants involved in the provision of this service are required to provide evidence to PCC of an enhanced DBS check.

Taxi drivers must provide evidence of their DBS check to PCC Licensing, in order to gain their taxi licence. Evidence of licence and DBS checks for PCC staff and Public Service Vehicles are held by the Safer Travel Manager's team, and were provided in response to audit testing. Issues were raised in respect of 5/22 (23%) drivers and 8/108 (7%) passenger assistants, for whom current DBS checks could not be located.

A critical risk exception was raised during the 2014/15 audit, as it was not possible to reconcile lists of taxi drivers undertaking the routes with the appropriate vetting records. As a result, an action was agreed to obtain the names of all drivers undertaking home to school routes, with confirmation of their DBS status, for reconciliation with PCC Licensing records. This practice was to occur annually during the spring term, and was to be subject to spot checks. The Safer Travel Manager advised that, due to personnel changes within the team, this action has not been carried out since 2016.

A critical risk exception has been raised

Tender Process

Framework

A high-risk exception has been raised, as it has not been possible to clarify the details of the framework under which the home to school transport team procure their services

Tenders

Twenty-seven routes were put out to tender, during the most recent tender exercise in September 2018. Testing sought to establish that clear records were held in relation to the tender returns, and that the lowest price had been selected, in the absence of any other clarifying information. The information submitted during the exercise was compared with the finance spreadsheet, showing current contracts and pricing.

Testing found that records were held on Intend in respect of all tender responses received. Prices and operators were matched, or otherwise explained, in 21/27 (78%) routes. Audit testing raised queries in respect of the remaining six (22%), for which discrepancies were identified between the two sets of records.

A response was provided by the Integrated Transport Co-ordinator, who advised that:

- Three routes (11%) did not run, and so were not present within the monitoring spreadsheet.
- Two routes (7%) were amended, by removing an address and adding a wheelchair client, changing the final price.
- The details of one route (4%) changed; however, the daily price was also not correctly entered on to the monitoring spreadsheet.

A medium risk exception has been raised in respect of the erroneous entry within the monitoring spreadsheet.

Invoices

An EBS transaction report was run under the relevant departmental cost code, and a sample of twenty-five invoices, received from operators in respect of home to school transport provision, was selected for testing. Scanned copies of the relevant invoices were obtained from the departmental home drive and the details were compared with the team's financial monitoring spreadsheet.

An issue was raised in respect of one route (4%), for which an invoice had been submitted at £8, when the monitoring spreadsheet indicated that it should be £12. The Integrated Transport Coordinator advised that this was because the requirements of the route had changed since it was agreed in 2017/18, but the price was mistakenly copied and pasted onto 2018/19 spreadsheet.

A low-risk exception has been raised.

Effectiveness & Efficiency of Operations Assurance Level: Limited Assurance

Monitoring & Complaints

Audit testing sought to establish that there was effective monitoring of provider performance and compliance, and that there was a thorough method by which to record and address any complaints made against the service.

It was not possible to establish any formalised compliance or performance monitoring and, whilst some complaint records were located, they did not correlate with information obtained from the Safer Travel Manager, nor were they recorded with reference to a defined complaints procedure.

A high-risk exception has been raised.

Completion of the audit Assurance Level: No Assurance

Six exceptions: two critical-risk, two high-risk, one medium-risk and one low-risk, have been raised as a result of audit testing. There are particular concerns around the lack of DBS records for PCC employees, and the monitoring of the framework for external operators, including DBS and insurance verification. Until the risks associated with these exceptions can be mitigated, Internal Audit can give no assurance that the processes and procedures around home to school transport are of low risk to the authority.

Hire Cars Full Audit (extract from audit report)

Executive Summary

A review of the administration and control of hire cars at PCC was conducted as part of the 2018/2019 Internal Audit Plan.

PCC currently have a contract in place for the supply of a vehicle hire service for work related journeys.

The results of testing have been summarised below under the following assurance levels.

Compliance with Policies, Laws and Regulations Assurance Level: Limited Assurance

Contract:

Testing included a review of the Vehicle Hire Service Framework on the procurement supplier management system 'Intend' to ensure that there is a current signed contract in place which is compliant with the PCC Contract Management Procedures and which has been signed by both parties.

The Vehicle Hire Service Framework specifies that a contract (valued at £300,000) has been in place for the period 01/04/2016 to 31/02/2019 and this contract was given an extension until 31/03/2021. However, there is no evidence of a contract either on Intend or held by the Safer Travel Manager.

The PCC Contract Management Procedures, which are located on the intranet, includes the "Contract Set up Form." The Contract Set up Form stipulates under the header "Document Storage" that "Contracts with lifetime value of £100k and over must be executed under seal by Legal Services, who will upload a copy of the contract to In-tend."

Discussions with Legal Services confirmed a signed copy of the contract had been in their possession, and that an electronic copy had been forwarded to the procurement professional on 24/05/2017 to be uploaded on intend. As at the date of testing no contract was located on In-tend.

In addition, the PCC Contract Management Procedures, which are located on the intranet, stipulate that Key Performance Indicators (KPIs) should be monitored and recorded and that formal performance review meetings should take place at appropriate intervals depending on the classification of the contract.

Testing highlighted that the 'person responsible' for the management of the Contract has now left the Authority and the 'person responsible' for monitoring of the KPIs has now left the department. In addition, there is no evidence of either monitoring, recording of the KPIs or formal performance review meetings for this 'contract.'

Based on testing conducted, one high risk exception has been raised under contracts.

Financial Rule R7 - Hire Car Purchases:

Financial Rule R7 states 'Where an item is available through the corporate contract then the corporate contract must be used. If it is not available and is likely to be a recurring item of spend, or a one off high value item of spend, then consultation must take place with the Assistant Director of Contracts, Procurement and Commercial to obtain the best price.'

A Purchase Order report was obtained from the Business Support Manager for the period 01/04/2018 to 14/02/2019 and a Purchase Cards Transaction report was extracted from Barclaycard Spend Management for the same period.

IDEA Data Analysis Software was used to compare the two reports using the narrative details "Hire Cars" to highlight any purchases which may have related to this area of activity.

The match highlighted 15 records and all 15 were reviewed further via Barclaycard Spend Management to confirm that 15/15 (100%) were compliant with the requirements of Financial Rule R7.

Based on testing conducted, no exceptions were raised under this area.

Driving Assessments:

The Driving for Work policy stipulates 'Employees who drive vehicles owned/leased to the council as part of their core activities, should receive appropriate driver training.'

In addition, the PCC Intranet states 'All staff that drive vehicles owned or leased to the council as part of their job must complete a driving assessment.'

An Excel Spreadsheet which details 'passed' and 'failed' driving assessments is maintained by the Home to School & Fleet Coordinator on the w; drive. The spreadsheet indicates that 119 employees have passed the driving assessments since April 2017

and 27 employees either did not complete the driving assessment or failed. There is no evidence that any of these 27 employees subsequently booked a hire car from the sample tested.

A sample of 25 employees who hired a car during the period April 2018 to February 2019 was selected from the list of car hire statements for that period and compared to the Driving Assessment spread sheet. (It should be noted that due to the format of information held on the statement it was not possible to determine the full population size).

Testing highlighted that for 20/25 employees (80%) there was no evidence on the spreadsheet that a driving assessment has been completed, for 2/25 employees (8%) the assessment appeared to have been completed after the hire of the car and for 3/25 (12%) the assessments were completed before the hire of the car.

Based on testing conducted, one high risk exception has been raised under Driving Assessments.

Effectiveness & Efficiency of Operations Assurance Level: Limited Assurance

Pre-Journey Checks:

The Safer Travel Manager confirmed during the course of the review that a new process has been introduced to evidence pre and post journey checks. (The requirement to undertake Pre/ Post journey checks has always existed, although the request and recording method was not clear). Once a hire vehicle has been booked, an electronic booking confirmation is sent to the user. The booking confirmation prompts a message to be sent with a 'PCC Damage Inspection form' for the user to acknowledge and evidence that they have completed the pre and post journey checks to the vehicle. At the conclusion of the journey, the Damage Inspection form is required to be returned to the fleet management team and the contractor. By completing these checks PCC are more able to refute claims of damage, without such checks the Authority is exposed and more likely to be liable to insurance claims.

This process was implemented on 20/02/2019 and there were no completed forms to review for testing purposes. However, the contents of the message and document were reviewed for adequacy and the following points were noted;

- The email prompt and Damage Inspection form do not specify a timeframe within which the exercise needs to be reported to Fleet / the contractor.
- It is not possible to identify the originator of the completed form.
- There is no evidence that an escalation process is in place if damage occurs or if a form is not completed / sent to Fleet / the contractor.

Based on testing conducted, one high risk exception has been raised under Pre-Journey Checks.

Driving Accidents and Incidents:

The Driving for Work Policy specifies "in the event of an accident or incident involving a vehicle owned/leased/hired by PCC a completed 'motor claim/incident report' form must be forwarded to the PCC Insurance team within twenty four hours of the incident."

Discussions with the Insurance Support Officer confirmed details of all claims in relation to hire car vehicles are held on the claim management software called 'Evo Claims.'

A report was extracted from 'Evo Claims' of all accidents and incidents for the period 01/04/2018 to 31/01/2019. Testing highlighted a total of 17 hire car claims made during the testing period at a total cost of £4,333.17 which was then recharged to departmental budgets.

Testing highlighted that 5/17 (29%) accidents were reported by the employee to the PCC Insurance team within 24 hours of the incident. However, 12/17 (71%) of the claims had no evidence that notification had been sent to the PCC Insurance Team, but the damage was reported to the team by an employee of the contractor.

Based on testing conducted, one high risk exception has been raised under Driving Accidents and Incidents.

Completion of the audit Assurance Level: No Assurance

Overall four high risk exceptions have been raised as a result of testing. There is particular concern in relation to the lack of transparency in publishing the contract on In-Tend and KPI monitoring, failure to report incidents and accidents and failure of users to carry out sufficient pre and post journey checks all of which place the Authority in a potentially vulnerable position in the event of a dispute with the hire car provider. For these reasons, Internal Audit has given a no assurance opinion that this area is of low risk to the Authority.

Portsmouth International Port Compliance: CCTV Audit Actions

Item number	Output from Audit	Initial Response by Port Management	Details further clarification required from PCC	Action being taken by PIP	Timescale	Progress	Status	Status Review Date	Verified by Internal Audit
1	Exception A copy of the Code of Practice for Portsmouth International Port CCTV System was obtained during audit testing in December 2018. At the time of testing, one of the Port Duty Managers advised that they were aware that documentation relating to CCTV at the Port was known to be out of date, and in need of review. The title page of the Code of Practice sets out that the document is to be reviewed annually in July. Testing noted that the last review was carried out in December 2016, although the document itself was dated September 2017 in the foot notes.	Carry out complete CCTV document review and republish. CCTV to be included in all new starters induction process. All existing staff to be informed of location of updated policy documents.	Nil	SSCM to Action	Q3 2019	Current review of all CCTV documentation. All documentation reviewed and sent out to consultation and final draft agreed. CCTV will now be part of all staff induction. Induction form to be updated accordingly	On target	12/06/19	New policy provided June 2019
2	Initial enquiries to the Port's Systems/Compliance Manager about obtaining a copy of the most up to date Code of Practice (CoP) revealed that a copy could not be found, and audit were directed to one specific officer. Testing indicates that there has been limited staff awareness of CCTV at the Port, and where to locate the CCTV policy document.	Carry out complete CCTV document review and republish. CCTV to be included in all new starters induction process. All existing staff to be informed of location of updated policy documents.	At the time of audit CCTV was not part of SSCM remit	Organisational responsibilities have been reassigned.	Q3 2019	Current review of all CCTV documentation. As above	On target	12/06/19	
3	Risks and Consequences If the CCTV Code of Practice is not up to date, not subject to review, or not known to staff, there is a risk that staff may carry out activities that could result in a breach of legislation. This could have a negative impact on the Port's reputation, and may lead to a loss of business. This could result in a loss of income, and further loss of income if subject to financial penalties.	With the policy update and planned senior management CCTV legislative training this risk should be mitigated.	Nil	Training organised	Q4 2019	One manger now trained, other courses booked for Aug & Nov 2019. further training budgeted for CCTV capture training and operator course.	On going	12/06/19	
4	This self-assessment form indicates that a data protection impact assessment has been undertaken in compliance with Principle 2 (3); however, it takes the form of the older 'privacy impact assessment', and had not been authorised at the time of writing.	Port to update impact assessment accordingly	Nil	SSCM to update	Q3 2019	Nil	Not Started	12/06/19	
5	At the time that the self-assessment was undertaken, there was no CCTV hierarchy, and no management trail in place to ensure that the lines of responsibility are followed.	New Management organisational structure now in place, supplementary CCTV responsibility structure to follow	Nil	CCTV Responsibility structure to be published to all staff	Q3 2019	CCTV structure currently being written	On going	12/06/19	
6	Procedures do not include publication of information about a privacy masking capability, in the event that third party is recognisable in the images released to the data subject.	Port management need to ensure the capability exists on the current system	Nil until system checked	HoE to investigate system capability	Q2 2019	In hand. System not currently capable		26/05/19	
7	The system does not meet the competency standards as defined on the Surveillance Camera Commissioner's website.	Port to interrogate Surveillance Camera Commissioner's website.	Nil	SSCM to Action	Q2 2019	In hand	On going	26/05/19	
8	There has been no independent third party certification against the Surveillance Camera Commissioner's standards.	Further clarification required	To advice Port on third party certification	Nil	Q3 2019		Not Started	26/05/19	
10	The CCTV information is not held in a format that is easily exportable.	Requests for CCTV images are accompanied by the image player	Further clarification required	Nil	Q3 2019	Complete		26/05/19	
11	Not all staff are aware of when surveillance becomes covert surveillance under the Regulation of Investigatory Powers Act 2000. (69)	Port to investigate with staff and training provider	Seek clarification from PCC auditor on staff questioning and outcome	Requested clarification from PCC	Q2 2019	Clarification required at PCC/Port meeting. Trained and competent staff are aware of all RIPA requests. New policy address this.		26/05/19	
12	Risk and Consequences Non-compliance with the Code of Practice raises a number of operational, legal and financial risks. One example may be that, if the system does not meet competency standards, it may not be evidentially useful in a criminal case. Furthermore, if there is not a clear management trail of usage, or operators are unaware of key legislation, such as RIPA 2000, port staff themselves may be at risk of breaching legislation.	The Port's above actions should support mitigate against these risks	As above	all the above	Q3 2019	Awaiting meeting outcome with PCC auditor. New policy covers above		26/05/19	
13	Exception Principle eleven of the Surveillance Camera Code of Practice states that surveillance camera systems should '... be used to support public safety and law enforcement with the aim of processing images and information of evidential value.' This aim is supported by a defined set of minimum standards, as set out by the British Standards Institute.	Port to investigate minimum standards and progress system update accordingly if required	Nil	SSCM to investigate	Q3 2019		On going	12/06/19	

20	Enquiries revealed that there are no clear logs to record information requests and authorisations; however, copies of the forms are retained, as well as confirmation that the download has been completed by IT staff. Five instances of data access were provided, alongside relevant supporting documentation, such as the internal CCTV Form 2, Police DP2 requests, Digital Incident Log and information download receipts.	Disagree with auditors statement	Further clarification required	Awaiting outcome of Port/PCC meeting	Q2 2019	Awaiting meeting outcome with PCC auditor. Robust system has now been implemented in accordance with section 8 of the Port CCTV policy.		12/06/19	New procedures in place, discussed with Network & Server Technician. Sighted that non-collections are now recorded on forms. Helpdesk reference number now used for continuity of management trail.
21	Issues were noted in respect of all five sets of data within the sample: > Download receipts were not provided for 4/5 (80%) of the sample. The remaining 1/5 (20%) receipt was provided, but the release of evidence section was not fully complete.	policy shortfall accepted, cross functional working group to be established to develop new robust policy that will be consistently applied with and monitored through the KPI framework.	Nil	SSCM manager to set up new working group	Q2 2019	Robust policy now in place will be reviewed as part of the KPI framework.		12/06/19	
22	Digital Incident Logs were not provided for 3/5 (60%) of the sample. A further 1/5 (20%) was not fully complete.	policy shortfall accepted, cross functional working group to be established to develop new robust policy that will be consistently applied with and monitored through the KPI framework.	Nil	SSCM manager to set up new working group	Q2 2019	Robust policy now in place will be reviewed as part of the KPI framework.		12/06/19	
23	No recipient signature was present on the CCTV Form 2 Part B in 4/5 (80%) of the forms provided.	CCTV footage not collected and therefore not signed for.				policy states that uncollected evidence will be destroyed after 30 days and forms completed accordingly		12/06/19	
24	Confirmation of the download via email was provided by IT for all of the sample; however, the information did not contain reference numbers, or confirmation that the information was sealed, as is referenced with (6) of the procedures.	policy shortfall accepted, cross functional working group to be established to develop new robust policy that will be consistently applied with and monitored through the KPI framework.	Nil	SSCM manager to set up new working group	Q2 2019	New system in place will be monitored as part of KPI framework.		12/06/19	
25	One request (20%) specified data from 10/3/18, yet data provided was from 10/3/19. This is likely to have been a typo in the original request, but no clarification was clear.	This was a typo	Nil	New robust policy will go some way to mitigate against this happening again	Q3 2019	agreed that is was a typo.		12/06/19	
26	No reason for the request was provided for 1/5 (20%) of the sample.	policy shortfall accepted, cross functional working group to be established to develop new robust policy that will be consistently applied with and monitored through the KPI framework.	Nil	SSCM manager to set up new working group	Q2 2019	Robust policy now in place will be reviewed as part of the KPI framework.		12/06/19	
27	One of the sample (20%) stated that the reason was in relation to criminal activity, yet no reference to the police could be seen.	policy shortfall accepted, cross functional working group to be established to develop new robust policy that will be consistently applied with and monitored through the KPI framework.	Nil	SSCM manager to set up new working group	Q2 2019	Robust policy now in place will be reviewed as part of the KPI framework.		12/06/19	
28	There is no continuity between the references used on the DP2 forms, CCTV Form 2, Digital Incident Log entries or download receipts. This makes reconciliation between the records difficult.	policy shortfall accepted, cross functional working group to be established to develop new robust policy that will be consistently applied with and monitored through the KPI framework.	Nil	SSCM manager to set up new working group	Q2 2019	Helpdesk form number will be used to cross reference all forms.		12/06/19	
29	A further concern was raised as the Duty Port Operations Manager advised that, at present, there is no way of interrogating the system to establish prior usage, and the operation of the system is based on trust. It is recognised that a new IP address CCTV system would provide more control of user access and monitoring.	The current CCTV system is password protected and operators are required to complete the relevant operator course	Further clarification of concern is required	none so far	nil	nil		12/06/19	
30	Risks and Consequences There are operational and legislative risks associated with non-compliance with the CCTV access and disclosure procedures. Discontinuity or erroneous records prevents effective reconciliation and increases the risk that further errors are made in processing. Failure to ensure proper authorisation or reasoning for a request may result in data access that breaches legislation.	policy shortfall accepted, cross functional working group to be established to develop new robust policy that will be consistently applied with and monitored through the KPI framework.	Nil	SSCM manager to set up new working group	Q2 2019	Robust policy now in place will be reviewed as part of the KPI framework.		12/06/19	

31	<p>Exception Door access logs were obtained from the Duty Port Operations Manager, to show the members of staff that had gained access to the security lobby and port control main doors, between 31/12/18 - 01/03/19.</p> <p>Access records were compare against the list of twenty-five staff with CCTV system permissions, in order to highlight any potentially inappropriate access to CCTV data. The following results were observed: > 1547 separate entries were recorded during the time parameters tested. Of these, 1250 (81%) related to entries made by staff with CCTV permissions. > 297 (19%) entries were made, either by named staff not on the CCTV permission list, or unnamed staff gaining access under a security pass.</p>	Blackout curtain now installed around CCTV system, Port control is maned 24Hrs a day by CCTV qualified and authorised staff, Inappropriate access to CCTV data is now highly unlikely.	Curtain now installed	none so far	Q2 2019	Complete		12/06/19
32	<p>A copy of the CCTV visitor log was obtained and reviewed in addition to the above records. The log is handwritten, and digital analysis was not possible; however, it is clear from the log that there are a large number of staff accessing the control room for a variety of listed reasons, included 'keys', 'photocopying', 'water' and 'delivery'. There is an option on the log to indicate that the visitor had been accompanied by an appropriate staff member; however, this had only been completed for 125/247 (51%) visits.</p> <p>Although there may be other reasons for staff to access the room in which CCTV equipment is held, the above results show that there is the potential for data to be viewed by unauthorised</p>	Log to be revised as Port Control manned 24Hrs a day by competent and authorised staff, further accompaniment not required.	Nil	Log to be revised	Q3 2019	Risk assessment is being carried out to establish if a visitors log is still required now that physical controls are now in place.	On going	12/06/19
33	<p>Risks and Consequences There are operational and legislative risks associated with staff having access to CCTV equipment and images, without proper authorisation. In addition to the additional risk of damage to the system, as the CCTV equipment is not isolated, it is not possible to ensure that the accidental viewing of the monitors does not become covert surveillance, in breach of the Regulation of Investigative Powers Act 2000.</p>	Blackout curtain now installed around CCTV system, Port control is maned 24Hrs a day by CCTV qualified and authorised staff, Inappropriate access to CCTV data is now highly unlikely.	Curtain now installed	none so far	Q2 2019	Complete		12/06/19

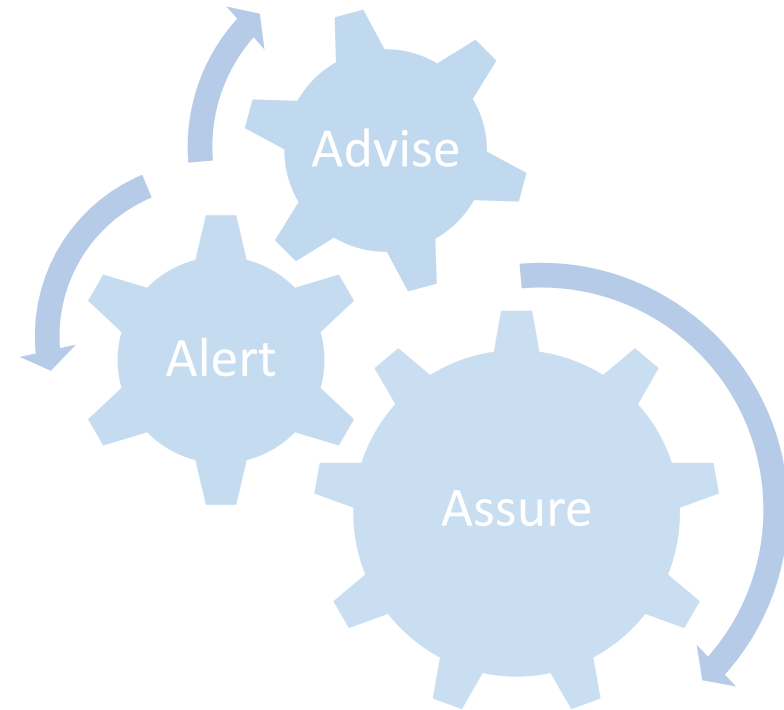
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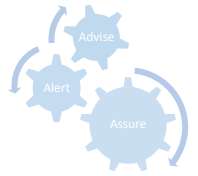
Portsmouth City Council -
Annual Audit Report
2018/19

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Elizabeth Goodwin

Chief Internal Auditor





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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.

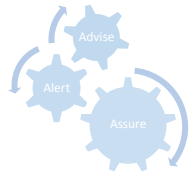


2. Annual Opinion

- 2.1 During 2018- 19 Internal Audit & Counter Fraud completed 64 full audits and 24 follow up reviews to plan. The results show that the level of 'No Assurance' and 'Limited Assurance' audited areas have decreased from the previous year, which is a positive move and reinforces the judgement that the direction of travel is that of 'good improvement', following on from 'stabilising' opinion last year.
- 2.2 This more positive position is however countered by a decline in the number of implemented agreed actions to mitigate risk exposure. It should be noted that actions to mitigate risk are determined by the relevant service along with their timeframe for implementation, yet the results of follow up work show that only 40% of agreed actions have been fully implemented. Further details are contained within the body of this report.
- 2.3 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. Limited Assurance is provided again this year, with the above narrative that the internal control framework in operation at Portsmouth City Council is improving.

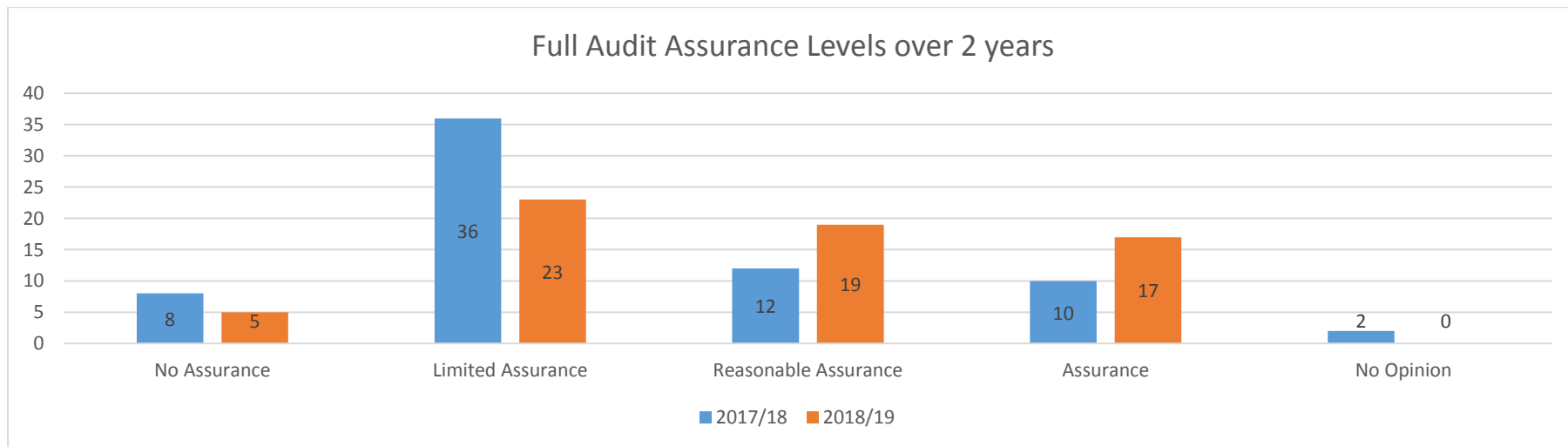
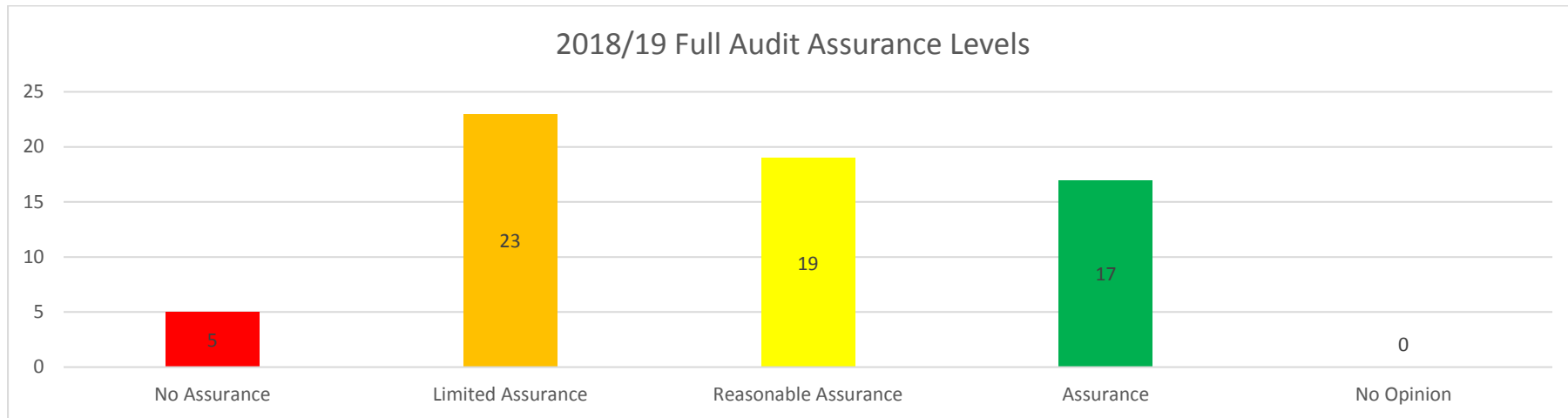


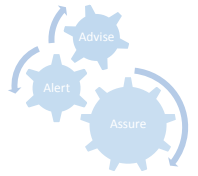
- 2.4 Internal Audit & Counter Fraud will continue to work with Directors and the Chief Executive to improve on specific areas of control, risk management and governance weaknesses.
- 2.5 Any significant corporate weaknesses and agreed actions are reflected in the Annual Governance Statement. The impact of the Internal Audit work for 2018/19 may affect that year's work for External Audit. It may also inform their work for 2019/20 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.



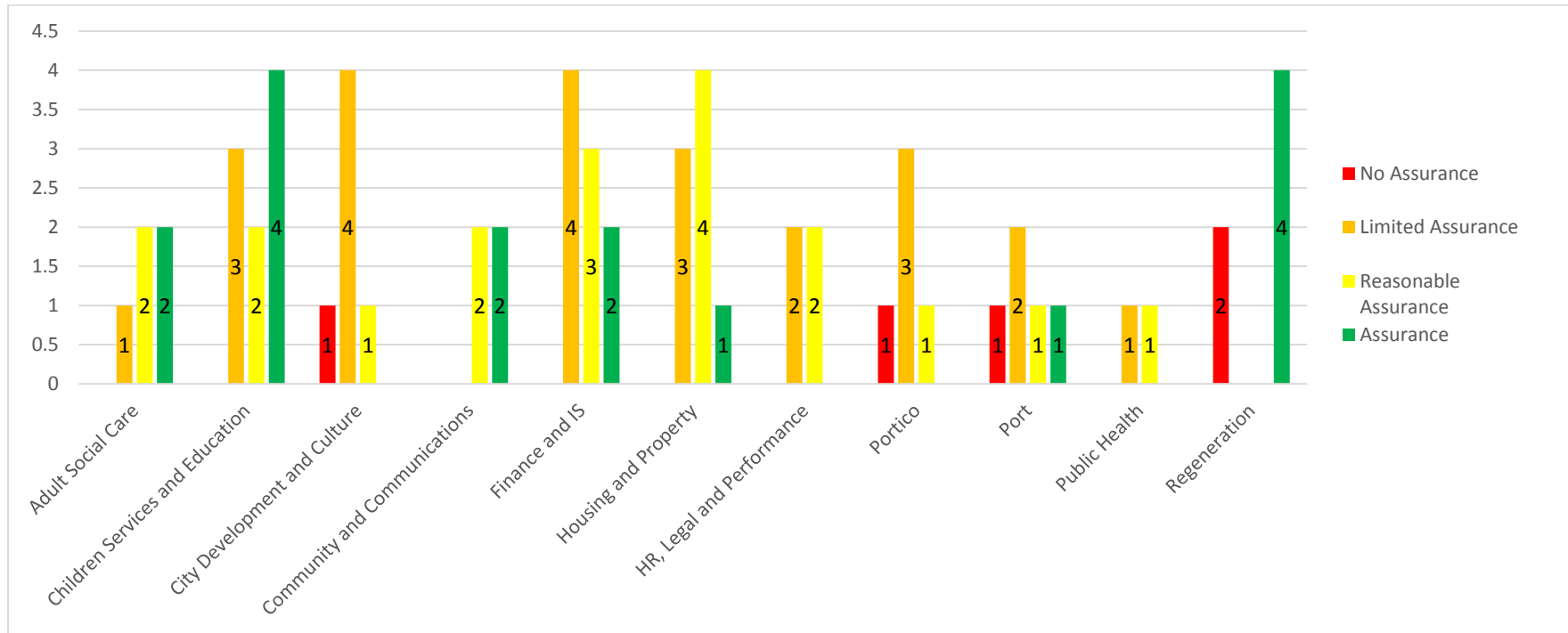
3. Results of work performed for 2018/19 as full audits & comparison against 2017/18

3.1 During 2018/19, 64 full audit reviews were performed with the following assurance levels noted.





3.2 Audit Assurance levels across Directorates





4. Key areas of concern for 2018/19

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

- Community Centres (Housing & Property)
- CCTV (Port)
- Home 2 School Transport (Service Delivery) (Regeneration)
- Hire Cars (Regeneration)
- Gifts & Hospitality (Portico)

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

4.3 During 2018/19 Internal Audit carried out follow up reviews on all areas where 'no assurance' was provided under the 2017/18 audit plan. The results show the following movement.

- Information Governance Data Sharing (Community & Communications) - post follow up assurance level - Limited Assurance
- Procurement (Portico) - post follow up assurance level - Limited Assurance
- Recruitment (Portico) - post follow up assurance level - Assurance
- St George (School) - post follow up assurance level - Assurance
- IT Procurement, Inventory & Disposal (Finance & IT) - post follow up assurance level - Limited Assurance
- Youth Centres/ Community Centres (Housing & Property) - post follow up assurance level - Reasonable Assurance

5. Exception Analysis

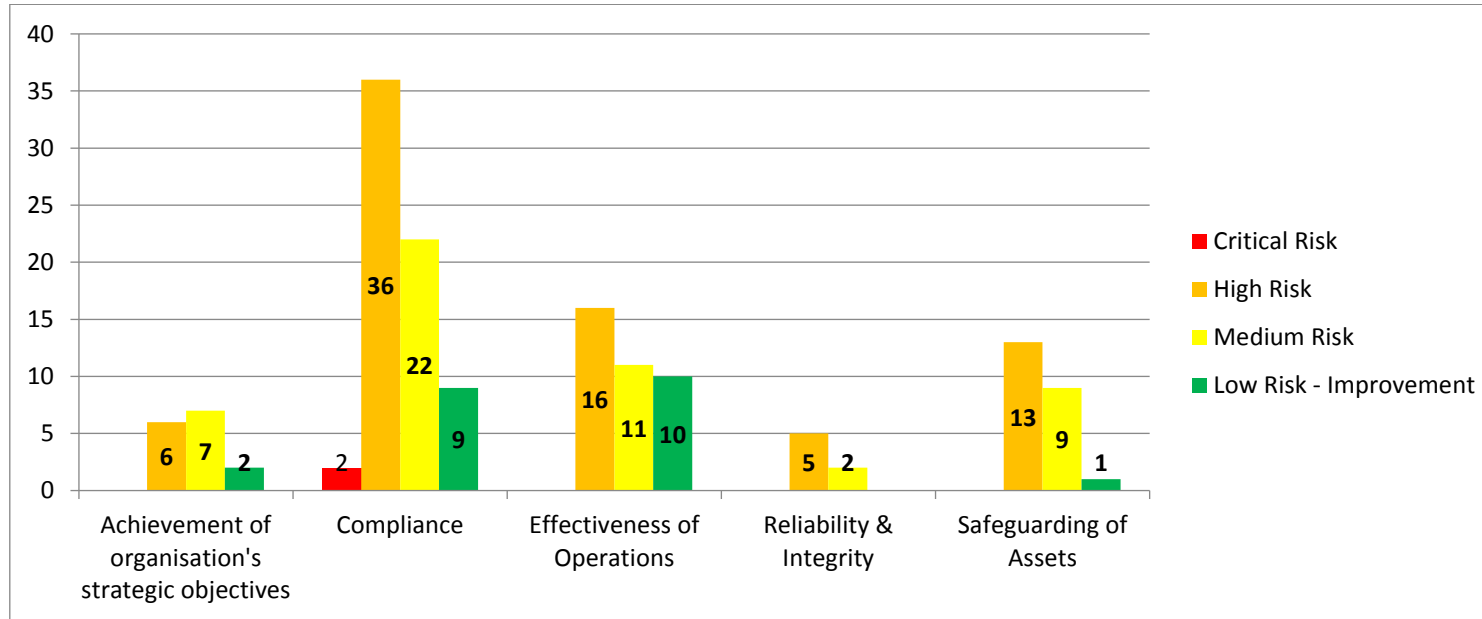
5.1 All exceptions raised by Internal Audit are categorised under one of five headings, these are;

- Achievement of Organisational Strategic Objectives
- Compliance with Laws, Regulations, Policies and Procedures

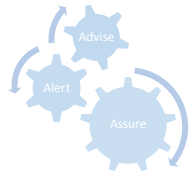


- Effectiveness of operations
- Reliability & integrity
- Safeguarding of assets

The bar chart below shows which categories have exceptions raised and their risk rankings.



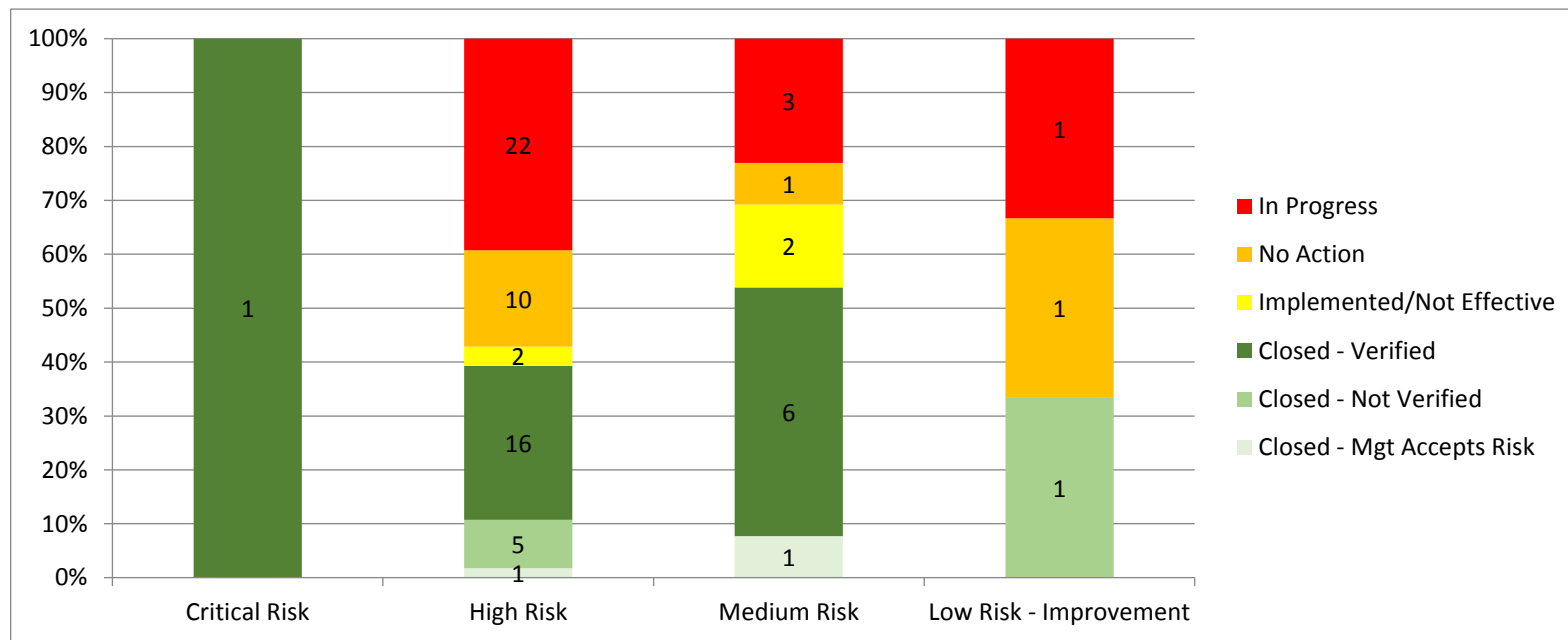
Exceptions by Risk and Category	Column Labels				Grand Total
	Critical Risk	High Risk	Medium Risk	Low Risk - Improvement	
Achievement of organisation's strategic objectives		6	7	2	15
Compliance	2	36	22	9	69
Effectiveness of Operations		16	11	10	37
Reliability & Integrity		5	2		7
Safeguarding of Assets		13	9	1	23
Grand Total	2	76	51	22	151

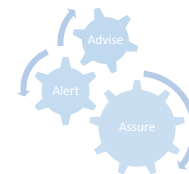


6. Follow up Analysis

6.1 A proportion of audit work carried out during the year, relates to conducting audits on areas with high/ critical exceptions, in order to ascertain the implementation position of agreed actions. The bar chart below details the position overall and it is disappointing to note the number of areas yet to be actioned i.e. 42 in total.

6.2 The Internal Audit Service follows up all audits where at least 1 high risk exception has been raised. This is performed in the next financial year to allow for agreed actions to be sufficiently implemented. Any critical risk exceptions or No Assurance audits are generally followed up within 3 months due to the potential severity of the risks identified.

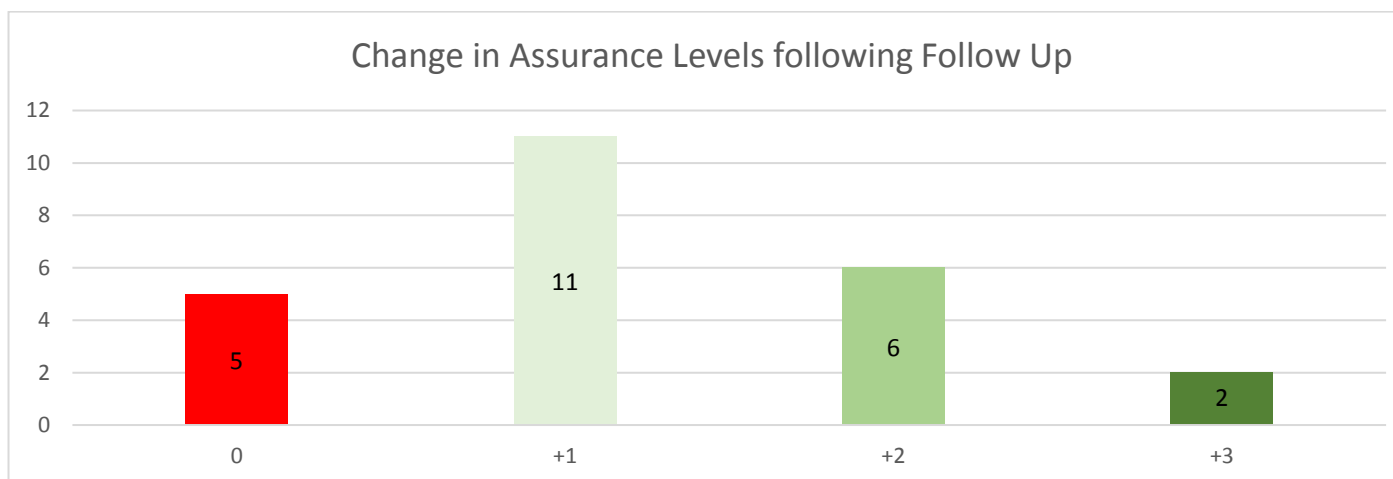


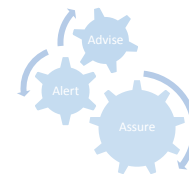


Row Labels	Closed - Mgt Accepts Risk	Closed - Not Verified	Closed - Verified	Implemented/Not Effective	No Action	In Progress	Grand Total
Critical Risk			1				1
High Risk	1	5	16	2	10	22	56
Medium Risk	1		6	2	1	3	13
Low Risk - Improvement		1			1	1	3
Grand Total	2	6	23	4	12	26	73

6.3 The overall position of the exceptions followed up in 2018/19 show that 40% have been closed and verified by audit, however 60% remain open and or are in progress.

6.4 At the conclusion of the Follow-up review the overall assurance level is reassessed and a new opinion level is given. The results below demonstrate that there has been insufficient movement overall in areas re-examined during a follow up review. 67% (5+11) of the activities retested had either only improved to one position or had not improved at all and only 33% had improved sufficiently to resolve the risks and issues presented.





7. Data Analytics / Continuous Auditing

7.1 IDEA data analytics was used extensively throughout the 2018/19 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 Across all audits, including external clients IDEA is considered and where appropriate utilised. Examples of where IDEA was used include:

- Accounts Payable - Duplicate payments - run weekly.
- Random Sampling / Stratified Random Sampling
- Housing Rents - To identify new properties, or properties disposed of along with properties showing above a 15% increase
- Analysis on contract data - i.e. price and dates
- Rates analysis
- Comparison of training records to current employees.
- Comparison of Fleet vehicles to vehicles insured by PCC - to ensure all vehicles are insured
- iExpenses - To highlight (Spilt mileage claims/ split subsistence claims / claims non-compliant with the Travel and Subsistence Policy)
- Purchase Cards - To highlight (Split transactions / transactions over the limit / and transactions non-compliant with the purchasing cards policy)
- Multiple PDF reports converted to excel
- Payroll automation to highlight apprentices on the wrong NI code (comparison of apprenticeship data to an all employees report)

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 weekly basis on all invoices within the EBS system. Non validated invoices would not be paid until validation occurred therefore the risk of the duplicate payment being made is lower than those invoices which have been validated. During 2018/19 the tests identified the following:

Row Labels	Sum of Amount
Not Validated Duplicate Invoice Value	£ 523,816.60
Validated Duplicate Invoice Value	£ 63,670.97
Grand Total of the value of the duplicate invoices found	£ 587,487.57

May 2018-March 2019	Total
Duplicate Payments Made	£ 91,550.29
Recovered	£ 64,070.55
Not recovered	£ 5,359.07
Awaiting Recovery	£ 22,120.67

7.6 IDEA has also been used in 9 external client audits during 2018/19.

8. Unplanned Reactive work

8.1 Throughout the financial year 2018/19, Internal Audit conducted 19 corporate investigations and received 98 investigation referrals relating to Council Tax Support, Right to Buy, Tenancy Fraud and Single Person Discount. Further details of all closed cases will be reported to this committee at the September 2019 meeting.

8.2 Internal Audit also provided services across the council with 11 items of advice were provided. Advice is recorded if the time spent to conduct the required work exceeds 1 hour of officer time.



9. External Client Analysis and Performance

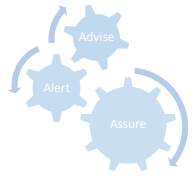
9.1 The Internal Audit & Counter Fraud service at Portsmouth City Council have maintained the contracts in place for the provision of Internal Audit & Counter Fraud duties with a number of external clients as noted below. These arrangements are to cover, audit, investigations & National Fraud Initiative work and where applicable the role of the Chief Internal Auditor.

9.2 External Client Base for 2018/19:

- 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
- Christchurch Borough & East Dorset District

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

- Portsmouth City Council
- Southampton City Council
- Isle of Wight Council
- Solent Local Enterprise Partnership
- Gosport Borough Council (November 2018 to date) also includes Test Valley

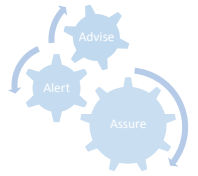


10. Quality Assurance

10.1 As part of the Public Sector Internal Audit Standards the Chief Internal Auditor is required to maintain a quality assurance and improvement programme (QA&IP) that covers all aspects of the internal audit activity. This QA&IP must include both internal and external assessments, which are detailed below under section 11.

10.2 In addition to this, quality and improvement requirements are assessed by means of:

- a) Sign off by the Chief Internal Auditor or Deputy of all key stages of an audit, for example the scope of work and level of testing to be performed, the conclusion of the work and opinion formed followed by a review of the draft and final reports.
- b) Weekly or bi-weekly 1:1's with all members of staff, within Audit & Counter Fraud.
- c) Annual performance reviews of all staff, including the identification and provision of training. The majority of training needs are provided by a combination of external professional studies, supporting by in-house provisions and mentoring.
- d) All staff above Auditor level are required to undertake professional training or have achieved an education level of degree or above. For those that have completed professional studies as part of their professional body membership, much complete the required 'Continuous Professional Development'.
- e) An annual skills gap analysis across the team, to determine specific potential shortages or gaps. Whilst no major gaps are noted at present, historical gaps in areas such as project auditing, contract auditing and IT auditing have been identified following the departure of employees (including retirement). These shortfalls have been address by specified recruitment, bespoke training or if required short term, by means of additional sign off/ mentoring of staff. Areas requiring improvement for this year's assessments are noted below, Skills Gap Analysis Results (10.3 & 10.4).
- f) All staff complete an annual declaration of interests including a nil return, to avoid any impingement on independence or conflict of interest.
- g) Director feedback is requested in order to ascertain whether the service provided complies with PSIAS. The results from the 2018/19 returns are detailed below under 10.5.



Skills Gap Analysis for 2018/19

10.3 **Essential Areas** - where greater coverage of skills are needed moving forward:

- Auditing - Knowledge building is required to undertake auditing work for both the Isle of Wight and Gosport Borough Council where PCC are either operating under a shared service (with effect from April 2019) or currently supporting the council in the absence of key staff (November 2018). Whilst audit skills are transferrable the working practices and operating systems and applications are significantly different and require development time to gain appropriate knowledge and experience.
- Auditing - Specialist IT Auditing skills are limited within the service with only one officer currently qualified. To address this shortfall, professional training will be undertaken by a second officer and use will also be made of resources employed elsewhere under the various partnerships and shared service arrangements. For example the IWC have an IT auditor, but no qualified accountants within audit.
- Management - Isle of Wight Senior Management & Member Engagement - Currently only the Chief Internal Auditor has experience in this area. The current action plan is to increase the visibility and use of the Deputy Chief Internal Auditor at the Isle of Wight over the next financial year.

10.4 **Desirable Areas** - where greater coverage of skills would be desirable:

- Auditing - Academy Auditing - despite offering the service of internal audit to the Academies in the Portsmouth area, none have elected to use the service. As such the skills to audit academies are not as strong as would be desired due to lack of experience. No further action is proposed, IA will continue to offer the service of Internal Audit to Academies.

Director Feedback for 2018/19

10.5 The Quality Assurance feedback looked to evidence how the Directors found the Internal Audit service in 3 key areas; Audit Approach, Audit Planning and Audit Process. From the returns received the results are as follows.

Audit Planning



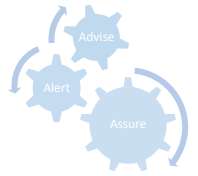
- a) Were Directors given opportunity to discuss potential auditable areas prior to the finalisation of the audit plan? **Results:** All Directors and or Assistant Directors (Children's & Families and Adult Social Care) were met with at the beginning part of the year. From the returns received all either 'agreed or strongly agreed' with this statement.
- b) Were Directors made aware of the proposed audits in their directorate and given opportunity to have input into their timings, in order to minimise disruption to services? **Results:** From the returns received all either 'agreed or strongly agreed' with this statement.
- c) Has a representative from audit periodically attended Departmental Management Team meetings, in order to gain further knowledge & understanding of issues arising? **Results:** From the returns received all either 'neither agree nor disagree, agreed or strongly agreed' with this statement. **Additional actions:** An increase in the level of attendance at these meetings will be carried out within the audit team.

Audit Process

- d) At the start of individual audits, were Directors given the opportunity to comment on the scope of the review and was an Audit Planning Memorandum received prior to the commencement of the review, detailing the areas to be covered? **Results:** From the returns received all either 'agreed or strongly agreed' with this statement.
- e) Were any significant findings (critical exceptions or no assurance) communicated to the Directors prior to the draft report being issued? **Results:** From the returns received all either 'agreed or strongly agreed' with this statement.
- f) Were Directors given the opportunity to attend an audit exit meeting to discuss the findings? **Results:** From the returns received all either 'neither agree nor disagree, agreed or strongly agreed' with this statement. **Additional actions:** All Directors will be invited to attend all exit meetings.
- g) Did Directors receive draft reports with an opportunity to comment on the content? **Results:** From the returns received all either 'agreed or strongly agreed' with this statement.

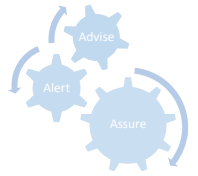
Audit Approach

- h) Were the auditors courteous throughout the audit process? **Results:** From the returns received all either 'agreed or strongly agreed' with this statement.



- i) Did the auditors appear sufficiently knowledgeable on the subject they were auditing? **Results:** From the returns received all either 'neither agree nor disagree, agreed or strongly agreed' with this statement. **Additional actions:** Further clarity will be sort from the Directors in this area the results of which will be considered when allocating future audit assignments within the team. If required additional training will be provided.
- j) Where possible, did the auditor keep the impact of the audit process on staff to an acceptable level? **Results:** From the returns received all either 'agreed or strongly agreed' with this statement.

10.6 The results indicate a positive response in relation all 3 key areas. An annual exercise of this nature will be carried out, with the results communicated moving forward.



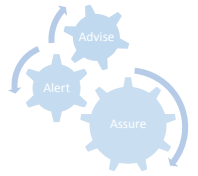
11 Public Sector Internal Audit Standards

Introduction

- 11.1 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.
- 11.2 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. During 2017-18 an external assessment was undertaken in agreement with the standards and key individuals within the Authority the results of which have already been reported in full to this committee.

Position Update

- 11.3 In summary the independent assessor confirmed that the section can demonstrate the delivery of a professional, independent and objective service that contributes to the good governance of the organisation and are able to deliver an annual audit opinion in accordance with the Standards. There were three areas of exception as noted below:
- (a) Standard 1100 requires that the Chief Internal Auditor (CIA) confirms annually to the board (GAS) the organisational independence of the internal audit activity. **ACTION TAKEN: A statement confirming the organisational independence of the internal audit activity has been included in this report under items 1.9 to 1.12.**



- (b) Standard 1110 (public sector requirements) states that the Chief Executive undertakes, countersigns, contributes feedback or reviews the performance appraisal of the CIA. The CX has requested 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. **ACTION TAKEN: Feedback and challenge is provided through the Council's performance management arrangements which include the Corporate Governance Board, and regular 1:1's with both the Deputy Chief Executive (Monitoring Officer) and the s151 Officer.**
- (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 this in the annual report to the board (GAS). **ACTION TAKEN: The Quality Assurance results have been included in this report under item 10.**

- 11.4 In addition to this the independent assessor identified that there was potentially a capacity issue within the service as at the time there were 14 fte posts within the Audit and Counter Fraud Service at Portsmouth City Council providing services to a number of external clients. For 2018-19 this equated to approximately 1000 under various contracts.
- 11.5 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. Resources to deliver the contracted services have reached capacity at a management level. However this is closely monitored and a detailed review of the resource requirements is being carried out during 2019-20. The results of which will be communicated with this committee in due course.
- 11.6 During 2018-19 a self-assessment has been performed against the Standards & Code of Ethics, the results of which are that the Internal Audit service provided by Portsmouth City Council is in compliance with the requirements of the Public Sector Internal Audit Standards.



Title of meeting:	Governance and Audit and Standards Committee
Date of meeting:	26 th July 2019
Subject:	Annual Governance Statement
Report by:	Kelly Nash, Corporate Performance Manager
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 2018/19.

2. Recommendations

- 2.1 The Governance and Audit and Standards Committee are asked to:
- 1) Agree the Annual Governance Statement 2018/19 (Appendix 1)
 - 2) Approve the refreshed Local Code of Governance set out in Appendix 2.

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 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 document is attached as Appendix 1. 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 2. 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.

4. Reasons for recommendations

- 4.1 The 2018/19 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 2016.

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: David Williams, Chief Executive

Appendices:

Appendix 1 - Annual Governance Statement 2018/19

Appendix 2 - Local Code of Governance

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

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

.....
Signed by:

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Annual Governance Statement 2018-19

www.portsmouth.gov.uk

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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 2019/20 (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 staff of the council are managed by the **Chief Executive**, David Williams, who is the Head of the Paid Service. The Chief Executive is supported **directors** who have oversight of a number of services, each of which deals with a broad portfolio of the functions of the authority. Some of these portfolios are changing in response to a structural review in 2019.

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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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, and 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 Peter Baulf, the Head of Legal Services.

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 is invited to undertake 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 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. 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.

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

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>

connect with the council, many of which are listed on the council webpage⁹. 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 Councillor¹⁰.

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 procedure¹¹ 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. The city has excellent partnership working, with other local authorities and with colleagues in health, including the Clinical Commissioning Group (CCG), the police, probation, fire service, university and with business.

For many years, we have had three key theme-based strategic partnerships - the **Health and Wellbeing Board**, **Children's Trust**, and the **Safer Portsmouth Partnership**. These partnerships have recently been reviewed and folded into a single Health and Wellbeing Board with a broadened remit and membership, to improve efficiency and ensure that issues are being considered strategically and as they affect people and the city across all dimensions.

This arrangement will also support the increased joining-up of with partnership organisations at the commissioning and delivery levels. This includes multi-agency teams for children and families, and locality teams to deliver Better Care, as well as the development of a partnership for delivering the Healthy Child Programme in the city. A range of mechanisms are used to support these arrangements.

⁹ Opportunities to have your say can be found at: <https://www.portsmouth.gov.uk/ext/community-and-environment/community/have-your-say.aspx>

¹⁰ Who are your Councillors, MPs and MEPs: <http://democracy.portsmouth.gov.uk/mgMemberIndex.aspx?bcr=1>

¹¹ Complaints procedure: <https://www.portsmouth.gov.uk/ext/the-council/transparency/comment,-compliment-or-complaint.aspx>

There are other partnership arrangements around the city's regeneration efforts such as the **Solent Local Enterprise Partnership (LEP)**, Transport for South Hampshire and the Isle of Wight, the Partnership for Urban South Hampshire (PUSH) and the business leaders group, Shaping the Future of Portsmouth.

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:

- Make Portsmouth a city that works together, enabling communities to thrive and people to live healthy, safe and independent lives
- Encourage regeneration built around our city's thriving culture, making Portsmouth a great place to live, work and visit
- Make our city cleaner, greener and safer
- Make Portsmouth a great place to live, learn and play, so our children and young people are safe, healthy and positive about their futures
- Make sure our council is a caring, competent and collaborative organisation that puts people at the heart of everything we do.

Planning and monitoring

In order to secure these outcomes for residents and service users, the Council needs to respond to some tough challenges. Since 2011/12, overall central government funding to PCC has reduced by over £78m (amounting to a funding reduction of 54%). This funding is expected to reduce by a further £11.9m over the next 3 years. Taken together with other financial pressures (mainly relating to inflation, the effects of an ageing population on care services and the increased requirements for safeguarding of vulnerable children), total savings over the period of £98m have been made by the council.

Portsmouth City Council remains a low taxing Authority. The Council currently receives approximately £6m per annum less in Council Tax than the average Unitary Authority within its statistical neighbour group.

Council Tax currently represents 46% of the Council's overall funding base with annual rises limited by "referendum thresholds" which are set by Government annually. Over the past 8 years, Council Tax increases have not been sufficient to keep pace with the levels of inflation and other cost pressures experienced by the Council. Council Tax income has risen by £18m over the period since 2011/12 with inflation and other costs rising by over twice that amount at £38m.

In overall terms, the financial picture over the next 3 years and beyond is one of increasing costs and demand for services, particularly in essential care services, at the same time as continued reductions in funding leading to an overall forecast budget deficit over the next 3 years of at least £12m.

Considering also that those essential care services consume 46% of the Council's net controllable budget, the Council is faced with a position where it not only has to meet those costs, or at the very least manage the demand for those services, but simultaneously find at least £12m of savings across all areas.

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 Medium Term Financial Strategy (MTFS) has been developed to respond to these very challenging circumstances. The strategy has a renewed emphasis on regeneration, innovation and creativity leading to stimulation of the funding base (Council Tax and Business Rates) and income generation as a means to make savings and avoid cuts to services.

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 innovative, creative and protecting the most important and valued services. There are four strands to the strategy:

- **1 - Transforming to an innovative and creative Council:** income generation; regeneration and meeting housing need; strategic use of property and assets; investment for commercial gain; developing and establish commercial entities to sell services profitably; capital investment for jobs and business growth (increased business rates); establishing strategic partnerships and 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.

The Council has a comprehensive supporting financial framework in place designed to avoid any financial obstacles to delivering the MTFS.

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. There is an increased focus on strategic risks.

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 and published alongside the Statement of Accounts.

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. The organisation has undertaken thorough preparation for the introduction of the General Data Protection Regulation, including enhanced training for all staff.

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

Transparency

The Council and its decisions are open and accessible to the community¹², service users, partners and its staff. The Freedom of Information Act 2000 (FoI) 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.

¹² Meetings, agendas and minutes: <http://democracy.portsmouth.gov.uk/jucoverpage.aspx?bcr=1>

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 is made public in timely and accessible fashion.

Effective scrutiny

The Council operates five Scrutiny Panels¹³, 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 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.
 - The effectiveness of Governance and Audit and Standards Committee
 - 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 2019/20

Portsmouth City Council have completed a number of actions over the last year, that have addressed or alleviated significant governance issues identified in the 2017/18 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	Risk Management	Corporate working group to drive implementation of and compliance with GDPR and Data Protection Act responsibilities	Good state of organisational compliance and low risk of sanction.	Chief Internal Auditor	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 Housing, Neighbourhood and Buildings	Ongoing reporting through audit reports
	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.	Director of Finance and IS	Ongoing development and review

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Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
5	The council continues to explore new ways of working, including partnering and alternative service delivery models (including with the voluntary, community and social enterprise sector) 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 c) Look at arrangements for assurance on partner organisations and related parties 	Ongoing - various structures for different arrangements	Chief Executive & Chief Internal Auditor	Necessary changes reported on a regular basis to Cabinet, Governance, Audit and Standards Committee and Employment Committee.
6	Compliance with statutory duties and other external requirements and directives: 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. Examples include Air Quality, National Planning Policy Framework expectations, Brexit risks and burdens	Performance and risk management	<ul style="list-style-type: none"> - Service and resource planning to set out scope of requirements and the needs to fulfil these. 	n/a	Chief Executive and all service directors	Ongoing reports to portfolios and committees.
7	Budget/ financial position, specifically in respect of demand-led services including Adults and Children's Social Care and impact of financial uncertainty	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 Chief of Health	Ongoing quarterly reporting on financial position to Cabinet; updates to portfolio holders

Ref	Governance issue	Source	Actions to address the issue	Measures of success	Lead/s	Timescale
					and Care Portsmouth	
8	New governance and working processes across strategic partnership arrangements, including closer integration with the clinical commissioning group	Internal self-assessment	Ongoing monitoring of progress	Robust governance across complex partnership agendas	Chief Executive	Ongoing reporting
9	Capacity within the organisation and key individuals, in light of further organisational restructure	External Audit reports; internal self-assessment	Ongoing monitoring of progress, including through quarterly performance reporting; longitudinal study of workforce capacity and risks	n/a	Chief Executive	Ongoing reporting

Effectiveness of the system of internal control

During 2018- 19 Internal Audit & Counter Fraud completed 64 full audits and 24 follow up reviews to plan. The results show that the level of 'No Assurance' and 'Limited Assurance' audited areas have decreased from the previous year, which is a positive move and reinforces the judgement that the direction of travel is that of 'good improvement', following on from 'stabilising' opinion last year.

This more positive position is however countered by a decline in the number of implemented agreed actions to mitigate risk exposure. It should be noted that actions to mitigate risk are determined by the relevant service along with their timeframe for implementation, yet the results of follow up work show that only 40% of agreed actions have been fully implemented. Further details are contained within the body of this report.

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. Limited Assurance is provided again this year, with the above narrative that the internal control framework in operation at Portsmouth City Council is improving.



Internal Audit & Counter Fraud will continue to work with Directors 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 2018/19 may affect that year's work for External Audit. It may also inform their work for 2019/20 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 2018/19

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

Cllr Gerald Vernon-Jackson, Leader of the Council

Date

David Williams, Chief Executive

Date

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Appendix 2 - 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: <ul style="list-style-type: none"> Make Portsmouth a city that works together, enabling communities to thrive and people to live healthy, safe and independent lives. Encourage regeneration built around our city's thriving culture, making Portsmouth a great place to live, work and visit. Make our city cleaner, safer and greener. Make Portsmouth a great place to live, learn and play, so our children and young people are safe, healthy and positive about their futures.

		<ul style="list-style-type: none"> • Make sure our council is a caring, competent and collaborative organisation that puts people at the heart of everything we do. <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 	<ul style="list-style-type: none"> • Decision making practices are set out in the City Constitution.
	<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 	<ul style="list-style-type: none"> • Members are required to declare any interests at the start of every meeting that they attend in accordance with Standing Orders. • Officers are required to complete a gifts and hospitality register. • 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. • 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.
	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 	<ul style="list-style-type: none"> • 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.
	<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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> 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"> The lead strategic partnership for the city is the Health and Wellbeing Board which has recently expanded its terms of reference and membership to incorporate the work of the Children's Trust Board and the Safer Portsmouth Partnership. The have priorities and objectives for the board are set out in the Health and Wellbeing Strategy.
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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<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"> Dealing with breaches of legal and regulatory provisions effectively 	<ul style="list-style-type: none"> 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 commitment to transparency and openness is reflected in the Council's FoI Policy, and set out in the publication scheme. We adhere to the Transparency Code of Practice 2015 to ensure that all decisions (including in relation to contracts and spending) are published as a matter of course.
	<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, ensuring that the impact and consequences of those decisions are clear. 	<ul style="list-style-type: none"> Decision making practices are set out in the City Constitution.

	<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 2018.
	<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.

		<ul style="list-style-type: none"> - 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 delivered 	<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"> Considering and monitoring risks facing each partner when working collaboratively including shared risks 	<ul style="list-style-type: none"> 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 	<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"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<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 budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term 	<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 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 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 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.
	<ul style="list-style-type: none"> Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources 	- 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 	- 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 	- 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 	- 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 	<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 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"> ● 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 2018.
	<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="text-align: center;">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 	- 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) 	- 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 	- A refreshed corporate management approach was agreed by Governance, Audit and Standards Committee in 2018.
	<ul style="list-style-type: none"> • Evaluating and monitoring the authority's risk management and internal control on a regular basis 	- 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 	- 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 	- 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 manging risk and maintaining an effective control environment 	- The Chair of the Governance and Audit Standards Committee is independent (i.e. he does not sit on any other regulatory committee.)

	○ That its recommendations are listened to and acted upon	
	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 safeguard personal data 	<ul style="list-style-type: none"> PCC processes personal information appropriately and legally in accordance with the Data Protection Act 2018 and the General Data Protection Regulation 2016, the National Fraud 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 (FoI) 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. We have processes in place to ensure there are suitable contracts or agreements in place for third party acting as a data processor on behalf of the council and information sharing agreements with other data controllers. We ensure that we comply with statutory requirements around data protection impact assessments, and have made these a requirement of all projects in the organisation Standing agenda item on the Corporate Information Governance Group to ensure oversight of all such agreements and assessments.
	<ul style="list-style-type: none"> Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring 	<ul style="list-style-type: none"> Regular internal audit oversight.
	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.
	<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"> 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"> 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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Agenda Item 7

Title of meeting:	Governance and Audit and Standards Committee
Date of meeting:	Governance and Audit and Standards Committee 26 July 2019
Subject:	Statement of Accounts 2018-19
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 2018/19.

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 2018/19 Statement of Accounts after 26 July 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 2018/19, by 31 May 2019.

From 3 June 2019 to 12 July 2019 any person was able to inspect the accounts of the Council for the year ended 31 March 2019 and certain related documents (comprising books, deeds, contracts, bills, vouchers and receipts and other documents relating to those records). From 3 June 2019 to 12 July 2019, 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 2018/19.

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 2018/19. 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 2018/19 includes an overview of the City Council's performance on pages 14 to 24 and a commentary on the financial statements on pages 24 to 38.

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 2018/19 Statement of Accounts after 26 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 Technology (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

McCloud Ruling

This is a national issue concerning age discrimination and pension protection of judges and firefighters, but has now widened across public sector pension funds. Following this ruling the pension fund's actuary was commissioned to recalculate the Council's pension liability. As a result of this recalculation, the Council's estimated pension liability has increased by £12.8m. Although this has affected the Council's net worth and is reflected in the Comprehensive Income and Expenditure Statement, this additional cost is reversed out of the revenue account in the Movement in Reserves Statement under regulations so that does not impact on General Balances in 2018/19. The City Council's contributions to the pension fund are based on a full triennial valuation by the fund's actuaries and this additional cost will be reflected in the next triennial valuation.

Increase in Value of Property, Plant and Equipment (PPE) Following Capital Expenditure

PPE is revalued following capital expenditure. There were five assets whose value increased by £6.6m following capital works, but this was not reflected in the Draft Statement of Accounts. Although this has increased the Council's net worth and is reflected as income in the Comprehensive Income and Expenditure Statement, this additional cost is reversed out of the revenue account in the Movement in Reserves Statement under regulations so that does not impact on General Balances.

Financial Instruments (Note 17d)

The fair value hierarchy tables were not updated and have been restated. All financial assets and financial liabilities that are not measured at fair value in the balance sheet have still had their fair value disclosed on the basis of other significant observable inputs (level 2), as opposed to quoted prices in active markets for identifiable assets (level 1) which don't exist, or significant unobservable inputs (level 3).

Short Term Debtors (Note 20)

Department of Work and Pensions grants of £4,884,000 owed to the Council were included in trade debtors in the disclosure note rather than government departments where they should have been included.

Leases (Note 37)

The 2017/18 Statement of Accounts included minimum operating lease payments of £83,296,000 in respect of the lease of the Wightlink Terminal. In January 2018 it was agreed that this lease was in substance a loan, but this lease was not removed from the disclosure note. These figures from the 2017/18 accounts form the prior year comparator figures included in the 2018/19 disclosure note. The prior year comparator figures have therefore been restated. The figures relating to 31 March 2019 are unaffected.

Private Financing Initiatives (PFI) and Similar Contracts (Note 38)

A PFI asset was omitted from the disclosure note covering the value of PFI assets. This meant that both the gross book value of £172,091,000 and the net book value of £134,309 were both understated by £3,230,000.

Collection Fund

There was a spreadsheet error affecting the disclosure concerning the apportionment of the Collection Fund surplus which has been incorrectly stated as Government (DCLG) £844,000 and Portsmouth City Council £827,000. The apportionment in the ledger was correct. The correct figures are a deficit for Government (DCLG) of £632,000 and a surplus for Portsmouth City Council of £2,302,000, ie. the surplus apportioned to the Government (DCLG) was overstated by £1,476,000 and the surplus apportioned to Portsmouth City Council was under stated by £1,476,000.



**Draft
Statement
Of
Accounts
2018/19**

The City Council's draft Statement of Accounts for 2018/19 is currently unaudited and may be subject to change

Chris Ward

Date

Director of Finance & Information Technology

(Section 151 Officer)

Councillor

Date

Chair of the Governance and

Audit and Standards Committee

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Narrative Statement

Financial Year Ended 31st March 2019

Introduction

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

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 214,000 residing within 15.5 square miles.

Portsmouth is ranked 57th 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 is the most deprived ward in the city across many indicators. The percentage of children in the city known to be eligible for and claiming free school meals is higher than the national average, reflecting low incomes in the city.

The city is becoming more ethnically diverse. 16% of the City's overall population are not of White British ethnicity, 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 housing 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 England average. In terms of dwelling type, 63% of Portsmouth's private dwellings are terraced houses, again twice the England average (29%).

Portsmouth performs a key role as an employment hub for its suburban hinterland, most notably the boroughs of Fareham, Gosport and Havant which supply nearly a quarter of the city's workforce. Unemployment in the city is typically on a par with the average for Great Britain, but around 0.5% higher than the South East region's average. An estimated 4.9% of the city's 16 - 18 year olds were NEET (Not in Education, Employment or Training). This is lower than both the England average and the SE regional average, and is reducing. Adults in Portsmouth have lower than average levels of skills and qualifications, with approximately 24% of the working age population having no or low qualifications (NVQ1 equivalent). Local resident earnings are significantly lower than local workplace salaries, suggesting that many of the higher level jobs are filled by people commuting in to 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. There is also limited road capacity due to the "island" nature of the city, and only three road routes off Portsea Island, although congestion levels compare well with other cities. However, traffic and associated emissions are a significant challenge to air quality in certain areas of the city.

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, becoming 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 Council also runs the largest municipal port in the UK.

The council has 14 wards, each served by 3 councillors and operates a Leader and Cabinet decision making system.

The Cabinet currently consists of the Leader of the Council and nine other Cabinet members. The Leader is elected by Full Council, and it is for the Leader to select the Cabinet members. The Cabinet makes decisions on important matters that affect the City Council as a whole. Each of the Cabinet Members has responsibility for a portfolio of Council activities and in 2018/19 these were:

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

Roles, responsibilities and the way the council conducts business are set out in the Constitution of the City Council.

The City Council is managed by the Chief Executive, who is the Head of the Paid Service. The Chief Executive is supported by directors, each of which deals with a broad portfolio of the functions of the authority. Some of these directorates are changing in response to a structural review in 2019. The current director team is:

- Deputy Chief Executive and Monitoring Officer (post holder retiring in May 2019; Deputy Chief Executive role to be abolished and monitoring officer duties to be assumed by another officer)
- Director of Children, Families and Education (and statutory Director of Children's Services)
- Director of Adult Social Care (shared post with the Portsmouth Clinical Commissioning Group)
- Director of Finance and Information Technology (statutory s151 officer) [*Directorate in process of adjustment responding to restructure*]
- Director of Public Health (shared post with Southampton City Council)
- Director of Culture, Leisure and Regulatory Services [*Directorate in process of adjustment responding to restructure*]
- Director of Regeneration
- Director of Housing, Neighbourhoods and Buildings
- Director of Community and Communication (post holder leaving the authority in May 2019 and functions to be reassigned)
- Director of HR, Legal and Performance [*Directorate in process of adjustment responding to restructure*]
- Portsmouth International Port Director

Our context - our partners

The city has excellent partnership working, with other local authorities, 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.

For many years, there have been three key theme-based strategic partnerships - the Health and Wellbeing Board, Children's Trust, and the Safer Portsmouth Partnership. These partnerships have recently been reviewed and have been merged into a single Health and Wellbeing Board with a broadened remit and membership, to improve efficiency and ensure that issues are being considered strategically that affect people across the city.

There are other partnership arrangements around the city's regeneration efforts such as the Solent Local Economic Partnership (LEP), 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 had been in discussion with other local authorities in the area about a devolution deal with government.

The unitary authorities of Portsmouth City Council, Southampton City Council and Isle of Wight Council submitted a proposal to the Secretary of State for a Solent Mayoral Combined Authority. This proposal was not accepted, but the local authorities in the area continue to explore options for working together. This year, 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, and the development of the Regional Adoption Agency, called Adopt South).

Partnerships with colleagues in the health sector have been developing strongly over time and the Council has recently agreed to strengthen links with the CCG, by moving to a model sharing functions across adult services, children's services and public health. This is an important step in ensuring that services for Portsmouth's population are commissioned and delivered with a strong understanding of local communities and their needs.

Our context - finances

The largest share of the money that the City Council receives comes from government grants. Since 2011/12, the overall central government funding to PCC has reduced by over £78m (amounting to a funding reduction of 54%). Taken together with other financial pressures (mainly relating to inflation, the effects of an ageing population on care services and the increased requirements for safeguarding of vulnerable children), total savings over the period of £98m have been made by the council.

PCC remains a low taxing authority. The City Council currently receives approximately £6m per annum less in Council Tax than the average unitary authority within its statistical neighbour group. Council Tax represents 46% of PCC's overall funding base with annual rises limited by "referendum thresholds" which are set by Government annually. Over the past 8 years, Council Tax increases have not been sufficient to keep pace with the levels of inflation and other cost pressures experienced by the council. Council Tax income has risen by £18m over the period since 2011/12 with inflation and other costs rising by over twice that amount to £38m.

In overall terms, the financial picture over the next 3 years and beyond is one of increasing costs and demand for services, particularly in essential care services, at the same time as continued reductions in funding, leading to an overall forecast deficit over the next 3 years of at least £12m.

Considering also that those essential care services consume 46% of the City Council's net controllable budget, the council is faced with a position where it not only has to meet those costs, or at the very least manage the demand for services, but simultaneously find at least £12m of savings across all areas.

The City Council's Medium Term Financial Strategy has been developed to respond to these very challenging circumstances. The Strategy has a strong regeneration and value for money focus with a presumption that capital investment will be targeted towards cost savings, income generation and economic growth.

The Strategy is underpinned by a financial framework which 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 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 approved savings proposals for 2019/20 provided 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 innovative, creative and protecting the most important and valued services. There are four strands to the strategy:

Transforming to an Innovative and Creative Council: Income Generation; Regeneration and meeting housing needs; strategic use of 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

Reduce the extent to which the population needs Council Services: Re-direction of resources towards preventative services (avoid greater costs downstream); Design fees & charges policies to distinguish between want and need; Capital investment towards jobs and skills to raise prosperity

Increase the efficiency & 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 cost avoidance

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 great pressure on public finances, the Council needs 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 aim to make Portsmouth a place that is fairer for everyone; a city where the council works together with thriving communities to put people at the heart of everything we do. We have set clear priorities that, as an organisation, we will:

- Make Portsmouth a city that works together, enabling communities to thrive and people to live healthy, safe and independent lives
- Encourage regeneration built around our city's thriving culture, making Portsmouth a great place to live, work and visit
- Make our city cleaner, greener and safer
- Make Portsmouth a great place to live, learn and play, so our children and young people are safe, healthy and positive about their future
- Make sure our council is a caring, competent and collaborative organisation that puts people at the heart of everything we do.

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

Make Portsmouth a city that works together, enabling communities to thrive and people to live healthy, safe and independent lives

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, in particular, between genders (shorter male life expectancy) and between different areas of the city. 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
- support people experiencing homelessness, including those rough sleeping
- 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.

A significant focus is on transforming the way we provide adult social care in the city, to ensure that we are meeting needs and providing sustainable services. A strategy for this transformation is in development and will be shaping every area of services, from information, advice and guidance through to the provision of care packages and the residential care we provide.

We are developing a new way of working with the Voluntary, Community and Social Enterprise (VCSE) sector in the city, as we know that there are huge strengths that these partners can bring to tackling some of the challenges in the city. People from local VCSE services in the city, PCC and the CCG are committed to working together. They will be building on work delivered as part of the Project Bridge initiative, with the objective of building a happier, healthier and more connected city.

There is a shared desire to build strong communities and resilient neighbourhoods within Portsmouth which are able to take social action to improve the health and wellbeing of everyone living and working in the city. There is a recognition that the VCSE, the council and the CCG need to work together to co-produce, with the people of Portsmouth, the future well-being of the city.

The physical symbol of this wider partnership is the HIVE Portsmouth, which is the home of the central point of contact for services and community connection in the city. HIVE Portsmouth aims to become the home of social action and enterprise where people can come with ideas and be supported to grow them. It will also be an organisational hub for those in the VCSE who are committed to the vision and culture of HIVE Portsmouth.

A range of services have been commissioned and bid for through the HIVE Portsmouth framework - including a sitting service (My Time) and a social prescribing service - and there are plans to make further bids to support the long term future of the project.

HIVE Portsmouth is:

- A commitment - to working differently and being the best we can be
- A cooperative - it's a way of giving the voluntary sector an equal seat at the table
- A central hub - starting with the Central Library, we're developing a physical front door to statutory and community services - and want to roll out similar locations across the city.

Encourage regeneration built around our city's thriving culture, making Portsmouth a great place to live, work and visit

Regenerating the city to ensure that it continues to provide great opportunities for residents, businesses and visitors remains a major priority. For Portsmouth, the cultural and creative sector is at the heart of regeneration, and we are looking to create new cultural focal points and experiences in the city. This includes building on the growing city reputation for events. The Victorious Festival will return again for 2019, and the city will take a lead role in commemorations for the 75th Anniversary of D-Day and the Battle of Normandy.

Our work to mark the anniversary has already started. The D-Day Story re-opened last year after a £5m redevelopment and has already received excellent reviews from visitors, as well as being shortlisted for the European Museum of the Year Award. The new museum attracted over 80,000 visitors during its first year in operation and has become a valuable addition to our visitor economy.

Portsmouth will be the focus of national and international attention on Wednesday 5 of June when Southsea Common will host the UK's national commemorative event for D-Day 75. After 5 June, PCC will facilitate events with a community focus encapsulating the themes of remembrance, reflection and reconciliation, including the Portsmouth Revival, a vintage festival including military and classic vehicles and vintage stands and traders, along with community performances. Portsmouth Museum will also host a special exhibition of portraits of D-Day veterans loaned by the Royal Collection Trust.

Portsmouth's contribution to the ongoing legacy of D-Day will not end in June. In 2020 the last surviving Landing Craft Tank in Europe - LCT 7074 - will open on Southsea seafront, in partnership with the National Museum of the Royal Navy. The Portsmouth D-Day Museum Trust will also continue to support the work of the D-Day Story through the Normandy Memorial Wall.

We know that Portsmouth needs to continue developing strategic locations to support the regeneration of the city.

As part of the City Deal secured in 2014, the Tipner/Horsea development site will be unlocked. 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 £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 all of Tipner, on both sides of the motorway with a bridge link to Horsea Island enabling Bus Rapid Transit. We are working with Homes England and Tipner Regeneration Company (TRC) who are developing their own land for housing and some business space.

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, supporting our efforts to improve air quality. It could also improve the connectivity of the city centre, allowing easy access to the whole centre and opening up a number of sites for development.

Creating a high quality and safe environment that should increase the appeal of the area as a place to invest, work, live and spend leisure time.

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 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 air and the environment, and create a sense of place.

Make our city cleaner, safer and greener

Like many cities across the country Portsmouth is facing a serious problem with air quality. Newly available monitoring data shows the situation is continuing to get worse and we won't improve the situation as quickly as the government would like.

Everyone has a part to play in improving air quality within our city. Leaflets have been sent to all homes in Portsmouth to increase awareness, and there are lots of actions underway including:

- Making travel greener by introducing electric vehicle charging points on-street and in our car parks, and retrofitting over 100 buses to remove dangerous chemicals from exhaust fumes.
- Expanding sustainable alternatives to the car with the introduction of the new Park & Ride route, PR2.

- Improving traffic flow across the city with projects like moving and enhancing the Anglesea Road crossing.
- Making sustainable travel choices more accessible with improvements to cycling including a new joint pedestrian & cycling crossing in Fratton, traffic calming measures along the A2047 and a new city bus depot is being investigated.
- Managing finite parking capacity fairly with residential parking zones with a rolling programme of consultation so residents can decide what is right for their area.
- Securing over £2.5m in funding to help address air pollution in the city.

There is also a great deal of work underway to build new sea defences for the city. The current defences are coming to the end of their lifespan, which increases the risk of flooding in Southsea. Our aim is to create new defences. The work will improve the seafront for future generations and stimulate regeneration, whilst protecting the community and preserving the area's unique heritage. Extensive consultation has been undertaken on possible design options and work is now underway to work up a full business case to achieve funding from partners including the Environment Agency.

The City Council also took a unanimous decision in March 2019 to support a motion to declare a climate emergency for the city (one of 49 local authorities in the country to have taken such action), which included pledges to develop an action plan for reducing the carbon footprint of the city.

Make Portsmouth a great place to live, learn and play, so our children and young people are safe, healthy and positive about their futures

Education is the foundation stone to give our children and young people the best chances in life. We must make education achievement for all our young children the very best it can be. This will give our children the best opportunities in life and in the longer term, reduce the need for our services. We therefore want to raise education standards so that 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 (including one multi-site provision). In addition there are two further education colleges, one maintained nursery school and a University Technical College (UTC), which is a school for young people aged 14-19 interested in pursuing a technical career. UTC Portsmouth has specialisms in Electrical & Mechanical Engineering and in Advanced Manufacturing. These specialisms are key to helping our economy to grow.

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).

The Portsmouth Education Partnership (PEP) brings together Multi Academy Trusts (MATs), schools, colleges, early years settings, Higher Education Institutions, the Local Authority, teaching schools, the Regional Schools Commissioner (RSC), Portsmouth Dioceses and Education Business Partnership South to improve attainment and opportunities for children and young people across the city. The PEP was launched in November 2016 in response to a changing and complex educational landscape and the need to significantly improve educational outcomes for children and young people in the city. The PEP seeks to build on a strong platform of collaborative working in Portsmouth, to maximise the collective resource that is available both within and outside the city.

The PEP vision is to ensure that educational attainment and progress improve significantly year on year so that children and young people are prepared for the widest career opportunities:

- all children and young people, whatever their background and circumstances, are confident, resilient, enthusiastic, happy, healthy and well prepared for adulthood and active involvement in their communities; and
- Portsmouth is seen as place of choice for the very best senior leaders, teachers and other education staff, where professional development is fostered, career ambitions met and workloads kept manageable.

We are also working hard to support our most vulnerable children and families, through the next phase of the Stronger Futures programme. There is a national picture of increasing numbers of children becoming looked after by the authority, and this is the case in Portsmouth, which also has a pressure from unaccompanied minors arriving in the city. PCC is currently looking after the highest number of children it has ever cared for, and also providing support for children in need of protection and at an early help stage.

This picture indicates that we need to consider how we are supporting families with challenges, to improve their outcomes but also to ensure that we can afford to provide services and that are sustainable. So the three priority areas for the Stronger Futures are:

1. Integrating services and support to provide excellent early help and reduce demand for high cost statutory services.
2. Delivering excellent family-based practice to strengthen families and avoid the need for long-term alternative care.
3. Providing excellent care for looked after children and care leavers to maximise their life chances and avoid high "failure cost" care.

This programme will build on the work that has already taken place to improve the quality of services for vulnerable children. Ofsted acknowledged this in 2018, when our children's services were judged to be "good" overall, improving from "requires improvement" in 2014. This was a huge achievement in the context of increasing demand.

Make sure our council is a caring, competent and collaborative organisation that puts people at the heart of everything we do

Our shared aim is to make Portsmouth a place that is fairer for everyone; a city where the council works together with thriving communities to put people at the heart of everything we do.

There are many examples of how as an authority we are trying to embody this aim in our work. We are taking a real "Portsmouth First" approach to our property investments, and taking a creative approach to generating income so we can support local communities despite financial challenges.

We are working to ensure we have a modern, flexible, highly skilled, supported and motivated workforce to provide services that meet the needs of residents, and we are committed to ensuring that our staff are paid a Foundation Living Wage.

We are also looking at the models of practice we use with service users and between ourselves to create an environment where there is positive collaboration and communication.

In some areas of our business, we are looking at restorative practice, which is an approach that can be applied to relationships both with colleagues in the council and externally with customers. It is about working 'with' people and empowering them to have a voice. Restorative practice has the potential to impact on every area of life, and ensures that communication is respectful, accessible and safe with a focus on restoring relationships, by promoting conversation and choice rather than apportioning blame.

The agenda set out above is extensive and challenging, particularly because need and demand continue to rise as resources reduce. 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. 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 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 Cabinet members; 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.

Adult Social Care

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

The Ministry of Housing, 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. While the Government made funding available in 2015-16 to meet the increased costs, this additional funding was below the level required (a national pot of £25m against an estimated requirement of £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 "back loaded", 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 for adult social care support grant for 2017-18, distributed according to relative need, as a short term measure. This was intended to compensate, in part, for the "back loading" of the "improved Better Care Fund".

In November 2018, the Chancellor announced as part of the Autumn Budget an additional £650m nationally for one year, related to Adults and Children's Social Care of £650m nationally, but announced for 2019/20 only. This will help to alleviate the existing and emerging financial pressures in those areas in the short term but unless confirmed into future years will not have any impact on future budget rounds. A Comprehensive Spending Review is planned for next year and this will set the overall envelope for the Public Sector, and alongside the Local Government Finance Settlement for 2020/21, may provide much more certainty for Council funding over the subsequent 4 year period.

For Portsmouth, this all means that over the past 8 years, costs have risen substantially. The combination of inflation plus unavoidable cost pressures in the city, particularly in Adults and Children's Social Care, have added an overall cost burden to the authority of £38m over the period. The cost of providing services continues to rise and at a level beyond the rate of inflation. In general, the cost of providing Adult Social Care Services is driven by the following:

- Pay and price inflation which will include the increasing cost of the National Living Wage (4.9%), general price increases and increases in interest rates
- Increases in demand for services, largely driven by social, economic and demographic pressures such as the living longer population
- The extent to which new responsibilities conferred on the City Council by Government are adequately funded.

The City Council faces a real conundrum in achieving the desire to provide outcome focused services that keep people independent and safe, whilst needing to ensure they are financially sustainable so that the wider portfolio of public services can still be delivered.

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 promoting their wellbeing and independence.

In Portsmouth, we are ambitious for what we want to achieve with our residents and communities. We are developing a Blueprint for Adult Social Care (ASC) in Portsmouth, which will set out how care will be shaped in the future so that it can provide the services people need to achieve the outcomes they want at a cost that is manageable.

For our domiciliary, residential and nursing care responsibilities, capacity continues to be tight, although there are sufficient residential home beds available in Portsmouth. A process has been completed to transfer the running of the Harry Sotnick House provision from Care UK to Hampshire County Council, which will bring additional capacity into the city.

The City Council's own residential units have presented significant challenges in 2017/18, with a number of critical CQC reports. A turnaround team for these units was established, with the aims of reviewing the City Council's residential homes and ensuring the Harry Sotnick House transfer is well managed. This work led to immediate improvements in quality, and the development of a Care Home Strategy approved by the Cabinet Member in November 2018, which set out a three year programme for change.

We are also looking at the reablement pathway at associated services in the city to ensure that these are effective and accessible services. This responds to findings that not enough service users are supported through effective reablement, and is a core plank of our ASC Blueprint.

In the field of Learning Disabilities, we continue to change our model of services, recommissioning provision that focused on the four Preparing for Adulthood outcomes:

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

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 reduced spending pressures. However, whilst there has been significant progress, we still need to establish equitable 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 that the volume of inappropriate referrals into the MASH needs to be reduced, as on triage, it is clear that some referrals are requesting an assessment under the Care Act, and not MASH.

Children's Services

In 2018, the City Council's services for children and families were inspected by Ofsted. The inspectors found Services for children in Portsmouth have improved since the last inspection (when the City Council was judged to "require improvement" and that, despite increasing demand, leaders have made good progress in establishing a resilient and sustainable service. Inspectors judged that the service that children and families receive is now good overall.

The key findings of the report were that:

- the senior leadership team... have an accurate and realistic understanding of the strengths and areas for development of the service [and] use this knowledge well to actively improve services.
- Effective planning has led to a more secure and stable workforce, and most workers have manageable caseloads.
- Strong political and corporate support for children's services ensures that children's needs are prioritised.
- Children receive reliably good support at the right level, resulting in positive outcomes for the majority.
- The participation of and direct work with children and families are key strengths. Social workers are supported to deliver meaningful intervention to sustain positive change and safe long-term outcomes for children.
- Children are at the heart of social work practice.

There were some areas identified for improvement, including:

- noting that some children are subject to pre-proceedings for too long;
- that child protection plans and care planning need to be clear about what needs to be achieved, by when, and what will happen in response; and
- that effectiveness needs to be improved in escalating risks or identifying when improvements are not being made.

The service has developed robust plans to respond to these findings and the local context. 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. As previously set out, we are also working hard to support our most vulnerable children and families, through the next phase of the Stronger Futures programme, with priorities around:

- Integrating services and support to provide excellent early help and reduce demand for high cost statutory services.
- Delivering excellent family-based practice to strengthen families and avoid the need for long-term alternative care.
- Providing excellent care for looked after children and care leavers to maximise their life chances and avoid high "failure cost" care.

The service has also seen a rapid improvement in performance around the national Troubled Families programme. The national results, published for the end of Quarter 3 (Dec 2018), showed that Portsmouth had been the fastest improving authority in the country. The authority has now identified all of the families it will be working with and has been able to evidence improvement with a very high proportion of these.

Nevertheless, the continued demand pressure on children's social care is a significant financial risk to the City Council. The proposals outlined are aimed at reducing this risk, but there is a significant overspend currently, and we are vulnerable to reductions in funding streams that are currently supporting work with vulnerable children and families, such as the Troubled Families programme, the Controlling Migration Fund (which is helping us develop practice with unaccompanied minors) and the public health grant.

Education in the city continues to be a high priority. There continues 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 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 of that targeting in Portsmouth.

However, a significant local challenge is 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.

We are also seeking to address the ongoing challenge of poor attendance in some of our schools, and have launched the "Miss School, Miss Out" campaign. Evidence shows that children who attend school regularly are more successful, not only in school, but in all areas of life. We are highlighting to parents and young people that missing school means not only missing out on lessons, but also clubs, friendships, careers support, trips and all the other opportunities that school has to offer. Last year 1 in 5 children in Portsmouth missed a week of school because of unauthorised absence, leaving gaps in their learning.

The national Strategic School Improvement Fund (SSIF) has funded a project in the city to improve the attainment of children and young people on "SEN support" in mainstream schools. Early evaluation suggests that this project should lead to improved outcomes, but this will be over a period of time. We are considering how the benefits of this work can be rolled out and sustained beyond the life of the project.

In 2018, we completed an important strategic review of provision for children with special education needs, designed to secure good outcomes for children and young people with levels of investment which are affordable within the new rules on school funding. The recommendations are coherent and appropriate and we are now working with partners including schools and health commissioners to implement the findings. One of these measures will be the development of a Special Free School, which the city has successfully bid for.

Public Health

The directorate has progressed some significant projects in the past year, focused on children and young people, the wider population and the environment.

Proposals were developed for the continuation of the delivery of the Healthy Child Programme in Portsmouth, to ensure that innovative and effective practice such as the ECHO programme (Enhanced Child Health-visiting Offer) can be preserved in the city. These proposals, approved in 2018, included the development of a section 75 partnership agreement with Solent NHS Trust.

The City Council was successful in securing £500,000 from Public Health England to provide support for children of alcohol dependent parents. This money will enable us to deliver a three year programme of tailored structured treatment in a Family Hub setting supporting 160 families annually (approximately 240 children). This additional provision will bolster family support already available in the city such as the Early Help and Prevention service who work with families who need extra support. It will also build capacity within maternity, schools and wider settings to identify and support families.

The programme will address money, employment, housing, crime and emotional needs to empower families to cope with the demands of daily life. In addition, a peer support group will be created to enable families to receive on-going support.

Children with alcohol dependent parents are more likely to miss school and through taking on caring responsibilities at home can miss other key parts of childhood like spending time with friends and developing hobbies. Portsmouth is a city where it is estimated that around 1,100 children live with alcohol-dependent parents, and was one of 9 areas to be awarded funding to identify and work with these vulnerable children.

As well as working to support better outcomes for children and families the directorate has also focused on other areas where outcomes in Portsmouth are significantly poorer than in other areas of the country. An audit of drug-related deaths has been completed, to identify causes and develop recommendations for improvement. There were 55 drug related deaths in Portsmouth 2014-2016, which is a significantly higher rate than the national average. The directorate is also delivering actions in the Suicide Prevention Plan, to tackle the causes of deaths by suicide in the city, where again the rate is higher than nationally.

The directorate also focuses on the environment, and an important priority is tackling the challenge of air quality in Portsmouth. Nitrogen dioxide (NO₂) monitoring indicates that levels in parts of the City exceed the National Air Quality Objective (NAQO) levels, with an annual mean (2016/17) of 49.16 µg/m³ to 43.09 µg/m³) against an annual target mean of 40 µg/m³. The city needs to address this as a matter of urgency and the directorate are supporting this work, as an important determinant of health outcomes.

Culture, Leisure and Regulatory Services

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 again, with further increases in participation from 2017. Libraries continue to fulfil successfully their key role in improving literacy and providing opportunities for creative writing in the city

The new D-Day museum formally opened, and has been a great success, with visitor numbers for the year expected to exceed the target of 300,000. Although the building project is completed, work continues on delivering the ambitious education and participation programme. The museum will be a focal point for Portsmouth as it takes a central role in the national commemorations of D-Day in June 2019.

Following a significant amount of research and benchmarking with other authorities, the seafront management team's commercial activity is starting to make a positive impact on supporting economic development and creating income through offering new concession sites out for business opportunities, encouraging start-ups and providing business opportunities through negotiations on current leases. The directorate is taking a creative approach to a number of heritage assets, building on the successful Hotwalls project, and is looking to find a partner for the Lumps Fort site.

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 offer, reflected in strong visitor numbers. Over the next year, further work will be done to progress the recommendations of the Indoor Facilities Strategy approved in 2017, to look at options for some of the aging facilities in Portsmouth.

Regulatory services have experienced another challenging year, with high demand for Environmental Health and Trading Standards services. Additional pressures in these areas have been significant, including the additional costs of increasing air quality sampling required to deliver monitoring information in line with DEFRA's requirements; and supporting preparations for future Brexit scenarios (including in relation to Port Health). These costs will place additional pressures upon the funding allocated to Regulatory Services to carry out their statutory obligations.

Another area of business that has been heavily engaged on the Brexit agenda is our Emergency Planning team. Emergency Planning Services are delivered as part of a shared service with Southampton, and in addition to meeting its work programme targets, embedding the shared service and building upon its successes to date is a major current focus. This includes supporting officers to develop into their new roles and remit and supporting the new Joint Emergency Preparedness, Resilience and Response Board. Preparations for reasonable Brexit scenarios dominated service activity throughout Q4 2018/19, and this is not yet resolved as an issue. This means that there is additional pressure when the service is required to respond to an incident. The teams have been involved in addressing adverse weather events, arrivals of refugees, fires and security incidents.

Housing, Neighbourhood and Building Services

The occupancy rate of local authority housing remains at just under 99% while rent arrears account for less than 2% of the Gross Annual Debt (GAD) owed. The number of repairs completed first time remains at around 83.5%, and given the wide range and complex nature of the repairs that are undertaken on these properties this is considered to be a realistic figure. These measures suggest that the day to day management of our housing estate is robust, although we continue to seek improvements and are carrying out an intervention in relation to void properties.

A significant issue for the city emerged in 2018, in the wake of the Grenfell House tragedy. Cladding was removed from Leamington House and Horatia House, and detailed surveys carried out to determine the safety of the blocks and suitable alternatives. These surveys highlighted problems with the original 1960s concrete construction of the blocks. As a result, additional safety measures were put in place and the City Council started the process of moving residents to new homes. This was unsettling and difficult for some, but the process was delivered sensitively, with regard given to the needs of the residents.

Further investigations showed that, because of the way the buildings were constructed in the 1960s from large concrete panels, the work needed to repair the blocks would be significant and very expensive. It is estimated that it would cost around £86 million to strengthen the two blocks. A report recommending future options for the buildings was submitted for consideration in February, and it was agreed to use the opportunity to redevelop the site to create more affordable and social housing. This will sit alongside our ongoing programme for further housing development.

The impact of the Homelessness Reduction Act and the increased duties is now becoming evident in performance data, with increases in homelessness approaches and the number of households joining the housing waiting list each quarter. The increase is not unexpected given the increased duties and should stabilise at the new levels. However, underlying issues related to the supply of housing and increasing need to use temporary accommodation continues to be a concern. The City Council is developing a new Homelessness Strategy, which will be adopted in 2019.

Supporting people who are sleeping rough continues to be a priority, and some successful measures have been introduced. The official annual count of rough sleepers showed 19 people sleeping on the city's streets in November 2018, compared to 42 in November 2017.

In 2018, the City Council secured £384,000 from the government, which has enabled funding of night shelters and more resources are going into outreach services to provide help on issues such as physical and mental health, drugs or alcohol. As well as the night shelters, the council funds a homeless day service which offers showers, laundry facilities, blankets, a clothing store and advice on housing, health and employment. The City Council has launched a rough sleeping strategy, which looks at all of the needs of a person, and looks to provide an "accommodation first, but not accommodation only" approach.

The performance of the waste management service continues to be good, and ongoing problems of high levels of rubbish and low recycling rates (24.8%) continue to be addressed through trials to provide wheelie bins to limit waste and improve recycling around the city. The roll out of wheelie bins was completed at the end of 2018, and there are positive early signs that trends are improving as a direct result of the roll out.

Regeneration

The Directorate has been working to ensure statutory duties are met and that work is focused on the key tasks that contribute to our corporate priorities and the regeneration of the city. Over 2018, adjustments have been made to some teams to enable delivery of important objectives such as improving air quality and the development of strategic sites.

Traffic and network management is of huge importance in any city, but especially in one as tightly constrained as Portsmouth. Good progress has been made in delivering the 2018/19 Local Transport Schemes with most in the delivery stage or complete. We have responded to the ministerial directive to produce an Air Quality Local Plan by collaborating across services and aligning resources to achieve the deadline.

Work continues to reach as many young people as possible to travel safely using active modes of transport, with projects such as Portsmouth Smart Steps and Bikeability being delivered widely across the city.

The directorate is progressing a new Economic Development and Regeneration Strategy to set out priorities for the organisation and partners. This will provide the framework in which services such as our own Enterprise Centres and the Employment, and the Learning and Skills service will be provided in future. However, both services are currently successful in their own right. The Enterprise centres have increased occupancy levels and continue to receive new enquiries. All three centres are being improved to remain up to date with the needs of businesses. The high speed broad band is being rolled out to all centres with high satisfaction rates from businesses. The Employment Learning and Skills (ELS) service are continuing to achieve good outcomes for local people. Construction training programmes are under development to enable construction workers to become site ready. A number of people have completed Level 2 and Level 3 apprenticeships in Business and Administration and Customer Service apprenticeships, with a steady flow of new Apprenticeships being initiated.

A very significant project for the Directorate is the preparation of the new Local Plan for the period until 2036. This will set out the planning strategy for meeting future development needs in the city for the period up to 2036. For example, it will identify the amount of housing that is needed and where it will be built. It will also protect various areas such as open space and conservation areas. The preparation of the new Local Plan will be accompanied by a Sustainability Appraisal to assess the extent to which the Plan will help to achieve relevant environmental, economic and social objectives, and a Habitats Regulations Assessment to determine any likely impacts of the Plan's policies and site allocations on internationally protected natural assets. Once adopted, the Local Plan will replace existing planning policy documents and form the basis for taking decisions on planning applications. The Local Plan sits alongside the National Planning Policy Framework, which sets out Central Government's planning policies, and with which the Local Plan should be consistent.

The plan will influence the delivery of a number of important projects for the directorate, including the development of the Tipner site, a masterplan for the city centre, and the delivery of the Southsea Coastal Defence Scheme.

Corporate Services

Portsmouth City Council delivers a huge number of services to residents, visitors and businesses in Portsmouth, and there are a range of corporate and professional services that support and enable these services.

Our city helpdesk performs well, achieving customer satisfaction levels in excess of 90%. We have also been successfully moving contact to digital channels, where it is appropriate to do so.

Collection of council tax and National Non Domestic rates (NNDR) continues to be strong, as does the collection of overpaid housing benefits, and claiming of subsidy.

The issue of information continues to be of great importance, and as an organisation we have carried out significant work to be able to implement 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.

A particular achievement in 2018/9 has been to receive a Gold award in the Defence Employers Recognition scheme in acknowledgment of our work in support of the Armed Forces Covenant. Portsmouth is the first unitary authority in the south east to receive this accolade. The Armed Forces Covenant is a promise from the nation that those who serve or have served in the British military, and their families, are not disadvantaged by their service. Portsmouth is one of 407 local authorities in Great Britain that have pledged to uphold the Armed Forces Covenant.

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 authority 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 capacity of those staff to deliver increasingly complex briefs is a key 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 2018/19 - Commentary

The City Council has applied a preparer's materiality limit of £7m in compiling the financial statements. The City Council has generally not 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 2019. 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.

Changes to Accounting Policies in 2018/19

Local authorities, including the City Council, have adopted a new accounting standard on financial assets and liabilities. This principally affects the disclosures in note 17, Financial Instruments.

Financial assets were previously 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 price and / or do not have fixed or determinable payments

Most financial assets previously classified as loans and receivables will be reclassified as Financial Assets Measured at Amortised Cost. The Council does hold a small number of structured notes where the fair value, or market value, is determined by stock market indices or carbon credit prices. These structured notes will be reclassified as fair value through profit and loss (FVPL). This means that changes in their market value will impact the revenue account and General Fund balances. The market value of these structured notes will equate to their face value at maturity, providing that the issuer does not default.

The Council has held its equity shares in Portico Shipping Services (formerly MMD) Hampshire Community Bnk, the UK Municipal Bonds Agency Plc, and Victory Energy Services as Available for Sale Assets. The default position under the new accounting standard is that these shares would be reclassified as fair value through profit and loss with changes in their market value impacting the revenue account and General Fund balances. However, under the Code of Practice for Local Authority Accounting the Council has irrevocably opted to reclassify these investments as measured at Fair Value through Other Comprehensive Income (FVOCI). These means that changes in the market value of these investments will not impact the revenue account or the General Fund balances until they are disposed of.

As part of the adoption of the new accounting standard the Available for Sale Reserve has been written out and replaced with a Financial Instrument Revaluation Reserve.

Financial assets previously measured as "Loans and Receivables" are now classified as "Financial Assets Measured at Amortised Cost". There is no change from the previous accounting treatment.

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 38.

2018/19	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	32,415	0	32,415	1,735	34,150
Culture Leisure and Sport	4,034	0	4,034	4,001	8,035
Education	3,419	0	3,419	12,540	15,959
Environment & Community Safety	13,639	0	13,639	2,123	15,762
Governance & Audit & Standards	328	0	328	62	390
Adult Social Care & Public Health	40,985	0	40,985	2,100	43,085
Housing	2,672	113	2,785	911	3,696
Leader	154	0	154	13	167
Licensing	(198)	0	(198)	48	(150)
Planning, Regeneration & Economic Development	(13,933)	11,901	(2,032)	3,280	1,248
Planning, Regeneration & Economic Development - Port Resources	(7,228)	210	(7,018)	3,590	(3,428)
Traffic & Transportation	14,138	0	14,138	4,875	19,013
	108,908	12,224	121,132	41,050	162,182
Non-portfolio - HRA	(1,600)	0	(1,600)	25,193	23,593
Non-portfolio - Other	34,555	0	34,555	(26,086)	8,469
Net Cost of Services	141,863	12,224	154,087	40,157	194,244
Other Income & Expenditure Not Charged to Services but is Chargeable to the General Fund/HRA:					
Other Operating Expenditure	(1,370)	0	(1,370)	1,828	458
Financing & Investment Income & Expenditure	21,887	(12,224)	9,663	9,290	18,953
Taxation & Non-specific Grant Income & Expenditure	(176,324)	0	(176,324)	(27,904)	(204,228)
	(155,807)	(12,224)	(168,031)	(16,786)	(184,817)
(Surplus)/Deficit on Provision of Services	(13,944)	0	(13,944)	23,371	9,427

The first column of the Expenditure and Funding Analysis above 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 £000	Actual Net Expenditure £000	Variance £000	Variance %
Children & Families	24,902	32,415	7,513	30.2
Culture, Leisure & Sport	4,102	4,034	(68)	(1.7)
Education #	4,294	3,419	(875)	(20.4)
Environment & Community Safety	14,400	13,639	(761)	(5.3)
Governance & Audit & Standards	281	328	47	16.7
Adult Social care & Public Health	39,218	40,985	1,767	4.5
Housing General Fund	2,615	2,672	57	2.2
Leader	155	154	(1)	(0.6)
Licensing	(240)	(198)	42	(17.5)
Planning, Regeneration & Economic Development	(13,185)	(13,933)	(748)	5.7
Planning, Regeneration & Economic Development - Port	(6,963)	(7,228)	(265)	3.8
Resources	19,270	18,483	(787)	(4.1)
Traffic & Transportation	14,138	14,138	0	0.0
	<u>102,987</u>	<u>108,908</u>	<u>5,921</u>	<u>5.7</u>

The actual net expenditure for the Education Portfolio includes net income of £1.0m incurred by the governing bodies of schools which is outside of the cash limit. After taking this into account is the Education Portfolio overspent by £0.1m.

Overall portfolios overspent the revised cash limit by £6.9m (excluding expenditure outside the cash limit incurred by the governing bodies of schools) prior to any appropriations to and from portfolio earmarked reserves. The most significant variances over 5% occurred in the Children & Families, Environment & Community Safety, and Planning Regeneration & Economic Development. These variances are explained below.

Children & Families - £7.5m or 30.2% overspent

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

Environment & Community Safety - 0.8m or 5.3% underspent

This underspend mainly relates to waste disposal. The waste disposal contract had a step change saving £0.2m which was not known when the budget was set. The sale of recyclable waste is open to market forces and the Council's contractor placed our materials well achieving incomes in excess of budget by £0.3m.

Planning, Regeneration and Economic Development (excluding the Port and the Local Enterprise Partnership) - £0.7m or 5.7% underspent

£0.2m of this underspend was due to a vacant position within the Economic Growth Team, and on business support activities during the year. In addition the Strategic Projects Team were able to recover more fee income than anticipated and less spend was incurred on feasibility studies.

£0.2m of the under spend was as a result of better than anticipated returns on sites such as Dunsbury Hill and phase 3 of Limberline Industrial Estate. £0.2m of the under spend was due to vacant posts and additional external fee income within the Property Service. There were also delays in planned maintenance activities resulting in a further underspend of £0.1m.

Non Portfolio Other

Other non-portfolio expenditure includes a number of items of which the most significant are expenditure of £5.7m on the annual shortfall contributions to the local government pension scheme, investment of £5.8m in Portico, provision for the repayment of debt of £4.2m and capital expenditure financed from revenue balances of £11.4m.

Some cash limited expenditure is within Financing and Investment rather than the Net Cost of Services as defined by the Accounting Code of Practice. In particular the Property, Regeneration and Economic Development Portfolio includes £8.7m of net income from investment properties and £3.4m 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 reduce net comprehensive income include depreciation and impairments of £55.1m, partly offset by capital grants and contributions of £27.9m and revaluation gains of £16.6m. In addition, the net comprehensive income is further reduced by £15.2m of pension adjustments. These are in respect of the real value of the pension liability increasing as employees become closer to retirement through 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 shown on page 41 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 £13.9m in 2018/19 (£28.0m in 2017/18). This is summarised in the table below.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Housing Revenue Account General Reserve	Total General Balances
	£m	£m	£m	£m	£m
Balance at 31 March 2017	(25.3)	(130.2)	(18.6)	(1.5)	(175.6)
(Increase) / Decrease in 2017/18	1.2	(23.1)	(6.5)	0.4	(28.0)
Balance at 31 March 2018	(24.1)	(153.3)	(25.1)	(1.1)	(203.6)
(Increase) / Decrease in 2018/19	(3.4)	(14.4)	3.5	0.4	(13.9)
Balance at 31 March 2019	(27.5)	(167.7)	(21.6)	(0.7)	(217.5)

Note: Brackets represent surpluses

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.

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 £27.5m (£24.1m in 2017/18)

The City Council's main General Fund Balance increased in the year by £3.4m, 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 2018	(3.5)	(20.6)	(24.1)
Contribution (to) / from Reserves	(1.0)	(2.4)	(3.4)
Balance carried forward as at 1st April 2019	(4.5)	(23.0)	(27.5)

Note: Brackets represent surpluses

The total surplus (or contribution to reserves) of the City Council amounted to £2.4m excluding school balances.

The City Council's Revised Budget for 2018/19 (excluding schools) estimated that the City Council would make a contribution to reserves of £2.4m. 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 £2.4m 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.

Housing Revenue Account General Reserve - Balance £21.6m (£25.1m in 2017/18)

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 £168.5m (£154.4m in 2017/18). The more significant earmarked reserves are described below.

Earmarked for Capital Purposes – Balance £36.2m (£38.7m in 2017/18)

This is a reserve that is maintained as a source of funding for the Capital Programme. The reserve decreased in the year by £2.5m as the amount of the reserve applied to finance capital expenditure exceeded contributions from General Fund Balances.. The balance on this reserve will be required to finance future capital expenditure.

Medium Term Resource Strategy Reserve – Balance £20.8m (£17.5m in 2018/19)

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. £3.3m was added to the reserve in 2018/19. The current balance of £20.8m is largely committed to funding schemes previously approved by the City Council or future anticipated redundancy costs.

Private Finance Initiative – Balance £7.9m (£9.7m in 2018/19)

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 £1.8m 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 £24.1m (£23.6m in 2017/18)

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 £0.5m in 2018/19 due to interest transferred into this reserve.

Highways Maintenance Reserve £9.0m (£7.9m in 2017/18)

This reserve is to fund the ongoing maintenance costs of improvements to the highways network. This reserve increased by £1.1m in 2018/19 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 £11.9m (£7.9m in 2018/19)

This reserve was 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 £7.7m (£9.5m in 2018/19)

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

Other Reserves

Major Repairs Reserve - Balance £11.0m (£1.8m in 2017/18)

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 £22.0m in 2018/19. £12.8m of this sum was applied to fund HRA capital expenditure leaving a balance of £11.0m.

Capital Receipts Reserve - Balance £15.8m (£13.4m in 2017/18)

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 increased by £2.4m in 2018/19 as the amount used to finance capital expenditure exceeded the amounts received as usable capital receipts.

Capital Grants Unapplied - Balance £54.9m (£53.2m in 2017/18)

This reserve holds grants that may only be applied to fund capital expenditure. This reserve increased by £1.7m in 2018/19 as the amount of capital grants received in the year exceeded the amount of capital grants applied to finance capital.

Capital Investment

Capital investment in 2018/19 amounted to £121.5m (£122.4m in 2017/18). The only major items of capital expenditure were the acquisition of commercial properties upon which £31.6m was expended (£12.6m in 2017/18) and major repairs to council dwellings upon which £14.9m was expended (£17.9m in 2017/18).

The City Council has £118.7m available to fund capital expenditure consisting of the General Fund Earmarked Reserve for Capital Purposes £36.2m, the HRA Capital Reserve £0.8m, the Major Repairs Reserve £11.0m, Capital Grants Unapplied £54.9m and the Capital Receipts Reserve £15.8m.

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

- Coastal flood defences £75.3m
- Local Enterprise Partnership £83.3m
- Major repairs to council dwellings £126.1m

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 £67.3m from £126.9m in 2017/18 to £194.2m in 2018/19. The majority of this increase was due to a deficit on the Housing Revenue Account (HRA) of £23.6m in 2018/19 compared to a surplus of £34.4m in 2017/18. The deficit was primarily caused by weakness in the housing market. In 2017/18 the HRA dwelling stock was revalued upwards by £8.2m, but in 2018/19 it was revalued downwards by £40.1m. Although changes in the value of the HRA dwelling stock affect the Council's net worth and are reflected in the CIES, they are reversed out of the revenue account in the Movement in Reserves Statement under regulations so that they do not impact on the HRA General Balances.

Other Operating Expenditure

Net other operating expenditure and income has decreased by £21.7m from net expenditure of £22.2m in 2017/18 to net expenditure of £0.5m in 2018/19. The vast majority of other operating expenditure in 2017/18 related to losses on the disposal of non-current assets of £21.3m. This is because 12 schools transferred to academy trusts in 2017/18. As the schools are transferred to academy trusts for no consideration there was a significant loss on disposal of non-current assets. Only 3 schools transferred to academy trusts in 2018/19.

Financing and Investment Income and Expenditure

Net expenditure on financing and investment activities has increased by £20.7m from net income of £1.7m in 2017/18 to a net expenditure of £19.0m in 2018/19. This consists of net interest charges of £31.7m (£29.3m in 2017/18), the surplus on trading undertakings and operations of £3.4m (£3.0m in 2017/18) and the surplus from investment properties of £9.3m (£27.9m in 2017/18).

The surplus from investment properties fell by £18.6m in 2018/19. This is mainly due to investment properties being revalued upwards by £18.5m in 2017/18 and downwards by £0.4m to 2018/19. Although changes in the value of investment properties affect the Council's net worth and are reflected in the CIES, they are reversed out of the revenue account in the Movement in Reserves Statement under regulations so that they do not impact on General Balances.

Other Comprehensive Income and Expenditure

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 improved by £0.9m from a net income of £42.4m in 2017/18 to a net income of £43.3m in 2018/19.

Revaluation Reserve

On the Balance Sheet, gains amounting to £16.6m arising from the revaluation of non-current assets were posted to the Revaluation Reserve in 2018/19 (£23.7m of revaluation gains were posted to the Revaluation Reserve in 2017/18). However, these gains would 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 2019 was £365.0m which is very significant when compared to the City Council's net worth of £873.6m. The estimated pension liability was £385.9m at 31 March 2018, but decreased by £20.9m in 2018/19 as gains to the pension fund assets exceeded the increase in the pension liabilities.

Other Long Term Liabilities

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

- Long Term Borrowing - £580.5m (£553.0m in 2017/18). Long term borrowing has increased because £36.5m of new borrowing was undertaken, but only £9.0m of maturing debt was repaid.
- Other Long Term Liabilities includes service concessions (including Private Finance Initiative schemes) and debt transferred from Hampshire County Council following local government reorganisation - £89.9m (£90.6m in 2017/18).

The City Council's total long term borrowings are therefore £670.4m (£643.6m in 2017/18). To put this into context, the City Council's long term assets are valued at £1,682.8m (£1,569.1m in 2017/18).

Long Term Assets

The value of the City Council's long term assets has increased slightly by £113.7m from, £1,569.1m at 31 March 2018 to £1,682.8m at 31 March 2019. The majority of this increase related to long term investments of cash which increased by £70.3m from £52.8m at 31 March 2018 to £123.1m at 31 March 2019 as the Council lengthened the duration of its investment portfolio to increase investment returns.

Short Term Debtors

The value of short term debtors has increased slightly by £0.2m from £54.6m at 31 March 2018 to £54.8m at 31 March 2019. Impairment allowances for bad debts increased by £2.1m.

Short Term Creditors

The value of short term creditors decreased by £22.8m from £77.7m at 31 March 2018 to £54.9m at 31 March 2019. The largest cause of this was because at 31 March 2018, the City Council owed the Government £11.8m of Non-Domestic Rates (NDR) taxpayer receipts. In 2018/19 the Council was in 100% retention NDR pool pilot arrangements so there were no NDR taxpayer receipts owed to the Government at 31 March 2019.

Net Worth

The City Council's overall net worth increased by £43.3m in 2018/19 from £830.3m at 31 March 2018 to £873.6m at 31 March 2019 due to the reasons set out in the Comprehensive Income and Expenditure Statement.

The Cash Flow Statement

In year the 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 £35.8m (£27.7m in 2017/18) from the Council's operating activities.

There was an outflow of cash of £48.5m from investing activities in 2018/19. In 2017/18 this was an outflow of £14.8m.

There was an inflow of cash of £17.1m from financing activities in 2018/19. In 2017/18 this was an outflow of £32.1m. The cash inflow from financing activities in 2018/19 was a result of borrowing £36.6m to finance future capital expenditure.

In 2018/19 there was an overall increase in the City Council's cash and cash equivalents of £4.4m from £22.2m as at 31 March 2018 to £26.6m as at 31 March 2019.

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 Business Rates from taxpayers and the distribution of council tax and business rates to local authorities.

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 2019 it was anticipated that there would be a £1.9m surplus on Council Tax and a £0.2m surplus on Business Rates, i.e. the fund would have a total surplus of £2.1m. The Budget for 2018/19 was prepared on this basis i.e. that there would be a withdrawal of this surplus of £2.1m during 2019/20.

Council Tax

There was an unplanned increase in the Collection Fund balance relating to Council Tax of £0.4m (i.e. the actual surplus of £2.3m less the budgeted surplus of £1.9m).

Council Tax

There was an unplanned increase in the Collection Fund balance relating to Council Tax of £0.4m (i.e. the actual surplus of £2.3m less the budgeted surplus of £1.9m).

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.

100% Business Rate Retention Pilot

The City Council became 100% Business Rate Pilot in 2018/19 in a pooled arrangement with the Isle of Wight and Southampton City Councils. The arrangement is one where both risks and rewards must be shared across all authorities. The scheme was intended to reduce volatility in the income from Business rates as well as maximise the incentive to grow the Business rate base.

The Councils in the pool retain 50% of Business Rate growth with the remaining 50% being pooled. The pool is then allocated as follows:

- 60% shared out on the basis of need (defined by the Government's current grant funding formula)
- 30% is allocated to a "Growth & Productivity Pot" to be re-invested across the three councils into schemes that generate growth and productivity
- 10% is retained in the pool and held back in the event of future reductions in business rates

In 2019/20 this arrangement will become a 75% Business Rate Retention Pilot following a change in Government policy. Under this arrangement Business Rates growth will be distributed as follows:

- 50% retained by Portsmouth City Council
- 25% pooled with the Isle of Wight and Southampton City Councils
- 25% to the Government

Business Rates

The unplanned increase in the balance relating to Business Rates was £1.5m (i.e. the actual surplus of £1.7m less the budgeted surplus of £0.2m). This is because the Council had over-provided for appeals and bad debts in previous years and was able to release £1.3m of these provisions back into the Collection Fund. This unplanned increase in the balance relating to Business Rates will be distributed under the pooling arrangement.

The Housing Revenue Account (HRA)

Overall the HRA made a deficit of £26.4m in 2018/19. This represents a major deterioration compared with 2017/18 (£29.4m surplus) of £55.8m.

The deficit was primarily caused by weakness in the housing market. In 2017/18 the HRA dwelling stock was revalued upwards by £8.2m, but in 2018/19 it was revalued downwards by £40.1m, ie. a deterioration of £48.3m.

In addition, income from dwelling rents has fallen by £3.6m from £65.4m in 2017/18 to £61.8m in 2018/19 as a consequence of a 1% rent reduction in line with Government guidance, right to buy sales and the decision to decant Horatia and Leamington Houses.

Whilst the HRA made a £26.4m deficit, 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 £26.4m deficit to £3.5m. This £3.5m decrease in HRA General Balances represents the excess of expenditure over income in 2018/19.

The £3.5m deficit on the HRA after statutory adjustments compares to a revised estimate for a deficit of £0.2m. Therefore the HRA overspent by £3.3m in 2017/18. The majority of this overspend was due to depreciation on Council dwellings being £2.1m higher than the revised budget.

Conclusion

In 2018/19 the City Council has experienced an increase in general reserves (excluding schools) of £2.4m and this represents the extent to which the City Council's in year income has exceeded its in year expenditure. This is in line with the budgeted contribution to reserves of £2.4m.

The surplus on the Collection Fund in respect of Council Tax of £2.3m is £0.4m more than the anticipated surplus of £1.9m reflected within the Budget. The Collection Fund also made an unplanned surplus in respect of Business Rates of £1.5m although it is not currently known how much of this will accrue to Portsmouth under the pooling arrangement. As the Council's actual surplus was in line with its revised budget and the Collection Fund made a larger surplus than the revised budget, this represents an overall improvement in the City Council's overall medium term financial position 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.

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 2019.

Signed

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

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.

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	-	27,173	1,360	28,533
Culture Leisure and Sport	3,899	-	3,899	2,270	6,169
Education	7,687	-	7,687	18,613	26,300
Environment & Community Safety	13,465	-	13,465	2,415	15,880
Governance & Audit & Standards	127	-	127	(1)	126
Adult Social Care & Public Health	41,652	-	41,652	2,210	43,862
Housing	2,652	-	2,652	141	2,793
Leader	125	-	125	50	175
Licensing	(201)	-	(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	-	17,562	4,449	22,011
	10,896	-	10,896	4,448	15,344
	105,082	12,433	117,515	41,354	158,869
Non-portfolio - HRA	(12,150)	-	(12,150)	(22,232)	(34,382)
Non-portfolio - Other	20,006	-	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	-	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)	-	(161,300)	(25,414)	(186,714)
	(140,988)	(12,433)	(153,421)	(12,744)	(166,165)
(Surplus)/Deficit on Provision of Services	(28,050)	-	(28,050)	(11,183)	(39,233)

Note - The other movements column includes investment property and trading income reported internally in Portfolios, which is required by the Code to be included in Other Income & Expenditure.

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)

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

2018/19	Net Expenditure chargeable to the General Fund and HRA £000	Other Movements £000	Adjusted Net Expenditure chargeable to the General Fund and HRA £000	Adjustments between Accounting & Funding Basis (Note 7) £000	Net (Income) or Expenditure in the Comprehensive Income & Expenditure Statement £000
Portfolios:					
Children & Families	32,415	-	32,415	1,735	34,150
Culture Leisure and Sport	4,034	-	4,034	4,001	8,035
Education	3,419	-	3,419	12,540	15,959
Environment & Community Safety	13,639	-	13,639	2,123	15,762
Governance & Audit & Standards	328	-	328	62	390
Adult Social Care & Public Health	40,985	-	40,985	2,100	43,085
Housing	2,672	113	2,785	911	3,696
Leader	154	-	154	13	167
Licensing	(198)	-	(198)	48	(150)
Planning, Regeneration & Economic Development	(13,933)	11,901	(2,032)	3,280	1,248
Planning, Regeneration & Economic Development - Port Resources	(7,228)	210	(7,018)	3,590	(3,428)
Resources	18,483	-	18,483	5,772	24,255
Traffic & Transportation	14,138	-	14,138	4,875	19,013
	108,908	12,224	121,132	41,050	162,182
Non-portfolio - HRA	(1,600)	-	(1,600)	25,193	23,593
Non-portfolio - Other	34,555	-	34,555	(26,086)	8,469
Net Cost of Services	141,863	12,224	154,087	40,157	194,244
Other Income & Expenditure Not Charged to Services but is Chargeable to the General Fund/HRA:					
Other Operating Expenditure	(1,370)	-	(1,370)	1,828	458
Financing & Investment Income & Expenditure	21,887	(12,224)	9,663	9,290	18,953
Taxation & Non-specific Grant Income & Expenditure	(176,324)	-	(176,324)	(27,904)	(204,228)
	(155,807)	(12,224)	(168,031)	(16,786)	(184,817)
(Surplus)/Deficit on Provision of Services	(13,944)	-	(13,944)	23,371	9,427

Note - The other movements column includes investment property and trading income reported internally in Portfolios, which is required by the Code to be included in Other Income & Expenditure.

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

2018/19	General Fund and Earmarked Reserves £000	HRA Reserves £000	Total £000
Opening balances at 1st April	(177,397)	(26,234)	(203,631)
Plus net surplus on in year balance	(17,838)	3,894	(13,944)
Closing balances at 31st March	(195,235)	(22,340)	(217,575)

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 9. 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
Balance at 31 March 2017 brought 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)	-	-	-	-	(39,233)	-	(39,233)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	(3,136)	(3,136)
Total Comprehensive Expenditure and Income	(9,812)	-	(29,421)	-	-	-	-	(39,233)	(3,136)	(42,369)
Adjustments between accounting basis & funding basis under regulations (see note 9)	(12,084)	-	23,262	-	(1,840)	419	932	10,689	(10,689)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(21,896)	-	(6,159)	-	(1,840)	419	932	(28,544)	(13,825)	(42,369)
Transfers (to) / from Earmarked Reserves (See Note 10)	23,069	(23,069)	(351)	351	-	-	-	-	-	-
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)
Movement in reserves during 2018/19										
Deficit or (Surplus) on the provision of services	(16,968)	-	26,395	-	-	-	-	9,427	-	9,427
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	(52,748)	(52,748)
Total Comprehensive Expenditure and Income	(16,968)	-	26,395	-	-	-	-	9,427	(52,748)	(43,321)
Adjustments between accounting basis & funding basis under regulations (see note 9)	(870)	-	(22,501)	-	(9,170)	(2,387)	(1,741)	(36,668)	36,668	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(17,838)	-	3,894	-	(9,170)	(2,387)	(1,741)	(27,241)	(16,080)	(43,321)
Transfers (to) / from Earmarked Reserves (See Note 10)	14,387	(14,387)	(356)	356	-	-	-	-	-	-
Increase / Decrease in Year	(3,452)	(14,387)	3,539	356	(9,170)	(2,387)	(1,741)	(27,241)	(16,080)	(43,321)
Balance at 31 March 2019 carried forward	(27,537)	(167,699)	(21,580)	(763)	(11,010)	(15,808)	(54,898)	(299,294)	(574,277)	(873,571)

Note A

£4.5m of the General Fund Balance at 31st March 2019 (£3.5m at 31st March 2018) 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 2019 includes £14.8m (£11.3m at 31 March 2018) 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.

2017/18			2018/19				
Gross Expenditure	Gross Income	Net Expenditure	Notes	Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000		£000	£000	£000	
32,329	(3,796)	28,533	Children & Families	38,941	(4,791)	34,150	
9,656	(3,487)	6,169	Culture Leisure and Sport	11,719	(3,684)	8,035	
117,992	(91,692)	26,300	Education	104,784	(88,825)	15,959	
17,767	(1,886)	15,881	Environment & Community Safety	17,768	(2,006)	15,762	
739	(613)	126	Governance & Audit & Standards	1,007	(617)	390	
89,256	(45,394)	43,862	Health, Wellbeing & Social Care	94,844	(51,759)	43,085	
6,650	(3,857)	2,793	Housing	9,928	(6,232)	3,696	
203	(28)	175	Leader	192	(26)	166	
721	(875)	(154)	Licensing	706	(857)	(151)	
8,135	(5,188)	2,947	Planning, Regeneration & Economic Development	6,546	(5,298)	1,248	
11,223	(16,340)	(5,117)	Planning, Regeneration & Economic Development - Port	12,945	(16,372)	(3,427)	
134,884	(112,874)	22,010	Resources	135,890	(111,635)	24,255	
27,390	(12,046)	15,344	Traffic & Transportation	30,950	(11,936)	19,014	
456,945	(298,076)	158,869		466,220	(304,038)	162,182	
49,045	(83,427)	(34,382)	Non-portfolio - HRA	104,083	(80,490)	23,593	
14,421	(11,976)	2,445	Non-portfolio - Other	14,968	(6,499)	8,469	
520,411	(393,479)	126,932	Cost of Services	585,271	(391,027)	194,244	
24,704	(2,464)	22,240	Other Operating Expenditure	11a	3,457	(2,999)	458
37,503	(39,194)	(1,691)	Financing & Investment Income & Expenditure	11b	42,414	(23,480)	18,954
0	(186,714)	(186,714)	Taxation & Non-specific Grant Income & Expenditure	11c	-	(204,229)	(204,229)
582,618	(621,851)	(39,233)	(Surplus)/Deficit on Provision of Services	631,142	(621,715)	9,427	
<i>Items that will not be reclassified to the (Surplus)/Deficit on Provision of Services</i>							
		(23,697)	(Surplus)/Deficit on Revaluation of PPE Assets			(16,649)	
		20,572	Remeasurement of Net Defined Benefit Liability			(36,099)	
<i>Items that may be reclassified to the (Surplus)/Deficit on Provision of Services</i>							
		(15)	(Surplus)/Deficit on Revaluation of Available for Sale Assets			-	
		(3,140)	Other Comprehensive Income and Expenditure			(52,748)	
		(42,373)	Total Comprehensive Income and Expenditure			(43,321)	

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 2018/19 (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 2018 £000	Notes	31 March 2019 £000
1,249,098 Property, Plant & Equipment	12	1,274,112
74,332 Heritage Assets	15	74,959
163,132 Investment Property	16	182,167
1,480 Intangible Assets		1,066
52,835 Long Term Investments		123,107
28,248 Long Term Debtors	19	27,388
1,569,125 Long Term Assets		1,682,799
347,361 Short Term Investments		275,113
298 Inventories		394
54,579 Short Term Debtors	20	54,752
22,233 Cash & Cash Equivalents	21	26,620
424,471 Current Assets		356,879
(12,116) Short Term Borrowing		(13,125)
(77,665) Short Term Creditors	22	(54,907)
(3,159) Other Short Term Liabilities		(3,643)
(30,217) Capital Grant Receipts in Advance	33	(39,954)
(3,116) Provisions	23	(5,206)
(126,273) Current Liabilities		(116,835)
(90,603) Other Long Term Liabilities	24	(89,901)
(5,630) Provisions	23	(12,536)
(552,978) Long Term Borrowing		(580,525)
(385,896) Pension Liability	39	(364,956)
(1,966) Capital Grant Receipts in Advance	33	(1,354)
(1,037,073) Long Term Liabilities		(1,049,273)
830,250 Net Assets		873,571
(272,053) Usable Reserves		(299,294)
(558,197) Unusable Reserves	25	(574,277)
(830,250)		(873,571)

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.

2017/18 £000	Notes	2018/19 £000
39,233 Net surplus or (deficit) on the provision of services		(9,427)
Adjustment to surplus or deficit on the provision of services for noncash 34,727 movements	26a	91,031
Adjust for items included in the net surplus or deficit on the provision of (46,255) services that are investing and financing activities	26a	(45,844)
<u>27,705</u> Net Cash flows from operating activities		<u>35,760</u>
(14,836) Net Cash flows from Investing Activities	26b	(48,471)
(32,071) Net Cash flows from Financing Activities	26b	17,098
(19,202) Net increase or decrease in cash and cash equivalents		<u>4,387</u>
41,435 Cash and cash equivalents at the beginning of the reporting period		22,233
<u>22,233</u> Cash and cash equivalents at the end of the reporting period	21	<u>26,620</u>

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 2018/19 financial year and its financial position at 31 March 2019.

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

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

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

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

Property, plant and equipment are used for service provision.

Infrastructure assets (e.g. 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 borrowing[[]].

Impairment

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

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

Depreciation

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

Depreciation 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 how a grant must be used and require repayment of the grant if the conditions are not met.

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

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

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, the Local Government Pension Scheme administered by Hampshire County Council or the Pilots National Pension Scheme administered by Capita.

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

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

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

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

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

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

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

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

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

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

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 2018/19 Code of Practice on Local Authority Accounting:

- Amendments to IAS 40 Investment Property: Transfer of Investment Property
- Annual Improvements to IFRS 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

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 2019 was £122.5m (£115.8m at 31 March 2018). 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 £8.6m as at 31 March 2019 (£9.3m 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 £365m. 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 £14.2m, of which £3.5m (25%) was beyond 60 days past its due date.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.3m to set aside as an allowance for sundry debtors alone.</p>
Non Domestic Rates	<p>The City Council is in a business rate pool with the Isle of Wight and Southampton City Councils which retains 100% of the non-domestic rates collected. 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 £13.4m in 2018/19.</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 £26.2m in 2018/19 for highways maintenance and £5.8m waste disposal. These arrangements gave rise to estimated liabilities at 31 March 2019 of £45.1m for highways maintenance and £6.2m 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 £16.4m.

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director of Finance & Information Technology (Section 151 Officer) on 31 May 2019. 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 2019, 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				
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	-	1,284	76	1,360
Culture Leisure and 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)

Adjustments from GF/HRA to arrive at CIES amounts				
2018/19	Adjustments for Capital Purposes (1)	Net Changes for Pension Adjustments (2)	Other Differences (3)	Total Adjustments
	£000	£000	£000	£000
Portfolios:				
Children & Families	292	1,521	(78)	1,735
Culture Leisure and Sport	3,550	457	(6)	4,001
Education	9,960	2,969	(389)	12,540
Environment & Community Safety	1,845	294	(16)	2,123
Governance & Audit & Standards	10	56	(4)	62
Adult Social Care & Public Health	361	1,852	(113)	2,100
Housing	753	178	(20)	911
Leader	6	8	(1)	13
Licensing	4	45	(1)	48
Planning, Regeneration & Economic Development	2,873	420	(13)	3,280
Planning, Regeneration & Economic Development - Port Resources	3,211	400	(21)	3,590
Traffic & Transportation	3,319	2,553	(100)	5,772
	4,380	509	(14)	4,875
	30,564	11,262	(776)	41,050
Non-portfolio - HRA	24,682	857	(346)	25,193
Non-portfolio - Other	(16,244)	(6,722)	(3,120)	(26,086)
Net Cost of Services	39,002	5,397	(4,242)	40,157
Other Income & Expenditure from the Funding Analysis	(28,360)	9,762	1,812	(16,786)
Difference between GF/HRA (surplus)/deficit and CIES (surplus)/deficit	10,642	15,159	(2,430)	23,371

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:

2017/18		2018/19
Income from Services £000		Income from Services £000
	Portfolios:	
(636)	Children and Families	(729)
(6,667)	Education	(6,437)
(3,179)	Culture Leisure & Sport	(3,425)
(1,613)	Environment & Community Safety	(1,464)
(613)	Governance & Audit & Standards	(617)
(22,723)	Health, Wellbeing & Social Care	(27,096)
(1,513)	Housing	(2,059)
(28)	Leader	(21)
(875)	Licensing	(857)
(19,247)	Planning, Regeneration & Economic Development	(20,555)
(16,538)	Planning, Regeneration & Economic Development - Port	(16,581)
(13,011)	Resources	(13,714)
(12,001)	Traffic & Transportation	(11,506)
<u>(98,644)</u>		<u>(105,061)</u>
(83,426)	Housing Revenue Account	(80,489)
(32)	Other	(135)
<u>(182,102)</u>		<u>(185,685)</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:

	2017/18 £000	2018/19 £000
<u>Expenditure</u>		
Employee benefits expenses	186,801	192,755
Other services expenses	340,499	333,936
Depreciation, amortisation, impairment, revaluations	2,206	68,652
Interest payments	25,677	28,154
Precepts and levies	78	41
Payments to Housing Capital Receipts Pool	927	927
Loss on the disposal of assets	23,579	2,181
Investment property expenditure and decreases in fair value	757	1,878
Trading expenses	2,094	2,618
Total expenditure	<u>582,618</u>	<u>631,142</u>
<u>Income</u>		
Fees, charges and other service income	(164,911)	(169,063)
Surplus on associates and joint ventures	(145)	(150)
Interest and investment income	(5,375)	(6,180)
Income from council tax and non-domestic rates	(120,802)	(159,360)
Government grants and contributions	(294,480)	(267,519)
Gain on disposal of assets	(2,319)	(2,164)
Investment property income and increases in fair value	(28,693)	(11,222)
Trading income	(5,126)	(6,057)
Total Income	<u>(621,851)</u>	<u>(621,715)</u>
Surplus or Deficit on the Provision of Services	<u>(39,233)</u>	<u>9,427</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 2017/18 totalled £24.8m and decreased to £22.6m in 2018/19 as a result of decreases 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.

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)	-	(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	-	(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)			(2,494)	
Total Adjustments to Capital Resources	(94)	-	17,608	4,957	38,835
Total Adjustments	(12,084)	23,262	(1,840)	419	931

2018/19	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement (CIES) are different from the revenue for the year calculated in accordance with statutory requirements:					
- Pensions costs (transferred to (or from) the Pensions Reserve)	(12,619)	(2,540)			
- 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)	(32,273)	(27,969)	(22,002)		(10,439)
- Other Adjustments to Revenue Resources	3,110	345			
Total Adjustment to Revenue Resources	(41,782)	(30,164)	(22,002)	-	(10,439)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	598	5,107		(5,705)	
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	25,694	2,210			(27,900)
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	4,219			512	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	11,428	346			
Total Adjustments between Revenue and Capital Resources	41,012	7,663	-	(4,266)	(27,900)
Adjustments to Capital Resources					
Use of Major Repairs Reserve to finance capital expenditure			12,832		
Application of capital receipts to finance capital expenditure				4,021	
Application of capital grants to finance capital expenditure					36,598
Application of City Deal Grant to finance capital expenditure					
Other adjustments to capital resources	(100)			(2,142)	
Total Adjustments to Capital Resources	(100)	-	12,832	1,879	36,598
Total Adjustments	(870)	(22,501)	(9,170)	(2,387)	(1,741)

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 2018/19. 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 2017 £000	Transfers (to) / from 2016/17 £000	Balance at 31 March 2018 £000	Transfers (to) / from 2017/18 £000	Balance at 31 March 2018 £000
General Fund					
Earmarked for Capital Purposes	(35,052)	(3,717)	(38,769)	2,538	(36,231)
Medium Term Resource Strategy Reserve	(16,150)	(1,362)	(17,512)	(3,285)	(20,797)
Private Finance Initiative Reserve	(10,674)	1,005	(9,669)	1,786	(7,883)
City Deal Reserves	(23,255)	(370)	(23,625)	(512)	(24,137)
Highways Maintenance Reserve	(5,995)	(1,931)	(7,926)	(1,100)	(9,026)
Investment Reserve	-	(7,891)	(7,891)	(3,990)	(11,881)
Portfolio Reserves	(7,990)	(1,496)	(9,486)	1,750	(7,736)
Other	(31,127)	(7,307)	(38,434)	(11,575)	(50,009)
	(130,243)	(23,069)	(153,312)	(14,387)	(167,699)
Housing Revenue Account Capital Reserve	(1,470)	351	(1,119)	356	(763)
Total	(131,713)	(22,718)	(154,431)	(14,031)	(168,462)

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 2018/19 and previous years to be carried forward into 2019/20.

11. Notes to the Comprehensive Income & Expenditure Statement

(a) Other Operating Expenditure

2017/18 £000		2018/19 £000
21,261	(Gain)/Loss on the disposal of Non-Current Assets	17
979	Miscellaneous Operating Income and Expenditure	441
22,240		458

(b) Financing & Investment Income and Expenditure

2017/18 £000			2018/19 £000
25,677	Interest payable and similar charges		25,402
(5,375)	Interest & investment income		(3,427)
8,975	Net interest on defined benefit (asset)/liability	39	9,762
(3,033)	(Surplus)/deficit on trading undertakings & other operations		(3,439)
(27,935)	Income, expenditure and changes in the fair value of investment properties	16	(9,344)
(1,691)			18,954

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

2017/18 £000			2018/19 £000
(71,507)	Income from council tax	33	(76,374)
(40,498)	Non Ring Fenced government grants	33	(16,964)
(25,414)	Capital grants & contributions	33	(27,904)
(49,295)	Retained non-domestic rates	33	(82,987)
(186,714)			(204,229)

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

Movements on Balances: Comparative Movements in 2017/18

	PPE							Asset Categories £000	Combined Total £000
	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Land & Buildings - Surplus £000	Under Construction £000		
Cost or Valuation									
At 1st April 2017	633,338	321,719	50,104	219,690	2,416	7,085	99,262	1,334,214	216,908
Opening adjustment	-	-	-	-	-	-	-	-	475
Revised as at 1st April 201	633,338	321,719	50,104	219,690	2,416	7,085	99,262	1,334,214	217,383
Additions	1,723	-	10,133	-	-	-	91,751	103,607	-
Revaluation increases(decreases) to CES and/or Revaluation Reserve	8,154	(5,489)	(817)	-	-	(5,002)	-	(3,154)	28,723
Disposals	(3,630)	(27,406)	-	-	-	-	-	(31,036)	(492)
Reclassifications from Assets Under Construction	31,653	35,326	3,309	24,716	-	-	(95,686)	(1,282)	1,282
Reclassifications between cate	-	(2,495)	1,678	1,653	-	-	-	836	(836)
At 31st March 2018	671,838	321,655	64,407	245,459	2,416	2,083	95,327	1,403,185	246,060
Depreciation and									
At 1st April 2017	(40,381)	(39,407)	(27,407)	(43,155)	387	(291)	-	(150,254)	(6,212)
Opening adjustment	-	-	-	-	-	-	-	-	(475)
Revised as at 1st April 201	(40,381)	(39,407)	(27,407)	(43,155)	387	(291)	-	(150,254)	(6,687)
Depreciation Charge in Year	(19,448)	(9,421)	(4,460)	(5,368)	(7)	(17)	-	(38,721)	(681)
Depreciation written out on revaluation	19,329	10,335	220	-	-	1	-	29,885	-
Impairment losses(reversals) to CES and/or Revaluation Reserve	-	-	-	-	-	-	-	-	-
Disposals	119	3,826	-	-	-	-	-	3,945	494
Reclassifications from Assets Under Construction	-	-	-	-	-	-	-	-	-
Reclassifications between cate	-	961	(74)	(6)	-	-	-	241	(241)
Adjustments*	816	-	-	-	-	-	-	816	-
At 31st March 2018	(39,565)	(33,706)	(32,361)	(48,529)	380	(307)	-	(154,088)	(7,115)
Net Book Value									
At 1st April 2017	593,557	282,312	22,697	176,535	2,803	6,794	99,262	1,183,960	210,696
At 31st March 2018	632,273	287,949	32,046	196,930	2,796	1,776	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

Movements in 2018/19

	PPE							Other Asset Categories	Combined Total
	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Other Land & Buildings -	Assets Under Construction		
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1st April 2018	671,838	321,655	64,407	245,459	2,416	2,083	95,327	246,060	1,649,245
Opening adjustment #	(39,565)	(20,660)	1,441	(1,908)	424	(231)	-	(4,728)	(65,287)
Revised as at 1st April 201	632,273	300,995	65,848	243,551	2,840	1,792	95,327	241,332	1,583,958
Additions	938	1,071	476	-	-	-	76,308	29,194	108,047
Revaluations, increases(decreases) to SDPS and/or Revaluation Reserve	(40,116)	(7,380)	(7)	(4,624)	34	(121)	-	(260)	(52,474)
Disposals	(3,049)	(2,401)	-	-	-	-	-	-	(5,450)
Reclassifications from Assets Under Construction	36,795	18,765	3,130	29,678	-	-	(89,236)	868	-
Reclassifications between categories	-	9,566	-	67	141	-	-	(9,774)	-
At 31st March 2019	626,901	320,616	69,447	268,672	3,015	1,671	82,399	261,360	1,634,081
Accumulated Depreciation and									
At 1st April 2018	(39,565)	(33,706)	(32,361)	(48,529)	380	(307)	-	(7,115)	(161,203)
Opening adjustment #	39,565	20,660	(1,441)	1,908	(424)	281	-	4,728	65,287
Revised as at 1st April 201	-	(13,046)	(33,802)	(46,621)	(44)	(16)	-	(2,387)	(95,916)
Depreciation Charge in Year	(21,925)	(10,068)	(3,770)	(5,659)	(8)	(17)	-	(809)	(42,316)
Depreciation written out on revaluation	21,619	10,457	-	3,750	41	33	-	29	36,129
Impairment losses(reversals) to SDPS and/or Revaluation Reserve	-	-	-	-	-	-	-	-	-
Disposals	106	220	-	-	-	-	-	-	326
Reclassifications from Assets Under Construction	-	-	-	-	-	-	-	-	-
Reclassifications between categories	-	7	-	(7)	-	-	-	-	-
At 31st March 2019	-	(12,450)	(37,572)	(48,577)	(11)	-	-	(3,167)	(101,777)
Net Book Value									
At 1st April 2018	632,273	287,949	32,046	196,930	2,796	1,776	95,327	238,945	1,488,042
At 31st March 2019	626,901	308,166	31,875	220,095	3,004	1,671	82,399	258,193	1,532,304

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

The opening adjustments to Gross Book Value and to Accumulated Depreciation & Impairment are to bring the figures in the note in line with the Fixed Asset Register, so that accumulated revaluations to income & expenditure are correctly reflected against gross book value.

Tangible non-current assets have been valued as follows:

A)	Council dwellings	Existing use value – social housing reflecting the guidance issued by MHCLG
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 2019.

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 2018/19 £17.8m of revaluations down were charged to the Surplus/Deficit on the Provision of Services (in 2017/18 £28.3m was reversed against previous revaluations down).

At 31 March 2019, Stamshaw Infant School with a net book value of £1.147m had applied to become an Academy in early 2019/20.

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

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Investment Property	Held for Sale	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2018/19	626,901	140,958	-	-	-	1,671	182,167	-	-	951,697
2017/18	-	97,017	-	-	-	-	-	-	-	97,017
2016/17	-	52,167	-	-	-	-	-	-	-	52,167
2015/16	-	15,202	-	-	-	-	-	-	-	15,202
2014/15	-	2,822	-	-	-	-	-	-	-	2,822
Valued at Historic Cost	-	-	31,875	220,095	3,004	-	-	-	82,399	337,373
	626,901	308,166	31,875	220,095	3,004	1,671	182,167	0	82,399	1,456,278

Depreciation

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

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

a) Council Dwellings

Based on useful lives calculated on a componentised basis.

b) Buildings

Fifty years unless assessed by the valuer for a greater or lesser period.

c) Vehicles, Plant & Machinery

Generally ten years; although less for some assets depending on the 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	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Later £000
Children's Social Care	135	37	37	37	37	-
Culture, Leisure & Sport	3,841	3,040	-	-	-	-
Education	14,250	13,552	2,880	272	-	-
Environment & Community Safety	19,259	18,470	19,693	16,125	12,042	17,090
Health & Social Care (Adults Services)	2,667	5,658	2,820	210	-	-
Planning, Regeneration & Economic Development	108,796	57,810	-	-	-	122
Commercial Port	10,351	10,200	2,000	2,000	-	-
Resources	21,481	11,903	-	-	-	-
Traffic & Transportation	11,509	2,686	1,965	4,008	5,935	19,932
Housing Portfolio (HIP)	33,428	33,214	28,349	30,094	32,159	32,129
Total Capital Programme	225,717	156,570	57,744	52,746	50,173	69,273

b) Contractual Commitments

The City Council was legally committed to the following significant capital contracts at 31 March 2019:

Capital Contracts	£000
Portsmouth Academy - Construction & Refurbishments of School Buildings	4,198
Hampshire Community Bank	2,500

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

15. Heritage Assets

	Heritage Assets 2017-18 £000	Heritage Assets 2018-19 £000
Cost or Valuation as at 1st April	64,240	75,322
Additions / Donations	-	-
Revaluation increases/(decreases) to CIES and/or Revaluation Reserve	11,081	164
Disposals	-	(103)
Reclassifications	1	437
At 31st March	<u>75,322</u>	<u>75,820</u>
Depreciation and Impairment as at 1st April	(984)	(990)
Depreciation Charge in Year:	(6)	(3)
Depreciation written out on revaluation:	-	29
Impairment losses/(reversals) to CIES and/or Revaluation Reserve	-	-
Disposals	-	103
Reclassifications	-	-
At 31st March	<u>(990)</u>	<u>(861)</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 1st April	<u>63,256</u>	<u>74,332</u>
Net Book Value		
Museum Collections	15,434	15,434
Historic Buildings	40,802	41,429
Archives	11,843	11,843
Others	6,253	6,253
At 31st March	<u>74,332</u>	<u>74,959</u>

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

Investment Properties	2017/18	2018/19
	£000	£000
Gross Income from Investment Property	(10,285)	(10,825)
Gross Expenditure relating to Investment Property	843	1,097
Net Income from Investment Property	<u>(9,442)</u>	<u>(9,728)</u>

Note - This disclosure note has restated the previous year so that it is shown gross.

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.

	2017/18	2018/19
	£000	£000
Cost or Valuation		
Balance at 01/04/2018	146,022	163,848
Opening Adjustments	-	(716)
Revised Balance at 01/04/2018	146,022	163,132
Additions - Purchases	-	29,194
Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve	18,495	(385)
Disposals	-	-
Reclassifications from Investment Property Assets under Construction	167	-
Reclassifications from/(to) other asset categories	(836)	(9,774)
Balance at 31/03/2019	163,848	182,167
Depreciation and Impairment		
Balance at 01/04/2018	(475)	(716)
Opening Adjustments	-	716
Revised Balance at 01/04/2018	(475)	-
Depreciation Charge in Year	-	-
Depreciation written out on revaluation	-	-
Impairment losses/(reversals) to SDPS and/or Revaluation Reserve	-	-
Disposals	-	-
Reclassifications	(241)	-
Balance at 31/03/2019	(716)	-
Net Book Value at start of year	145,547	163,132
Net Book Value at end of year	163,132	182,167

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 2019 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2019 £000
Commercial Properties	-	173,882	-	173,882
Other Investment Properties	-	8,285	-	8,285
Total	-	182,167	-	182,167

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 three Investment Properties purchased during 2018/19 at a cost of £29m.

Changes in Valuation Techniques

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

17. Financial Instruments

a) Financial Instrument Balances

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

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

	Long-Term		Current		Total
	31 March	31 March	31 March	31 March	31 March
	2018	2019	2018	2019	2019
	£000	£000	£000	£000	£000
Financial Assets					
Amortised Cost - Investments	40,251	90,080	348,018	275,113	365,193
Amortised Cost - Debtors	28,248	27,388	52,842	42,502	69,890
Amortised Cost - Cash Equivalents			21,280	25,693	25,693
Total financial assets carried at amortised cost	68,499	117,468	422,140	343,309	460,776
Fair value through profit and loss - Investments	4,938	25,221			25,221
Fair value through other comprehensive income - Designated equity instruments	7,584	7,806			7,806
Total Financial Assets	81,021	150,495	422,140	343,309	493,803
Financial Liabilities					
Amortised Cost - Borrowings	(630,352)	(661,748)	(15,276)	(12,217)	(673,965)
Amortised Cost - Creditors			(57,749)	(49,185)	(49,185)
Total Financial Liabilities	(630,352)	(661,748)	(73,025)	(61,401)	(723,150)

The note below shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the re-measurements of carrying amounts then required.

	Carrying amount brought forward at 1 April 2018	Amortised cost	Fair value through profit and loss	Fair value through other comprehensive income
	£000	£000	£000	£000
Previous classifications				
Loans and receivables	495,638	490,638	5,000	
Available for Sale	7,584			7,584
Reclassified amounts at 1 April 2018	503,222	490,638	5,000	7,584
Remeasurements at 1 April 2018			(62)	
Remeasured carrying amounts at 1 April 2018	503,222	490,638	4,938	7,584
Impact on General Fund Balance			62	

Application of classification requirements at 1 April 2018

At 31 March 2018 the Council was holding financial assets with a carrying value of £495.6m as loans and receivables. On 1 April 2018 most of these financial assets were reclassified as amortised cost as they were being held as part of a business model to collect contractual cash flows.

The following judgements were made in reclassifying financial instruments at 1 April 2018:

- At 31 March 2018 £8m was invested in corporate bonds that formed a bespoke portfolio that was being externally managed on the Council's behalf by Barclays Bank, and were held as loans and receivables. As these bonds are being held as part of a business model to collect contractual cash flow, they were reclassified as amortised cost.
- At 31 March 2018 the Council held an auto callable structured note which contained a derivative based on developed market equity indices. This structured note formed part of loans and receivables and was carried in the City Council's accounts at its purchase price of £5m. As the maturity date of this structured note is determined through the performance of developed equity markets, the cash flows of this structured note are not predetermined. This structured note was therefore reclassified as fair value through profit and loss on 1 April 2018. Financial instruments classified at fair value through profit and loss are carried in the City Council's accounts at their market value. This structured note is tradable and has a market value. The market value of this structured note at 1 April 2018 was £4,938,000; £62,000 less than its purchase price of £5m. This loss has been charged to General Fund balances in the Movement in Reserves Statement. The market value of this structured note at 31 March 2019 was £5,146,500. This subsequent gain has been credited to general Fund balances in the Comprehensive Income and Expenditure Statement.

- At 31 March 2018 the Council held equity shares in MMD (Shipping Services) Limited (now known as Portico), Hampshire Community Bnk, Victory Energy Supply Ltd, and the UK Municipal Bonds Agency Plc. These were held as available for sale financial assets. Under the Code of Practice for Local Authority Accounting the Council has opted to irrevocably reclassify these instruments on 1 April 2018 as measured at fair value through other comprehensive income (FVOCI) on the basis that:
 - These investments fall into the fair value through profit and loss class of assets because contractual terms do not give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
 - The investments are equity instruments
 - The investments are not held for trading

Further details of the instruments that the City Council has opted irrevocably reclassify as measured at fair value through other comprehensive income are detailed below.

Description	Nominal £000	Fair Value £000	Change in fair value during 2018/19 £000
Portico (formerly MMD (Shipping Services) Ltd	2,027	5,056	-
Hampshire Community Bnk	2,500	2,500	-
Victory Energy Supply Limited	100	100	-
UK Municipal Bonds Agency Plc	150	150	-

The above investments are held to meet service objectives of the City Council and none of the above investments paid a dividend in 2018/19.

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:

	2017/18		2018/19	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Net (gains) / losses on:				
Financial assets measured at fair value through profit or loss	62		(221)	
Investments in equity instruments designated at fair value through other comprehensive income		(15)		-
Financial assets measured at amortised cost	4,102		3,681	
Total net gains / losses	4,164	(15)	3,460	-
Financial assets measured at amortised cost	(5,152)		(5,749)	
Financial assets measured at fair value through profit or loss	(223)		(440)	
Total Interest Revenue	(5,375)	-	(6,188)	-
Interest Expense	25,676	-	25,399	-

c) Fair Value of Assets Carried at Fair Value

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

Financial Assets measured at Fair Value				
Recurring fair value measurements	Input level in fair value hierachy	Valuation technique used to measure fair value	As at 31/3/18 £000	As at 31/3/19 £000
Fair Value through Profit and Loss				
Financial instruments classed as fair value through profit and loss	Level 2 (Other significant observable inputs)	Professionally valued by custodian	4,938	25,221
Fair Value through Other Comprehensive Income				
Equity shareholding in Portico Ltd	Level 2 (Other significant observable inputs)	Net Worth	4,834	5,056
Equity shareholding in Hampshire Community Bnk Ltd	Level 2 (Other significant observable inputs)	Purchase price of shares	2,500	2,500
Equity shareholding in Victory Energy Supply Ltd	Level 2 (Other significant observable inputs)	Purchase price of shares	100	100
Equity shareholding in UK Municipal Bonds Agency Plc	Level 2 (Other significant observable inputs)	Purchase price of shares	150	150
Total			7,584	7,806

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

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

Financial Liabilities Held at Amortised Cost	31 March 2018		31 March 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Borrowing	(565,094)	(788,222)	(607,383)	(842,526)
Service Concessions and Finance Lease	(80,534)	(107,281)	(66,151)	(102,321)
Other Creditors	(57,749)	(57,749)	(49,616)	(49,616)
Total	(703,377)	(953,252)	(723,150)	(994,463)

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 Held at Amortised Cost	31 March 2018		31 March 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Investments	413,891	418,012	391,391	379,941
Debtors	81,747	99,964	69,890	89,603
Total	495,638	517,976	461,281	469,544

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 at the Balance Sheet date.

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

	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>Financial assets held at amortised cost:</i>				
Investments	-	413,012	-	413,012
Debtors	-	99,964	-	99,964
Total	-	512,976	-	512,976

31 March 2019				
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<i>Recurring fair value measurements using:</i>	£000	£000	£000	£000
Financial liabilities				
<i>Financial liabilities held at amortised cost:</i>				
Borrowing	-	(607,383)	-	(607,383)
Service Concessions and Finance Lease Liabilities	-	(66,151)	-	(66,151)
Other creditors	-	(49,185)	-	(49,185)
Total	-	(722,719)	-	(722,719)
Financial Assets				
<i>Financial assets held at amortised cost:</i>				
Investments	-	362,811	-	362,811
Debtors	-	69,890	-	69,890
Total	-	432,701	-	432,701

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.

£779.7m of the fair value of borrowing at 31 March 2019 (£725.5m at 31 March 2018) represents loans from the Public Works Loans Board (PWLB). The fair value of PWLB loans of £779.7m 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 £505.9m would be valued at £560.9m. 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 £273.8m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £779.7m.

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 2019 of 1.10% to 2.59% 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 2019 of 1.00% to 2.58% 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 2019 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 2019 (Net of bad debt provision)	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March 2019	Estimated Maximum Exposure to Default & Uncollectability at 31 March 2019	Estimated Maximum Exposure to Default & Uncollectability at 31 March 2018
	£000	%	%	£000	£000
	A	B	C	(A x C)	
Advances to commercial companies	6,463	0.0	5.0	323	614
Customers	38,414	2.6	3.4	1,306	565
Housing rents	138	0.4	0.5	1	119
Housing loans	5,359.59	0.0	0.0	0	5
				1,630	1,303

The City Council does not generally allow credit for customers. However, there is a balance of £5.6m that is past its due date for payment. This can be analysed by age as follows:

	£000
Less than three months	2,449
Three to six months	647
Six months to one year	551
More than one year	1,961
	5,608

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 £69.3m 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 2018	31 March 2019
	£000	£000
Within 1 year	7,987	9,000
Between 1 and 2 years	7,997	8,995
Between 2 and 5 years	24,053	25,349
More than 5 years	519,873	546,177
	559,911	589,521

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. In particular, the City Council aims to manage its investment maturity profile to ensure that no single month exposes the City Council to a substantial re-investment requirement when interest rates may be relatively low.

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

According to this assessment strategy, at 31 March 2019, if interest rates had been 0.5% higher with all other variables held constant, the financial effect would be an increase in investment income of £0.7m. The impact of a 0.5% fall in interest rates would have been a reduction in investment income of £0.7m.

19. Long-term Debtors

2017/18 £000		2018/19 £000
13,162	Finance Lease Debtors	12,799
15,086	Other	14,588
<u>28,248</u>		<u>27,388</u>

20. Short-term Debtors

2017/18 £000	Outstanding Debtors at 31st March (Net of Bad Debt Provision)	2018/19 £000
963	NNDR (debtor for prior overpayments due back from MHCLG)	1,024
10,430	Council Tax receivable from taxpayers	11,851
2,528	Non domestic rates receivable from taxpayers	5,004
21,101	Trade debtors	28,522
13,051	Government Departments	7,534
9,162	Housing Benefits	8,837
8,609	Housing Rents	2,244
2,270	Other debtors	7,511
7,835	Prepayments & accrued income	5,713
(21,370)	Provision for bad debts	(23,488)
<u>54,579</u>		<u>54,752</u>

Note - The presentation has been restated to bring it in line with Whole of Government Accounts layout.

21. Cash and Cash Equivalents

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

31 March 2018	31 March 2019
£000	£000
953 Cash held by the Authority	927
(8,410) Bank current accounts	(4,177)
29,690 Investments in money market funds and instant access deposit accounts	29,870
22,233	26,620

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

22. Short-term Creditors

2017/18	Outstanding Creditors at 31st March	2018/19
£000		£000
(28,665) Trade Creditors		(24,329)
(31) Council Tax creditor (between preceptor/billing authority)		(134)
(206) NDR retained income creditor (between preceptor/billing authority)		(1)
(11,765) NDR taxpayer receipts not yet paid to Government		-
(710) Council Tax refundable to taxpayers		(744)
(2,960) Non domestic rates refundable to taxpayers		(1,370)
(3,424) Government Departments		(3,529)
(7,513) Other creditors		(5,772)
(22,390) Receipts in Advance		(19,028)
(77,665)		(54,907)

Note - The presentation has been restated to bring it in line with Whole of Government Accounts layout.

23. Provisions

	Short Term £000	Long Term £000	Total £000
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)
Additional provisions made in 2018/19	(3,144)	(6,906)	(10,051)
Amounts used in 2018/19	1,054	-	1,054
Balance at 31 March 2019	(5,206)	(12,536)	(17,742)

Provision for Appeals by Non Domestic Rate Payers - £13.2m (£7.4m in 2017/18)

The City Council retained 49% of the non-domestic rates that it collected in 2017/18. In 2018/19 the City Council joined a non-domestic rate pool which will retain 99% 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.

24. Other Long-term liabilities

2017/18 £000	2018/19 £000
(13,067) Assets transferred from Hampshire County Council	(13,229)
(65,280) Service Concessions (including PFIs)	(61,507)
(12,256) Other	(15,165)
(90,603)	(89,901)

25. Unusable Reserves

31 March 2018 £000	31 March 2019 £000
(132,143) Revaluation Reserve	(146,430)
(2,728) Available for Sale Financial Instruments Reserve	-
- Financial Instruments Revaluation Reserve	(2,792)
(801,191) Capital Adjustment Account	(778,716)
4,713 Financial Instruments Adjustment Account	4,412
385,896 Pensions Reserve	364,956
(1,162) Collection Fund Adjustment Account	(4,224)
1,693 Accumulating Compensated Absences Adjustment Account	1,663
(13,275) Deferred Capital Receipts	(13,146)
(558,197) Total Unusable Reserves	(574,277)

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.

2017/18 £000		2018/19 £000 £000	
(110,376)	Balance at 1 April		(132,143)
(23,697)	Revaluations		(16,649)
1,326	Difference between fair value depreciation and historic cost depreciation	2,281	
604	Accumulated gains on assets sold or scrapped	80	
1,930	Amount written off the Capital Adjustment Account		2,362
(132,143)	Balance at 31 March		(146,430)

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.

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.

2017/18 £000	2018/19 £000
354,840 Balance at 1 April	385,896
(2,824) Return on plan assets	(49,906)
23,396 Actuarial (gains) and losses on pensions assets and liabilities	13,807
31,918 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	38,272
(21,434) Employer's pensions contributions and direct payments to pensioners payable in the year	(23,113)
385,896 Balance at 31 March	364,956

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.

2017/18	2018/19
£000	£000
(13,432) Balance at 1 April	(13,275)
63 Transfer to Capital Receipts Reserve upon receipt of cash	29
Transfer to Comprehensive Income and Expenditure	
94 Statement to mitigate the effect of leases being reclassified under IFRS	100
<u>(13,275) Balance at 31 March</u>	<u>(13,146)</u>

26. Notes to the Cash Flow Statement

(a) Operating Activities

The cash flows for operating activities include the following items:

2017/18	2018/19
£000	£000
5,055 Interest received	6,233
(25,903) Interest paid	(25,414)

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

2017/18	2018/19
£000	£000
38,741 Depreciation	42,194
(14,078) Impairment and downward valuations	33,467
661 Amortisation	-
- Increase/(decrease) in impairment for bad debts	-
3,834 Increase/(decrease) in creditors	(22,771)
(14,448) (Increase)/decrease in debtors	(120)
(72) (Increase)/decrease in inventories	(96)
10,485 Movement in pension liability	15,159
27,091 Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	5,124
(17,487) Other non-cash items charged to the net surplus or deficit on the provision of services	18,074
34,727	91,031

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

2017/18	2018/19
£000	£000
(5,856) Proceeds from sale of property, plant and equipment, investment property and intangible assets.	(5,034)
(40,399) Any other items for which the cash effects are investing or financing cash flows	(40,810)
(46,255)	(45,844)

(b) Investing & Financing Activities

2017/18 £000	Investing Activities	2018/19 £000
(94,872)	Purchases of property, plant and equipment, investment property and intangible assets	(106,067)
(886,944)	Purchase of short-term and long-term investments	(1,012,710)
(1,621)	Other payments for investing activities	(1,276)
4,929	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,034
904,987	Proceeds from short-term and long-term investments	1,014,317
58,685	Other receipts from investing activities	52,231
(14,836)	Net cash flows from investing activities	(48,471)

2017/18 £000	Financing Activities	2018/19 £000
1,180	Cash receipts of short and long term borrowing	36,613
(4,166)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(3,184)
(8,040)	Repayments of short and long term borrowing	(8,025)
(21,045)	Other payments for financing activities	(8,306)
(32,071)	Net cash flows from financing activities	17,098

(c) Reconciliation of Liabilities Arising from Financing Activities

	2017/18	Financing	Non-cash Changes			2017/18
	01-Apr	Cashflows	Acquisition	Changes in	Other Non-	31-Mar
	£000	£000	£000	Fair Value	cash	£000
Long Term						
- Borrowings	(559,831)	6,860	-	-	(7)	(552,978)
- Lease Liabilities	(1,609)	732	-	-	-	(877)
- On Balance Sheet PFI Liabilities	(68,463)	3,183	-	-	-	(65,280)
- Other	(23,378)	-	-	-	(1,067)	(24,445)
	<u>(653,281)</u>	<u>10,775</u>	<u>-</u>	<u>-</u>	<u>(1,074)</u>	<u>(643,580)</u>
Short Term						
- Borrowings	(12,341)	-	-	-	225	(12,116)
- Lease Liabilities	80	(82)	-	-	2	-
- On Balance Sheet PFI Liabilities	(3,516)	333	-	-	-	(3,183)
- Other	-	-	-	-	23	23
	<u>(15,777)</u>	<u>251</u>	<u>-</u>	<u>-</u>	<u>250</u>	<u>(15,276)</u>
Total Liabilities from Financing Activities	<u>(669,058)</u>	<u>11,026</u>	<u>-</u>	<u>-</u>	<u>(824)</u>	<u>(658,856)</u>

	2018/19	Financing	Non-cash Changes			2018/19
	01-Apr	Cashflows	Acquisition	Changes in	Other Non-	31-Mar
	£000	£000	£000	Fair Value	cash	£000
Long Term						
- Borrowings	(552,978)	(32,130)	-	-	31	(585,077)
- Lease Liabilities	(877)	-	-	-	8	(869)
- On Balance Sheet PFI Liabilities	(65,280)	3,644	-	-	129	(61,507)
- Other	(24,445)	-	-	-	(3,080)	(27,525)
	<u>(643,580)</u>	<u>(28,486)</u>	<u>-</u>	<u>-</u>	<u>(2,912)</u>	<u>(674,978)</u>
Short Term						
- Borrowings	(12,116)	3,542	-	-	1	(8,573)
- Lease Liabilities	-	-	-	-	-	-
- On Balance Sheet PFI Liabilities	(3,183)	(460)	-	-	-	(3,643)
- Other	23	-	-	-	(23)	-
	<u>(15,276)</u>	<u>3,082</u>	<u>-</u>	<u>-</u>	<u>(22)</u>	<u>(12,216)</u>
Total Liabilities from Financing Activities	<u>(658,856)</u>	<u>(25,404)</u>	<u>-</u>	<u>-</u>	<u>(2,934)</u>	<u>(687,194)</u>

Note - The net cash flows from financing activities additionally includes £2.5m (17/18) and £8.3m (18/19) of collection fund entries which do not form part of the liabilities on the balance sheet.

27. 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.

28. Pooled Budgets and Joint Arrangements

The City Council is currently involved in three pooled budget type arrangements with Portsmouth Clinical Commissioning Group (CCG).

(a) Health & Care Portsmouth Commissioning (formerly 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; which was subsequently extended three times from April 2016 to March 2021. The purpose of the arrangement is to commission a range of health and social care services for vulnerable people.

	2017/18		2018/19	
	£000	£000	£000	£000
Gross Income				
Portsmouth City Council	(324)		(369)	
Portsmouth CCG	(333)		(353)	
		(657)		(722)
Expenditure		613		702
(Surplus)/Deficit*		(44)		(20)
Council's share of the surplus		(22)		(10)

* Note - The surplus has been carried forward in accordance with the section 75 agreement unless agreed otherwise by the partners.

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.

	2017/18		2018/19	
	£000	£000	£000	£000
Gross Income				
Portsmouth City Council	(38,639)		(41,289)	
Portsmouth CCG	(16,707)		(17,489)	
		(55,346)		(58,778)
Expenditure		55,346		58,720
(Surplus)/Deficit*		-		(58)
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	2017/18		2018/19	
	£000	£000	£000	£000
Gross Income				
Portsmouth City Council	(6,863)		(8,560)	
Portsmouth CCG	(7,008)		(7,354)	
		(13,871)		(15,914)
Expenditure		13,861		15,955
(Surplus)/Deficit*		(10)		41
Council's share of the surplus		-		-

* Note - The deficit for 2018/19 funded through the application of prior years' surplus.

Capital Transactions	2017/18		2018/19	
	£000	£000	£000	£000
Gross Income				
Portsmouth City Council	(1,543)		(1,682)	
Portsmouth CCG	-		-	
		<u>(1,543)</u>		<u>(1,682)</u>
Expenditure		<u>1,000</u>		<u>1,330</u>
(Surplus)/Deficit*		<u>(543)</u>		<u>(352)</u>
Council's share of the surplus		(543)		(352)

* 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:

	2017/18		2018/19	
	£000	£000	£000	£000
Gross Income				
Portsmouth City Council	-		(208)	
Portsmouth CCG	(11,356)		(11,955)	
		<u>(11,356)</u>		<u>(12,163)</u>
Expenditure		<u>11,356</u>		<u>11,955</u>
(Surplus)/Deficit		<u>-</u>		<u>(208)</u>
Council's share of the surplus		-		-

29. Members' allowances

The total amount of members' allowances paid in 2018/19 was £0.6m (£0.6m in 2017/18). Detailed information on members' allowances is available from the Director of Finance & Information Technology (Section 151 Officer), Civic Offices, Guildhall Square, Portsmouth, PO1 2AR.

30. Officers' remuneration

a) Remuneration over £50,000

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

2017/18		2018/19
Number of employees		Number of employees
60	£50,000 to £54,999	70
30	£55,000 to £59,999	37
45	£60,000 to £64,999	33
18	£65,000 to £69,999	23
7	£70,000 to £74,999	11
6	£75,000 to £79,999	5
2	£80,000 to £84,999	3
4	£85,000 to £89,999	5
1	£90,000 to £94,999	2
1	£95,000 to £99,999	-
-	£100,000 to £104,999	1
-	£105,000 to £109,999	-
2	£110,000 to £114,999	1
-	£115,000 to £119,999	-
3	£120,000 to £124,999	4
1	£125,000 to £129,999	2
-	£130,000 to £134,999	-
-	£135,000 to £139,999	-
-	£140,000 to £144,999	-
-	£145,000 to £149,999	-
-	£150,000 to £154,999	-
-	£155,000 to £159,999	-
-	£160,000 to £164,999	-
-	£165,000 to £169,999	-
-	£170,000 to £174,999	-
-	£175,000 to £179,999	-
1	£180,000 to £184,999	1
<hr/>		<hr/>
181		198
<hr/>		<hr/>

b) Senior Officer Emoluments

The following tables set out the remuneration paid to Senior Officers; whose salary in 2017/18 and 2018/19 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.

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)	41,827	104,329	146,156	5,898	152,054
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.

2018/19	Salary & Allowances	Bonuses, Expenses, Compensation for loss of office, Benefits in Kind	Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
Post Title	£	£	£	£	£
David Williams - Chief Executive (Head of Paid Service) (Note 1)	184,916	-	184,916	27,922	212,838
Deputy Chief Executive and City Solicitor (Monitoring Officer) (Note 1)	129,862	-	129,862	19,609	149,471
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 2018/19 this cost was £70,000 (including salary and pension costs).				
Director of Children Services & Education	124,860	-	124,860	18,854	143,714
Director of Finance & Information Technology (s151 Officer) (Note 1 & 2)	123,581	-	123,581	18,661	142,242
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 2018/19 this cost was £65,346 (including salary and pension costs).				
Director of the Port	113,862	-	113,862	17,193	131,055
Solent Local Enterprise Partnership Chief Executive	124,860	-	124,860	18,854	143,714
Director of Community & Communications	88,339	-	88,339	13,639	101,978
Director of Culture & City Development	85,099	-	85,099	12,884	97,983
Director of Human Resources, Legal & Procurement	85,327	-	85,327	12,884	98,211
Director of Housing, Neighbourhood & Building Services (Note 1)	90,767	-	90,767	14,459	105,226
Director of Regeneration	127,221	-	127,221	19,210	146,431

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 2018/19, 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 (£)	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£0-£20,000	38	15	45	21	83	36	£514,877
£20,001 - £40,000	2	1	6	2	8	3	£215,508	£89,520
£40,001 - £60,000	-	-	3	4	3	4	£144,407	£217,170
£60,001 - £80,000	1	-	1	1	2	1	£141,227	£69,889
£80,001 - £100,000	-	1	1	1	1	2	£84,619	£172,555
£100,001 - £150,000	-	-	4	1	4	1	£461,423	£143,845
£150,001 - £200,000	-	-	-	-	-	-	£0	£0
Total	41	17	60	30	101	47	£1,562,061	£872,376

The total cost of £872,376 in the table above is included in the City Council's Comprehensive Income and Expenditure Statement for 2018/19.

31. External Audit Costs

This note discloses the fees paid to our appointed auditors EY (Ernst and Young LLP) for work carried out in 2018/19.

2017/18 £000	2018/19 £000
149 External Audit Services	115
18 Certification of grant claims & returns	-
- Statutory inspection	-
- Other	-
167 Total paid to EY	115

No other non-statutory services were provided by EY.

Note - This disclosure does not include any additional fees charged in respect of prior year audits or any external audit work undertaken by firms other than our appointed auditor EY.

32. Dedicated Schools Grant

The City Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education. The Dedicated Schools Grant (DSG) is ring-fenced and can only be applied to meet expenditure properly included in the 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:

	2017/18			2018/19		
	Central Exp £000	Schools Budget £000	Total £000	Central Exp £000	Schools Budget £000	Total £000
Final DSG for current year before academy recoupment	3,458	137,553	141,011	2,105	145,566	147,671
Academy figure recouped for current year	-	(62,883)	(62,883)	-	(77,013)	(77,013)
Total DSG after Academy recoupment for current year	3,458	74,670	78,128	2,105	68,553	70,658
Brought forward from prior year	3,234	(22)	3,212	4,687	-	4,687
Carry forward to next year agreed in advance	-	-	-	-	-	-
Agreed initial budgeted distribution in current year	6,692	74,648	81,340	6,792	68,553	75,345
In year adjustments	-	(151)	(151)	-	17	17
Final budget distribution for current year	6,692	74,497	81,189	6,792	68,570	75,362
Less actual central expenditure	(3,631)	-	(3,631)	(1,591)	-	(1,591)
Less Actual ISB deployed to schools	-	(72,871)	(72,871)	-	(70,490)	(70,490)
Plus Local authority contribution for current year	-	-	-	-	-	-
Carry forward to next year	3,061	1,626	4,687	5,201	(1,920)	3,281

33. Taxation and Grant Income

The City Council credited the following tax, grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

	2017/18 £000	2018/19 £000
Credited to Services		
Rent Allowance Subsidy	(57,106)	(55,020)
HRA Rent Rebates Subsidy	(43,723)	(42,269)
Public Health Grant	(18,187)	(17,719)
Dedicated Schools Grant	(76,502)	(72,082)
Other grants	(20,488)	(25,121)
	<u>(216,006)</u>	<u>(212,211)</u>
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(22,313)	-
Retained Non Domestic Rates	(42,802)	(100,917)
Retained Non Domestic Rates (Top Up Grant)/Tariff	(6,493)	17,932
PFI Grant	(11,521)	(11,521)
Other Grants	(6,664)	(5,443)
Income from Council Tax	(71,507)	(76,374)
Capital Grants and Contributions	(25,414)	(27,906)
	<u>(186,714)</u>	<u>(204,229)</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:

	2017/18 £000	2018/19 £000
Capital Grants Receipts in Advance		
Government Grants	(28,932)	(39,790)
Other Grants & Contributions	(3,251)	(1,518)
	<u>(32,183)</u>	<u>(41,308)</u>

Revenue grants receipts in advance for 2018/19 were £6.3m (2017/18 £8.2m).

34. Related parties

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

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 £0.96m to organisations where members had been appointed by the City Council to hold positions on the governing body.

During 2018/19 £133,118 was paid to companies in which members had an interest consisting of £102,480 paid to Portsmouth College, £10,510 paid to the Beneficial Foundation for training services, £7,742 paid to J J Fleming Business Services, and £12,386 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 17 maintained schools (excluding nurseries). Non-current assets with a net book value of £32.8m 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 £150,000 in 2018/19 (£145,000 in 2017/18).

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. At the beginning of 2018/19 £3.0m of City Council funds were lent to the Borough of Gosport. This loan was repaid in full on 3rd April 2018. 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:

	£
Gosport Borough Council	87,292
Isle of Wight Council	31,058
NHS Portsmouth Clinical Commissioning Group	1,532,346
Southampton City Council	353,589

Portsmouth City Council is the accountable body administering the Portsmouth Harbour One Public Estate programme covering a number of local authorities. As part of this programme grants were paid to Gosport Borough Council totalling £77,500.

Payments were made to the Isle of Wight Council for adoption services and special education.

Payments were made to the NHS Portsmouth Clinical Commissioning Group in respect of staff costs and mental health reablement support services within the city.

Payments to Southampton City Council include telephone monitoring services for vulnerable people, civil contingencies shared services and public health services.

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 companies, Portico Shipping Limited and Victory Energy Supply. Details of the relationship between the City Council and its subsidiaries are provided in note 35.

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.

35. Other Companies

Portico Shipping Limited (formerly MMD (Shipping Services) Limited)

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

The Council invested a further £5.8m in Portico in 2018/19.

The City Council owns 100% of the shares in Portico which are carried in the City Council's balance sheet under long term investments at their net worth of £5.1m.

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

Eight loans with an outstanding balance of £6.4m have been advanced to Portico by the City Council. These loans carry interest between 3.31% and 4.81% per annum and mature by 2032.

The City Council's exposure to losses arising from its ownership of Portico is limited to £12.1m, i.e. the value of its shares in the company, the funds lodged with Lloyds Bank and the outstanding capital loans advanced to Portico.

The City Council generated £4.1m of income from Portico during 2018/19 (£2.5m in 2017/18); 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 Portico Shipping Limited is as follows:

2017/18	2018/19
£000	£000
17,063 Gross Expenditure	15,433
(17,063) Gross Income	(15,453)
0 Net (Income) / Loss	(20)

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

Hampshire Community 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 each of £1.25m were paid in March 2016 and October 2017. 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.

Victory Energy Services Limited

The City Council acquired all of the issued share capital and 75% of the voting rights in September 2017. The company aims to provide energy to Portsmouth and the surrounding areas when the necessary regulatory approvals have been obtained. At 31 March 2019 the City Council had provided Victory Energy Services Limited with £2.7m of services. This is reflected as a short term investment in the Council's accounts. However, following the Council's decision to dispose of its interests in Victory Energy Services Limited, the costs of services provided to Victory Energy Services has been fully provided for as a short term provision.

UK Municipal Bonds Agency Plc

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

The Local Government Association and 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 which it acquired in October 2014.

36. Capital expenditure and capital financing

2017/18 Restated £000		2018/19 £000
526,938	Opening capital financing requirement	574,846
106,288	Long Term Assets	109,293
16,083	Revenue expenditure funded from capital under statute	12,246
122,371	Capital Investment	121,539
649,309	Sources of finance	696,385
(7,842)	Capital receipts (including capital receipts set aside to repay debt)	(4,533)
(38,824)	Other Grants & contributions	(36,598)
	Sums set aside from revenue:	
(5,587)	- Direct revenue contributions	(11,774)
(17,608)	- Use of Major Repairs Reserve	(12,832)
(4,568)	- Minimum Revenue Provision	(4,219)
(34)	Other Adjustments	265
(74,463)		(69,691)
574,846	Closing capital financing requirement	626,694
	The capital financing requirement is met by the following items in the balance sheet:	
1,495,626	Fixed assets including equity investments	1,540,010
(132,141)	Revaluation Reserve	(146,430)
(801,191)	Capital Adjustment Account	(778,716)
12,552 *	Other (including Housing General Fund mortgages, advances by Local Enterprise Partnership (LEP) and advances to subsidiaries)	11,830
574,846		626,694

* Advances by the Local Enterprise Partnership (LEP) of £4,400,000 which were reported separately in the 2017/18 Annual Report. As this is below the City Council's preparer materiality of £7,000,000 it has been restated as part of Other (including Housing General Fund mortgages, advances by Local Enterprise Partnership (LEP) and advances to subsidiaries).

The capital financing requirement increased by £51.8m in 2018/19 for the following reasons:

2017/18		2018/19
£000		£000
52,958	Increase in underlying need to borrow	56,580
(4,959)	Provision for the repayment of debt	(4,732)
(65)	Other	-
47,934	(Decrease) / Increase in Capital Financing Requirement	51,848

37. Leases

City Council as Lessee

Finance Leases

The City Council has a number of buildings and port equipment under finance leases with a combined value of £5.3m. The associated finance lease liability in nominal terms is £0.8m.

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

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

	Minimum Lease Payments	
	31 March	31 March
	2018	2019
	£000	£000
No later than one year	195	190
Later than one year and not more than 5 years	756	755
Later than five years	11,613	11,424
	12,564	12,369

The net present value of the minimum lease payments is £6.2m.

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 2017/18 and 2018/19 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 2019 the minimum payments expected to be received under non-cancellable sub-leases was £0.4m (£0.4m at 31 March 2018).

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 2018 £000	31 March 2019 £000
Not more than one year	1,144	1,216
Later than one year but not later than five years	2,894	2,818
Later than five years	115,422	22,732
	119,460	26,766

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 2018 £000	31 March 2019 £000
Minimum lease payments	119,460	26,766
Contingent rents	7,266	26,325
	126,726	53,091

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 2018 £000	31 March 2019 £000
Finance lease debtor (net present value of minimum lease payments):		
Current	1,292	1,257
Non current	15,900	15,673
Unguaranteed residual value of property	103	103
Gross investment in lease	17,295	17,033

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 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000
	Not later than one year	214	196	1,371
Later than one year and not later than five years	967	971	5,458	5,437
Later than five years	11,734	11,592	39,163	37,948
	12,915	12,760	45,992	44,733

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 2017/18 or 2018/19.

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 2018	31 March 2019
	£000	£000
Not later than one year	13,596	16,037
Later than one year and not later than five years	47,922	55,519
Later than five years	255,596	270,481
	<u>317,115</u>	<u>342,037</u>

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 2017/18 and 2018/19 no contingent rents were receivable by the City Council.

38. Private Financing Initiatives and Similar Contracts

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

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

- The provision of waste disposal facilities by Veolia for 30 years which became operational in 1996/97

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

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

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

The waste disposal contract is managed by Hampshire County Council. Through a side agreement, Southampton and Portsmouth City 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 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 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 2017	-	6,059	111,201	9,982	127,242
At 31st March 2018	-	5,970	109,861	9,282	125,113

	Miltoncross Secondary School £000	Learning Disability Facilities £000	Highways Maintenance £000	Waste Disposal £000	Total £000
Cost or Valuation					
At 1st April 2018	26	6,279	138,978	14,015	159,298
Adjustments #	(26)	-	-	-	(26)
At 1st April 2018	-	6,279	138,978	14,015	159,272
Additions	-	-	-	-	-
Revaluation increases/(decreases) to CIES and/or Revaluation Reserve	-	(331)	-	-	(331)
Disposals	-	-	-	-	-
Reclassifications	-	-	9,920	-	9,920
At 31st March 2019	-	5,948	148,898	14,015	168,861
Depreciation and Impairment					
At 1st April 2018	(26)	(309)	(29,117)	(4,733)	(34,185)
Adjustments #	26	-	-	-	26
At 1st April 2018	-	(309)	(29,117)	(4,733)	(34,159)
Depreciation Charge in Year	-	(174)	(3,164)	(700)	(4,037)
Depreciation written out on revaluation	-	415	-	-	415
Impairment losses/(reversals) to CIES and/or Revaluation Reserve	-	-	-	-	-
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
At 31st March 2019	-	(68)	(32,281)	(5,433)	(37,782)
Net Book Value					
At 1st April 2018	-	5,970	109,861	9,282	125,113
At 31st March 2019	-	5,879	116,617	8,582	131,079

Adjustment to opening balances to bring the note in line with the fixed asset register.

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

	Liability as at 31 March 2018	Payments	Liability as at 31 March 2019
	£000	£000	£000
Milton Cross School	(10,701)	307	(10,394)
Learning Disability Facilities	(3,756)	110	(3,646)
Highways Maintenance	(46,917)	1,842	(45,075)
Waste Disposal	(7,090)	924	(6,166)
Total	(68,464)	3,184	(65,280)

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	3,773	6,070	20,492	30,335	3,031	33,366
Within 2 to 5 years	19,882	19,630	92,723	132,235	11,981	144,216
Within 6 to 10	27,212	14,617	100,697	142,526	20,638	163,164
Within 11 to 15	14,413	1,952	21,577	37,942	681	38,623
	65,280	42,269	235,489	343,038	36,331	379,369

39. Liability Relating to Defined Benefit Pension Scheme

Participation in Pension Schemes

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

The City Council participates in the following pension schemes:

The Local Government Pension Scheme (LGPS) - This is administered locally by Hampshire County Council and is a 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 40.

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 40.

Transactions Relating to Post-Employment Benefits

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

	2017/18 £000	2018/19 £000
Comprehensive Income and Expenditure Statement:		
Cost of services		
Current service cost	26,343	28,220
Past service cost	500	290
Settlements/Curtailments #	(3,900)	-
Financing and Investment Income and Expenditure		
Net Interest Expense	8,975	9,762
Total Post Employment Benefit charged to the Surplus of deficit on the Provision of services	31,918	38,272
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Return on plan assets in (excess) / below that recognised in net interest	(2,824)	(49,906)
Actuarial (gains) / losses due to changes in financial assumptions	17,709	59,488
Actuarial (gains) / losses due to changes in demographic assumptions	(148)	(47,506)
Actuarial (gains) / losses due to liability experience	5,835	1,825
Total (gains) / losses from reclassification	-	-
	20,572	(36,099)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	52,490	2,173
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	31,918	38,272
Actual amount charged against the General Fund and HRA Balances for pensions in the year:		
Employers' contributions payable to scheme	20,006	21,715
Retirement benefits payable to pensioners	1,427	1,398
	21,433	23,113

- The settlement in 2017/18 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. There was no significant number of conversions in 2018/19 requiring a recalculation of the 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 2019 is a loss of £123.5m (2017/18 £159.6m).

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:

	2017/18 £000	2018/19 £000
Present value of funded liabilities (LGPS):	(1,064,421)	(1,114,461)
Present value of funded liabilities (Pilot Pension Scheme)	(3,812)	(3,500)
Present value of unfunded liabilities (LGPS and Teachers):	(18,911)	(17,673)
Fair value of assets (LGPS):	698,147	767,882
Fair value of assets (Pilot Pension Scheme)	2,932	2,627
Surplus/(deficit) in the scheme:*	<u>(386,065)</u>	<u>(365,125)</u>

* - 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 £365m (prior year £386.0m) 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):

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>

2018/19	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	(1,064,421)	(3,812)	(11,600)	(7,311)	(1,087,144)
Current service cost	(28,190)	(30)	-	-	(28,220)
Interest Expense	(27,420)	(87)	(290)	(190)	(27,987)
Contributions by scheme participants	(5,960)	(6)	-	-	(5,966)
Actuarial gains and (losses) - Financial Assumptions	(59,220)	192	(290)	(170)	(59,488)
Actuarial gains and (losses) - Demographic Assumptions	46,650	26	510	320	47,506
Actuarial gains and (losses) - Liability Experience	(1,750)	(25)	(30)	(20)	(1,825)
Benefits paid	26,140	242	841	557	27,780
Past service costs including curtailments	(290)	-	-	-	(290)
Net increase in assets from reclassification	-	-	-	-	-
Settlements	-	-	-	-	-
Closing balance at 31 March	<u>(1,114,461)</u>	<u>(3,500)</u>	<u>(10,859)</u>	<u>(6,814)</u>	<u>(1,135,634)</u>

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

2017/18	LGPS	Pilot Pension Scheme	Total
	£000	£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>

2018/19	LGPS	Pilot	Total
	£000	Pension Scheme £000	£000
Opening balance at 1 April	698,147	2,932	701,079
Interest Income	18,160	65	18,225
Remeasurement gains / (losses)	50,060	(154)	49,906
Contributions by employer	21,695	20	21,715
Contributions by participants	5,960	6	5,966
Net benefits paid out	(26,140)	(242)	(26,382)
Settlements	-	-	-
Administration costs incurred	-	-	-
Net increase in assets from disposals / acquisitions	-	-	-
Net increase in assets from re-classification	-	-	-
Closing balance at 31 March	767,882	2,627	770,509

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 £68.22m (£20.54m in 2017/18) for the LGPS and £(0.089)m (£0.132m 2017/18) for the PNPf.

LGPS assets comprised:

Asset Type:	Value at 31 March 2019		Value at	
	Quoted	Unquoted	Total	31 March 2018
Equities	54.00%	6.40%	60.40%	62.60%
Property	0.70%	6.90%	7.60%	7.00%
Government bonds	22.60%	0.10%	22.70%	23.70%
Corporate bonds	1.10%	4.10%	5.20%	1.00%
Cash	2.30%	0.00%	2.30%	2.60%
Other	0.10%	1.70%	1.80%	3.10%
Total	80.80%	19.20%	100.00%	100.00%

PNPF assets comprised:

Asset Type:	Value at 31 March 2019		Value at	
	Quoted	Unquoted	Total	31 March 2018
Equities	34.80%	0.00%	34.80%	34.30%
Property	0.00%	0.00%	0.00%	0.00%
Government bonds	13.70%	0.00%	13.70%	16.80%
Corporate bonds	33.30%	0.00%	33.30%	31.60%
Cash	7.40%	0.00%	7.40%	1.40%
Other	10.80%	0.00%	10.80%	15.90%
Total	100.00%	0.00%	100.00%	100.00%

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 2019 by Aon Hewitt Limited allowing for the IAS 19 financial and demographic assumptions.

The principal assumptions used by the actuary have been:

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%

2018/19	Funded LGPS	Funded Pilots Pension Scheme	Unfunded LGPS	Unfunded Teachers
Mortality assumptions:				
Longevity at 65 for current pensioners (years):				
Men	23.3	21.6	23.3	23.3
Women	26.1	23.5	26.1	26.1
Longevity at 65 for future pensioners (years):				
Men	24.9	23.0	0.0	0.0
Women	27.8	25.1	0.0	0.0
Rate of inflation	2.2%	2.2%	2.2%	2.2%
Rate of increase in salaries	3.7%	3.2%	0.0%	0.0%
Rate of increase in pensions	2.2%	2.2%	2.2%	2.2%
Rate for discounting scheme liabilities	2.4%	2.9%	2.4%	2.4%

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%)	1093.65	1135.76	29.01	30.79
Rate of salaries (increase or decrease by 0.1%)	1118.6	1110.45	29.89	29.89
Rate of increases to pensions in payment (increase or decrease by 0.1%)	1131.63	1097.67	30.79	29.01
Post retirement mortality assumption (increase or decrease in 1 year)	1149.89	1079.39	31.04	28.75

Note - Assumes a baseline figure of £1114.51m present value of defined benefit obligation, or £28.89m 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 £240,000.
RPI inflation assumption - if this were to increase by 0.5% (with a corresponding increase in salary and pensions) the defined benefit obligation would increase by around 2% or £70,000.
Average life expectancy - if this were to increase by 1 year the defined benefit obligation would increase by around 5% or £170,000.

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 2017/18).

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 2020 is £23.65m (£21.63m in the year to 31 March 2019) for the LGPS and £8,000 (£9,000 in the year to 31 March 2019) for the PNPF.

40. Pension schemes accounted for as defined contribution schemes

(a) Teachers' Pension Scheme

Teachers employed by the City Council are members of the Teachers' Pension Scheme, administered by the 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 2018/19, the council paid £3.82m (2017/18 £4.51m) to Teachers' Pensions in respect of teachers' retirement benefits. There were £0m (2017/18 £0m) of contributions outstanding at 31 March 2019.

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

(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.

41. Exceptional items

There were no exceptional items in 2018/19.

42. Contingent Liabilities

There were no contingent liabilities in 2018/19 above our preparer materiality level of £7m.

Collection Fund

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

2017/18 £000	Council Tax	2018/19 £000
	Income	
(85,796)	Council Tax	(91,700)
	Transfers from the General Fund	
(9)	Council Tax write ons	(28)
	Contributions received towards the estimated (deficit)	
0	Council Tax - Hampshire Police and Crime Commissioner	0
0	Council Tax - Hampshire Fire and Rescue Authority	0
0	Council Tax - Portsmouth City Council	0
(85,805)		(91,728)
	Expenditure	
	Distribution of estimated Council Tax Surplus	
194	Council Tax - Hampshire Police and Crime Commissioner	133
76	Council Tax - Hampshire Fire and Rescue Authority	51
1,474	Council Tax - Portsmouth City Council	1,026
1,744		1,210
	Precepts	
9,155	Council Tax - Hampshire Police and Crime Commissioner	9,912
3,532	Hampshire Fire & Rescue Authority	3,672
70,774	Council Tax - Portsmouth City Council	74,660
83,461		88,244
	Bad and Doubtful Debts	
803	Council Tax - amounts written off	736
676	Council Tax - change in provision	718
86,684		90,908
879	(Surplus) / deficit for the Year	(820)
(2,336)	(Surplus) / Deficit brought forward 1 April	(1,457)
879	(Surplus) / Deficit for the Year	(820)
(1,457)	Council Tax balance as at 31 March - (Surplus) / Deficit	(2,277)
	Apportioned :	
(62)	Hampshire Police Authority	(95)
(160)	Hampshire Fire & Rescue Authority	(259)
(1,235)	Portsmouth City Council	(1,923)
(1,457)		(2,277)

2017/18 £000	Business Rates / NNDR	2018/19 £000
	Income	
(84,743)	Income from Business Ratepayers (inc. Appeals Provision offset)	(88,913)
787	Less: Increase / (Decrease) Provision for Losses on Appeals	(1,815)
(83,956)		(90,728)
	Contributions received towards estimated Deficit / (Surplus)	
1,509	DCLG	557
1,478	Portsmouth City Council	546
30	Hampshire Fire & Rescue Authority	11
3,017		1,114
(80,939)		(89,614)
	Business Rates Apportioned to:	
40,769	DCLG	-
39,953	Portsmouth City Council	85,928
815	Hampshire Fire & Rescue Authority	868
1,459	DCLG - Transitional Surcharge / (Relief)	333
275	Cost of Collection	273
4	Interest Paid on Overpayments Refunded	-
	Bad and Doubtful Debts	
549	NNDR - Amounts written off	573
485	NNDR - Increase / (Decrease) in Provision	(197)
84,309		87,777
3,370	(Surplus) / Deficit for the year	(1,836)
(3,221)	(Surplus) / Deficit b/fwd 1 April	149
3,370	(Surplus) / Deficit for the Year	(1,836)
149	Non Domestic Rates as at 31st March - (Surplus) / Deficit	(1,687)
	Apportioned:	
75	DCLG	(844)
73	Portsmouth City Council	(827)
1	Hampshire Fire and Rescue Authority	(17)
149		(1,687)
(1,308)	Total Collection Fund (Surplus) / Deficit	(3,964)

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	14,935	6/9	9,956
B	23,355	7/9	18,165
C	18,127	8/9	16,113
D	5,194	9/9	5,194
E	3,154	11/9	3,855
F	1,484	13/9	2,144
G	587	15/9	978
H	26	18/9	51
	66,860		56,456
Less: adjustment for non-collection			(1,242)
Add: MoD dwellings contribution			644
2018/19 tax base			55,858

Multiplying the 2018/19 tax base of 55,857.4 by the standard council tax of £1,579.81, gives the total precepts on the Collection Fund of £88.244m.

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.

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

However, in 2018/19 Portsmouth City Council (along with Southampton City Council and the Isle of Wight Council) are in a 100% business rates retention pool. This allows the three authorities to retain 99% of any business rates income, with the fire authority still retaining 1% and MHCLG now receiving 0%.

The total business rates rateable value as at 31 March 2019 was £218.54m.

The business rates multiplier for the year was 48.0p for small businesses and 49.3p for other business properties.

After the granting of various reliefs and exemptions the net rates due totalled £89.6m.

In closing the 2018/19 accounts it was deemed necessary to make a provision of £13.4m for refunds on unresolved appeals.

3. Collection Fund surpluses and deficits

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

Council Tax

The Council Tax part of the Collection Fund has realised a surplus of £2.277m as at 31 March 2019. The Council Tax side of the Collection Fund was estimated to result in a surplus of £1.860m in January 2019. The improvement on outturn of £0.417m 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 surplus of £1.687m as at 31 March 2019. The Business Rates side of the Collection Fund was estimated to result in a surplus of £0.207m in January 2019. The improvement on outturn of £1.480m is attributable to lower than anticipated bad debt and appeals provisions being required.

This improvement in the Collection Fund will be shared across the precepting bodies in the financial year 20120/21.

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.

2017/18 £000	2018/19 £000
Expenditure	
23,475 Repairs & Maintenance	23,522
Supervision & Management:	
13,622 General	17,311
13,591 Special Services	14,753
1,300 Rent rates taxes & other charges	1,045
Depreciation (and Impairments) of Non-current Assets:	
(8,851) - Dwellings	39,843
5,718 - Other Assets	7,009
121 Amortisation of Intangible Assets	121
0 Amortisation of Revenue Expenditure Funded from Capital Under Statute	59
60 Debt management costs	75
(223) Movement in allowance for bad debts	52
0 Sums directed by the secretary of state	0
48,813 Total Expenditure	103,790
Income	
(65,401) Dwelling rents (gross)	(61,836)
(3,143) Non-dwelling rents	(3,122)
(11,587) Service charges (Tenants charges for services)	(11,574)
(80,131) Gross rents	(76,532)
(1,672) Leaseholders charges for services & facilities	(1,854)
(1,063) Other Charges for Services & Facilities	(1,430)
(562) Contributions toward expenditure	(674)
(83,428) Total Income	(80,490)
(34,615) Net Cost of HRA Services as included in the CIES	23,300
229 HRA's share of corporate & democratic core	294
(34,386) Net cost of HRA Services	23,594
(2,319) (Gain) or loss on the sale of HRA non-current assets	(2,164)
6,230 Interest payable & similar charges	5,964
(234) Interest and investment income	(383)
1,512 Pensions interest cost and expected return on pensions assets	1,683
(92) Income, expenditure changes in the fair value of investment	(87)
(134) Capital grants and contributions receivable	(2,210)
(29,423) Surplus / Deficit for the year on HRA services	26,397

Movement on the HRA Statement

2017/18 £000	2018/19 £000
(18,609) Balance on the HRA at the end of the previous year	(25,114)
(29,423) (Surplus) or deficit for the year on the HRA Income & expenditure account	26,397
22,918 Adjustments between accounting basis & funding basis under statute	(22,863)
(6,505) Net (Increase) or decrease before transfers to or from reserves	3,534
(351) Transfers to / from reserves	(356)
351 Capital Expenditure charged to Revenue	356
(6,505) Increase / decrease in HRA in year	3,534
(25,114) Balance on the HRA at the end of the current year	(21,580)

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 £21m of revaluations down to Income & Expenditure were charged in 2018/19. The debit of £21m in the 2018/19 Income and Expenditure Account is reversed out by a credit in the Movement on the Housing Revenue Account Reserves Statement.
- Retirement benefits are charged as amounts payable to the pension funds and pensioners, rather than as future benefits are earned.

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

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

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

Notes to the Housing Revenue Account

H1. Note to the Movement on the HRA Statement

2017/18 £000	2018/19 £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	
24,630 Charges for depreciation and impairment of non-current assets	(21,733)
0 Charges for revaluations of investment properties	1
(24) Charges for amortisation of intangible non-current assets	0
2,317 Net gain/loss on disposal of non current assets	2,162
(2) REFCUS written down	(59)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	
0 Sums set aside from revenue to fund capital expenditure	0
Other Adjustments	
134 Capital grants and contributions credited to the HRA	2,210
(2,053) Reversal of Major Repairs Allowance credited to the HRA	(3,236)
(4,855) Reversal of items relating to retirement benefits debited or credited to the HRA	(5,401)
2,540 Employer's pension contributions and direct payments to pensioners payable in the year	2,862
16 Transfer from accumulated absences	130
0 Reversal of finance leases	0
215 Other adjustments	201
22,918	(22,863)

H2. 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 2017/18 the figure was 1.56%. The average dwelling rent was £84.81 per week in 2018/19 (£85.80 per week in 2017/18), a decrease of £0.99 over the previous year. The amount of arrears as at the end of the financial year was £2.7million.

H3. Depreciation of non-current assets

The depreciation charge is broken down as follows:

	2017/18 £000	2018/19 £000
Council houses	19,448	21,925
Other assets	2,174	3,323
	21,622	25,248

H4. 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.

	2017/18	2018/19
	£000	£000
Council Houses	(28,300)	17,840
Other Assets	3,584	3,168
	<u>(24,716)</u>	<u>21,008</u>

H5. IAS 19 - Accounting for pensions

Applying IAS 19 to the Housing Revenue Account (HRA) will have no overall effect on the HRA balance as the debit to the Income and Expenditure Account is reversed out by an appropriation from the Pensions Reserve in the Statement of Movement of HRA Balances.

H6. Capital Reserve

A Capital Reserve was established during 1991/92 as part of the Housing Investment Programme (HIP) financing policy. There was no contribution made during the year from revenue surplus.

H7. Transfer to/from Major Repairs Reserve

The Major Repairs Reserve was established at 1 April 2001. Movements on the Reserve during the year were:

	2017/18		Repayment		2018/19
	Total	Houses Other	of borrowing		Total
	£000	£000	£000	£000	£000
Balance at 1 April 2018	0	(1,840)	-	-	(1,840)
Transferred from HRA	(21,501)	(22,002)	-	-	(22,002)
Transferred to HRA	2,053	0	-	-	0
Financing of capital expenditure	17,608	12,832	-	-	12,832
Balance at 31 March 2019	<u>(1,840)</u>	<u>(11,010)</u>	<u>-</u>	<u>-</u>	<u>(11,010)</u>

H8. Housing stock

The City Council was responsible for managing an average of 14,678 dwellings (excluding mobile homes) during 2018/19. The stock as defined by the Housing Revenue Account Subsidy regulations at 31 March was as follows:

	No. of dwellings	
	2017/18	2018/19
Houses	4,353	4,353
Flats	10,412	10,238
	14,765	14,591
Mobile homes	-	-
	14,765	14,591

The change in stock can be summarised as follows:

	No. of Dwellings	
	2017/18	2018/19
Stock at 1 April	14,809	14,765
Mobile Homes no longer within HRA	-	-
Sales	(73)	(58)
Bedsit conversions	-	(14)
Demolitions	-	-
Repurchases	11	7
Additions	4	3
New builds	15	155
Change in use	(1)	(267)
Stock at 31 March	14,765	14,591

H9. 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 2018	632,273	41,203	30,509	1,609	705,594
Depreciation during the year	(21,925)	(2,572)	(573)	(178)	(25,248)
Revaluations	(17,840)	(704)	(84)	(1)	(18,629)
Additions	998	-	21,457	-	22,455
Disposals	(2,943)	-	-	-	(2,943)
Transfers between asset categories	36,338	1,271	(36,576)	(1,033)	0
Appropriations	-	515	-	-	515
Net book value at 31 March 2019	626,901	39,713	14,733	397	681,744

H10. Vacant possession value of dwellings within the HRA

The vacant possession value of dwellings held within the HRA amounts to £1,899m at 31 March 2019.

The substantial difference between this figure and the net book value figure of £627m reflects the economic cost to government of providing council housing at less than open market rents.

H11. Capital expenditure within the HRA

Capital expenditure during the year and its financing was:

	Land	Non-Current Assets		Total
		Houses	Other property & Equipment	
	£000	£000	£000	£000
Borrowing	-	3,845	-	3,845
Usable capital receipts	-	3,487	-	3,487
Revenue contributions	-	-	346	346
Major Repairs Reserve	-	12,832	-	12,832
Grants and contributions	-	2,522	-	2,522
	-	22,686	346	23,032

H12. Bad Debt Provision

	31 March 2018	Additions and reductions	Write-offs	31 March 2019
	£000	£000	£000	£000
Housing rents provision	(2,454)	(31)	531	(1,954)
Sale of flats provision	(45)	45	0	0
Provision for other HRA bad debts	(78)	32	0	(46)
	<u>(2,577)</u>	<u>46</u>	<u>531</u>	<u>(2,000)</u>

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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 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 misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to the revenue account each year 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.

Title of meeting: Governance and Audit and Standards Committee
Cabinet
City Council

Date of meeting: Governance and Audit and Standards Committee 26 July 2019
Cabinet 10 September 2019
City Council 13 October 2019

Subject: Treasury Management Outturn Report 2018/19

Report by: Director of Finance and Information Technology (Section 151 Officer)

Wards affected: All

Key decision: No

Full Council decision: Yes

1. Executive Summary

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Prudential Code of Practice requires local authorities to calculate prudential indicators before the start of and after each financial year. The CIPFA Code of Practice on Treasury Management also requires the Section 151 Officer to prepare an annual report on the outturn of the previous year. This information is shown in Appendix A of the report.

2. Purpose of Report

To inform members and the wider community of the Council's treasury management activities in 2018/19 and of the Council's treasury management position as at 31 March 2019.

3. Recommendations

It is recommended that the actual prudential and treasury management indicators based on the unaudited accounts, as shown in Appendix B, be noted (an explanation of the prudential and treasury management indicators is contained in Appendix C).

4. Background

The Local Government Act 2003 requires local authorities to have regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities.

5. Reasons for Recommendations

The net cost of Treasury Management activities and the risks associated with those activities have a significant effect on the Council's overall finances.

6. Equality Impact Assessment

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

8. Director of Finance & Information Technology (Section 151 Officer) comments

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

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

Appendices:

- Appendix A: Treasury Management Outturn Report**
- Appendix B: Prudential and Treasury Management Indicators**
- Appendix C: Explanation of Prudential and Treasury Management Indicators**
- Appendix D: Public Works Loans Board (PWLB) Interest Rates**
- Appendix E: Debt maturity Pattern**
- Appendix F: Investment Rates - Bank Rate v. London Interbank Bid (LIBID) Rates**
- Appendix G: Investment Maturity Pattern**

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	Information pertaining to the treasury management outturn	Financial Services
2		

TREASURY MANAGEMENT OUTTURN REPORT**1. GOVERNANCE**

Treasury management activities were performed within the Prudential Indicators approved by the City Council.

Treasury management activities are also governed by the Treasury Management Policy Statement, Annual Minimum Revenue Provision for Debt Repayment Statement and Annual Investment Strategy approved by the City Council.

2. COMBINED BORROWING AND INVESTMENT POSITION (NET DEBT)

On 31 March 2019 the Council had gross debt including finance leases and private finance initiative (PFI) schemes of £656m and gross investments of £417m giving rise to a net debt of £239m. 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 cheap funding for the Council's capital program. 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. Current borrowing rates are 1.22% higher than investment rates. Securing low cost long term funding for the capital program will provide longer term savings through reduced borrowing costs.

3. BORROWING ACTIVITY

The Council has established a net loans requirement in its Capital Strategy for 2019/20. This is the Council's underlying need to borrow to fund the approved capital program after taking account of cash backed reserves which could be used to internally fund capital expenditure financed from borrowing for a limited period. This identified that the Council will need to borrow £46m within the next 3 years.

Since Public Works Loans Board (PWLB) rates peaked during October 2018, most PWLB rates have been on a general downward trend, though longer term rates did spike upwards again during December, and, (apart from the 1 year rate), reached lows for the year at the end of March (See Appendix D). In March £34.5m was borrowed for the following reasons:

- The PWLB Certainty Rate (the rate that the PWLB charges the Council for borrowing) was less than 2.50% which the Bank of England has suggested will be the neutral base rate in the long term, ie. the rate at which monetary policy is neither accommodating or constraining the economy;
- The PWLB Certainty Rate was less than the Council's treasury management advisors, Link Asset Services, target borrowing rate;

- Link Asset Services had forecast that the rate that the PWLB would lend to local authorities would increase by 0.10% by June 2019 and continue to gradually increase for at least the next 3 years;
- Borrowing in March 2019 was forecast to have a lower cost in real terms, taking account of the time value of money, than borrowing in 3 years' time.

Consequently the following loans were taken from the PWLB in March:

- £23m on 12 March at 2.39% for 50 years repayable at maturity
- £11.5m on 25 March at 2.24% for 46 years repayable at maturity

The Council borrowed £2.1m interest free from Salix repayable over 5 years to fund energy efficiency projects including the replacement of street lighting with LED lamps. Salix is a not-for-profit organisation that is funded by the Government to promote energy efficiency within the public sector.

The Council's gross debt at 31 March 2019 of £656m is within the Council's authorised limit (the maximum amount of borrowing permitted by the Council) of £724m and the Council's operational boundary (the maximum amount of borrowing that is expected) of £706m. 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 (Appendix E) is within the limits contained in the Council's Treasury Management Policy.

4. INVESTMENT ACTIVITY

Size of Cash Investment Portfolio

The Council's cash investment portfolio has decreased by £2.0m from £418.7m at 31 March 2018 to £416.7m at 31 March 2019.

Interest rates

Bank Rate and London Interbank Bid (LIBID) investment rates for 2018/19 are shown in Appendix F.

Interest rates offered on investments remained generally low during 2018/19. The expectation for interest rates within the treasury management strategy for 2018/19 was that Bank Rate would rise from 0.50% to 0.75%. At the start of 2018-19, and after UK GDP growth had proved disappointingly weak in the first few months of 2018, the expectation for the timing of this increase was pushed back from May to August 2018. Investment interest rates were therefore on a gently rising trend in the first half of the year after April, in anticipation that the Monetary Policy Committee of the Bank of England (MPC) would raise Bank Rate in August. This duly happened at the MPC meeting on 2 August 2018.

It was expected that the MPC would not raise the Bank Rate again during 2018-19 after August in view of the fact that the UK was entering into a time of major uncertainty with Brexit due in March 2019. Value was therefore sought by investing longer term where cash balances were sufficient to allow this.

Investment rates were little changed during August to October but rose sharply after the MPC meeting of 1 November was unexpectedly hawkish about their perception of building inflationary pressures, particularly from rising wages. However, weak GDP growth data after December, plus increasing concerns generated by Brexit, resulted in investment rates falling back again.

Treasury Management Strategy

During the year investments were made to meet the objectives of the Treasury Management Strategy approved by the City Council on 20 March 2018. These were to:

- Ensure the security of lending
- To maintain £10m in instant access accounts
- To make funds available to the Council's subsidiaries
- To make funds available for the regeneration of Hampshire
- To optimise the return on surplus funds
- To manage the Council's investment maturity profile to ensure that no single month exposes the authority to a substantial re-investment requirement when interest rates may be relatively low

The Council has numerous investment objectives which can conflict with each other and a balance has to be struck.

Security of Lending

None of the City Council's investments has defaulted. However, £2.8m was lent to Victory Services Energy Limited (VESL) which now faces an uncertain future. Because of this uncertainty a £2.8m provision has been made to cover the resulting loss if VESL does default.

Maintaining £10m in Instant Access Accounts

At 31 March 2019 £29.9m was invested in instant access accounts (£29.7m at 31 March 2018).

To Make Funds Available to the Council's Subsidiaries

At 31 March 2019 £2.8m had been lent to VESL. No other surplus cash had been lent to subsidiary companies. £6.5m had been lent to Portico (formerly MMD) for capital purposes, but this was done through the capital program rather than through the Treasury Management Policy.

To Make Funds Available for the Regeneration of Hampshire

It was intended to fulfill this objective by providing secured loans to Hampshire Community Bnk (HCB) which would then on lend the Council's funds to small and medium sized businesses in Hampshire. However, at 31 March 2019 a funding arrangement had not been agreed with HCB and no funds had been lent.

To Optimise the Return on Surplus Funds

The average return on the Council's cash investments during 2018/19 before providing for defaults was 1.12%. This compares with 0.90% during 2017/18. This was largely achieved by lengthening the weighted average duration of the investment portfolio by 81 days from 217 days at 31 March 2018 to 298 days at 31 March 2019. However, after taking account of the provision made for the investment in VESL, the average return falls to 0.47%.

Maintaining an Even Investment Maturity Profile

The maturity profile of the Council's investments is shown on Appendix G.

No more than 13% of the investment portfolio matures in any single month.

5. REVENUE COSTS OF TREASURY MANAGEMENT ACTIVITIES IN 2018/19

Expenditure on treasury management activities in both the General Fund and the HRA against the revised budget is shown below.

	Revised Estimate 2018/19 £000	Actual 2018/19 £000	Variance +/- £000
Interest Payable:			
PWLB	17,418	17,405	(13)
Other Long Term Loans	1,129	1,001	(128)
HCC Transferred Debt	379	359	(20)
Interest on Finance Lease	189	189	0
Interest on Service Concession Arrangements (including PFIs)	6,364	6,364	0
Interest Payable to External Organisations	7	7	0
Premiums and Discounts on Early Redemption of Debt	85	85	0
	25,571	25,410	(161)
<u>Deduct</u>			
Investment Income:			
Interest on Investments	(2,457)	(4,674)	(2,217)
Impairment of Investments		2,753	2,753
Other interest receivable	(1,309)	(1,365)	(56)
	21,805	22,124	319
Provision for Repayment of Debt	3,841	4,118	277
Debt Management Costs	498	547	49
	26,144	26,789	645

Net treasury management costs were £0.6m, or 2.5% above the revised budget (£0.8m, or 3.1% below the revised budget in 2017/18).

Interest payable was £0.2m below the revised estimate. This was mostly due to less contingent interest being payable than had been anticipated on the loan from Canada Life which is subject to retail price index (RPI) increases.

Interest income was £0.5m below the revised estimate. Although interest on investments was £2.2m more than the revised estimate, this was offset by making a £2.8m provision for the investment in VESL.

The provision for the repayment of debt was £0.3m more than the revised estimate. This is because the provision for the repayment of debt on recently capital completed schemes was greater than had been anticipated.

PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS

1. Capital financing requirement	Original Estimate	Actual	
	£'000	£'000	
General Fund	467,446	453,626	
Housing Revenue Account (HRA)	177,260	173,068	
Total	644,706	626,694	
2. Authorised Limit	Limit	Actual	
	£'000	£'000	
Long Term Borrowing	658,069	589,521	
Other Long Term Liabilities	66,151	66,151	
Total	724,220	655,672	
3. Operational Boundary	Limit	Actual	
	£'000	£'000	
Long Term Borrowing	640,093	589,521	
Other Long Term Liabilities	66,151	66,151	
Total	706,244	655,672	
4. Ratio of financing costs to net revenue stream	Original Estimate	Actual	
General Fund	10.9%	10.3%	
Housing Revenue Account (HRA)	7.2%	7.4%	
Total			
5. Interest rate exposures	Limit	Actual	
	£'000	£'000	
Fixed rate (net borrowing)	454,000	394,068	
Variable rate (net investments)	289,000	218,489	
6. Maturity Structure of Fixed Rate Borrowing	Lower Limit	Upper Limit	Actual
Under 12 months	0%	10%	1%
12 months and within 24 months	0%	10%	1%
24 months and within 5 years	0%	10%	4%
5 years and within 10 years	0%	20%	6%
10 years and within 20 years	0%	30%	23%
20 years and within 30 years	0%	30%	7%
30 years and within 40 years	0%	40%	28%
Over 40 years	0%	40%	30%
7. Principal sums invested over 365 days	Limit	Actual	
	£'000	£'000	
Maturing after 31/3/2019	264,000	155,590	
Maturing after 31/3/2020	205,000	115,150	
Maturing after 31/3/2021	144,000	63,250	
Maturing after 31/3/2022	117,000	10,000	

PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS

1. ACTUAL CAPITAL FINANCING REQUIREMENT

This represents the underlying requirement to borrow for capital expenditure. It takes the total value of the City Council's fixed assets and determines the amount that has yet to be repaid or provided for within the Council's accounts.

The capital financing requirement is increased each year by any new borrowing and reduced by any provision for the repayment of debt. Broadly, the higher the capital financing requirement, the higher the amount that is required to be set aside for the repayment of debt in the following year.

2. AUTHORISED LIMIT

The authorised limit for external debt is the maximum amount of debt which the authority may legally have outstanding at any time. The authorised limit includes headroom to enable the Council to take advantage of unexpected movements in interest rates and to accommodate any short-term debt or unusual cash movements that could arise during the year.

3. OPERATIONAL BOUNDARY

The Operational Boundary is based on the probable external debt during the course of the year. It is not a limit, but acts as a warning mechanism to prevent the authorised limit (above) being breached.

4. RATIO OF FINANCING COSTS TO NET REVENUE STREAM 2018/19

This ratio reflects the annual cost of financing net debt as a proportion of the total revenue financing received. It therefore represents the proportion of the City Council's expenditure that is largely fixed and committed to repaying debt. The higher the ratio, the lower the flexibility there is to shift resources to priority areas and/or reduce expenditure to meet funding shortfalls.

For the General Fund, this is the annual cost of financing debt as a proportion of total income received from General Government Grants, Non Domestic Rates and Council Tax.

The ratio of Housing Revenue Account (HRA) financing costs to net revenue stream is the annual cost of financing capital expenditure, as a proportion of total gross income received including housing rents and charges.

5. 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.

Variable interest rates expose the Council to the benefits and dis-benefits of interest rate movements and can give rise to budget variances.

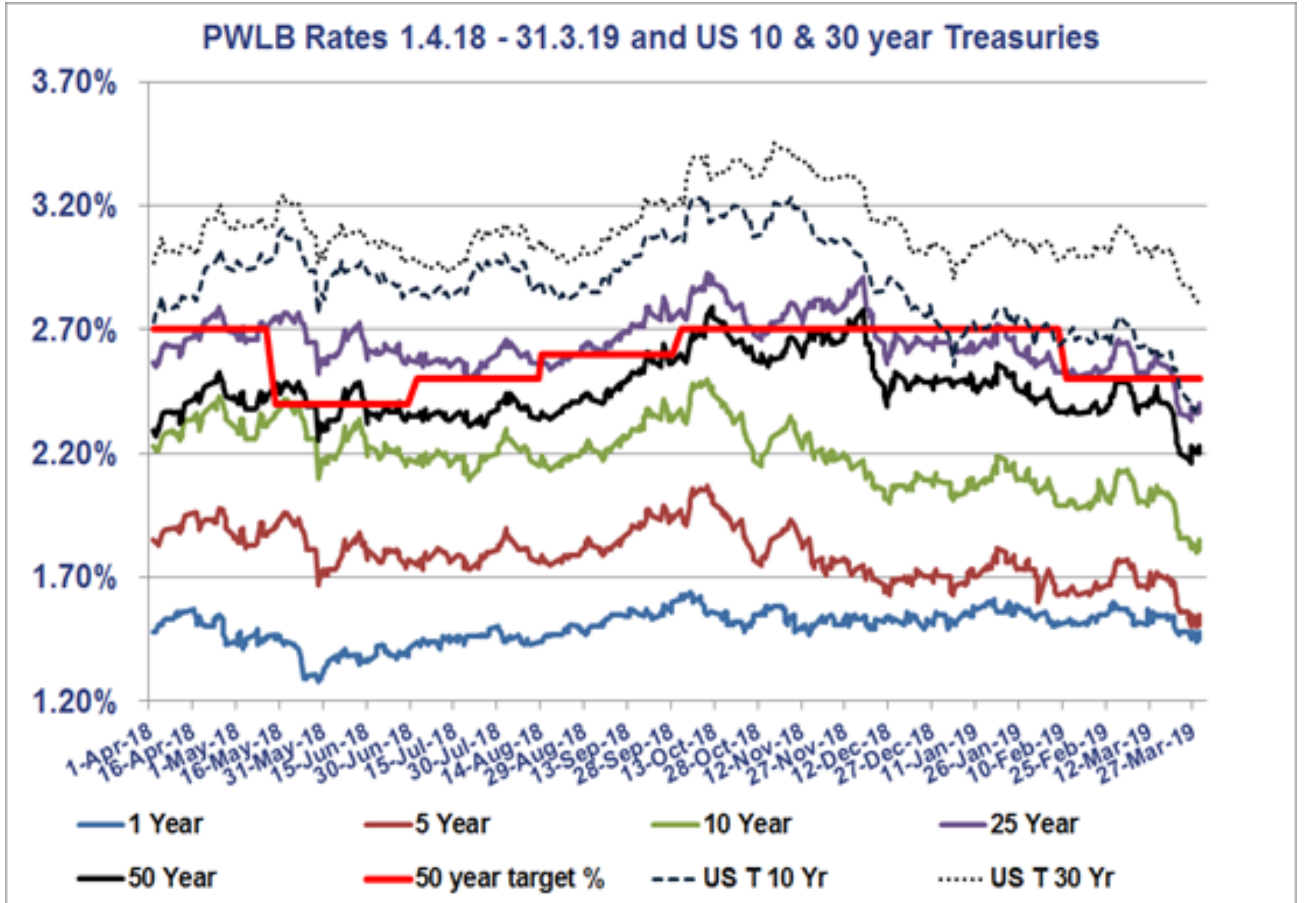
6. MATURITY STRUCTURE OF FIXED RATE BORROWING

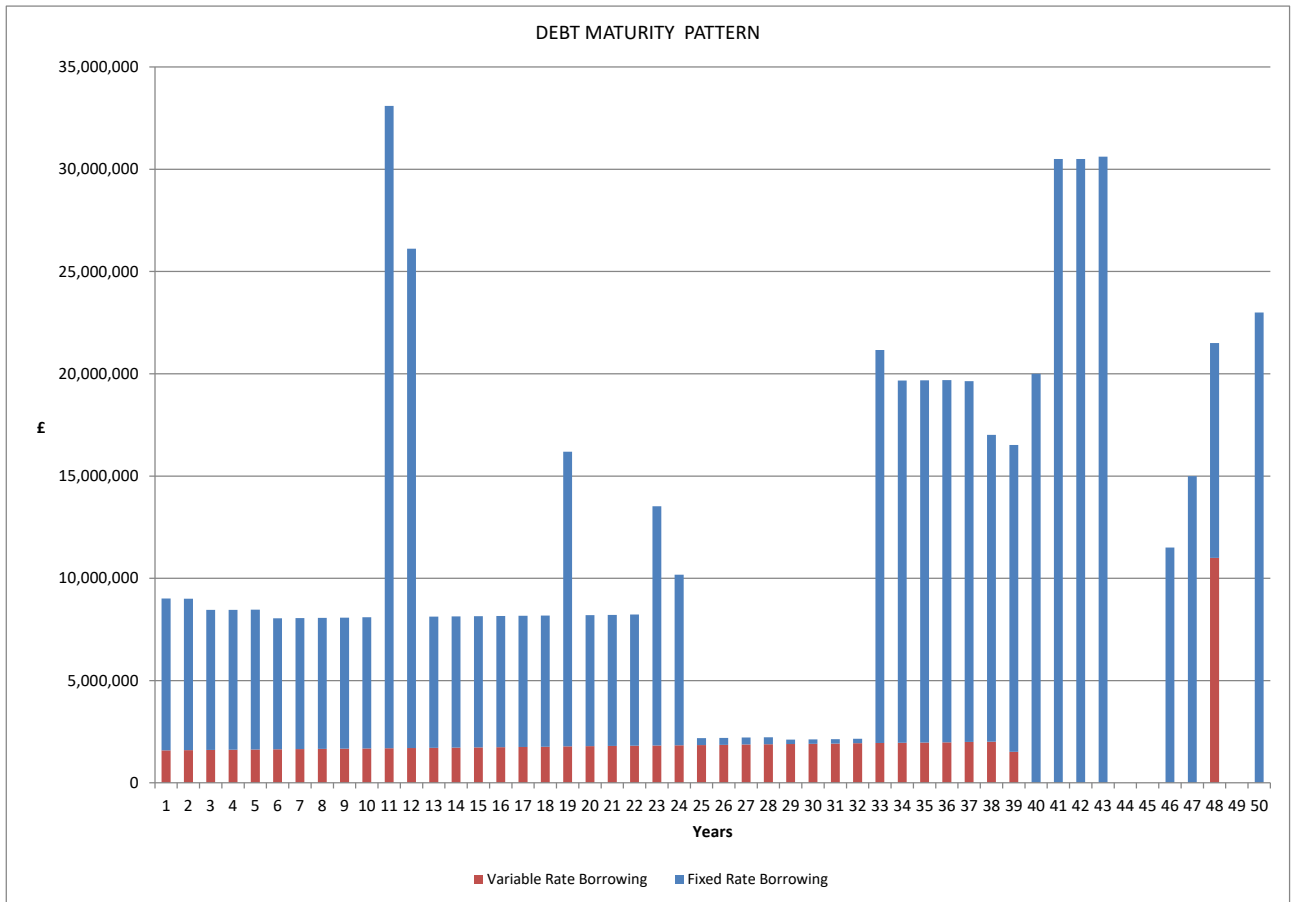
The Council aims to have a reasonably even debt maturity profile so that it is not unduly exposed to refinancing risk in any particular year when interest rates may be high. The maturity structure of fixed rate borrowing matters less in future years as inflation will reduce the real value of the sums to be repaid.

7. PRINCIPAL SUMS INVESTED FOR OVER 365 DAYS

Investing long term at fixed rates provides certainty of income and reduces the risk of interest rates falling.

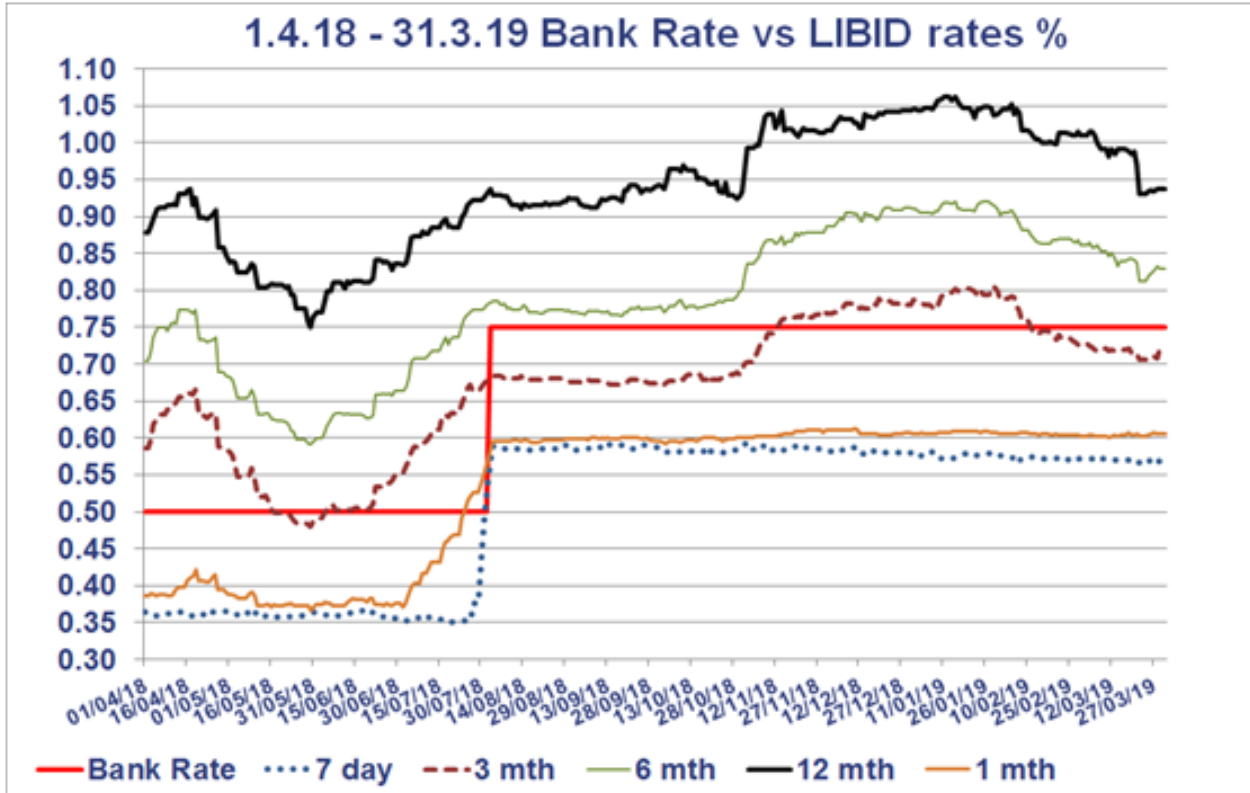
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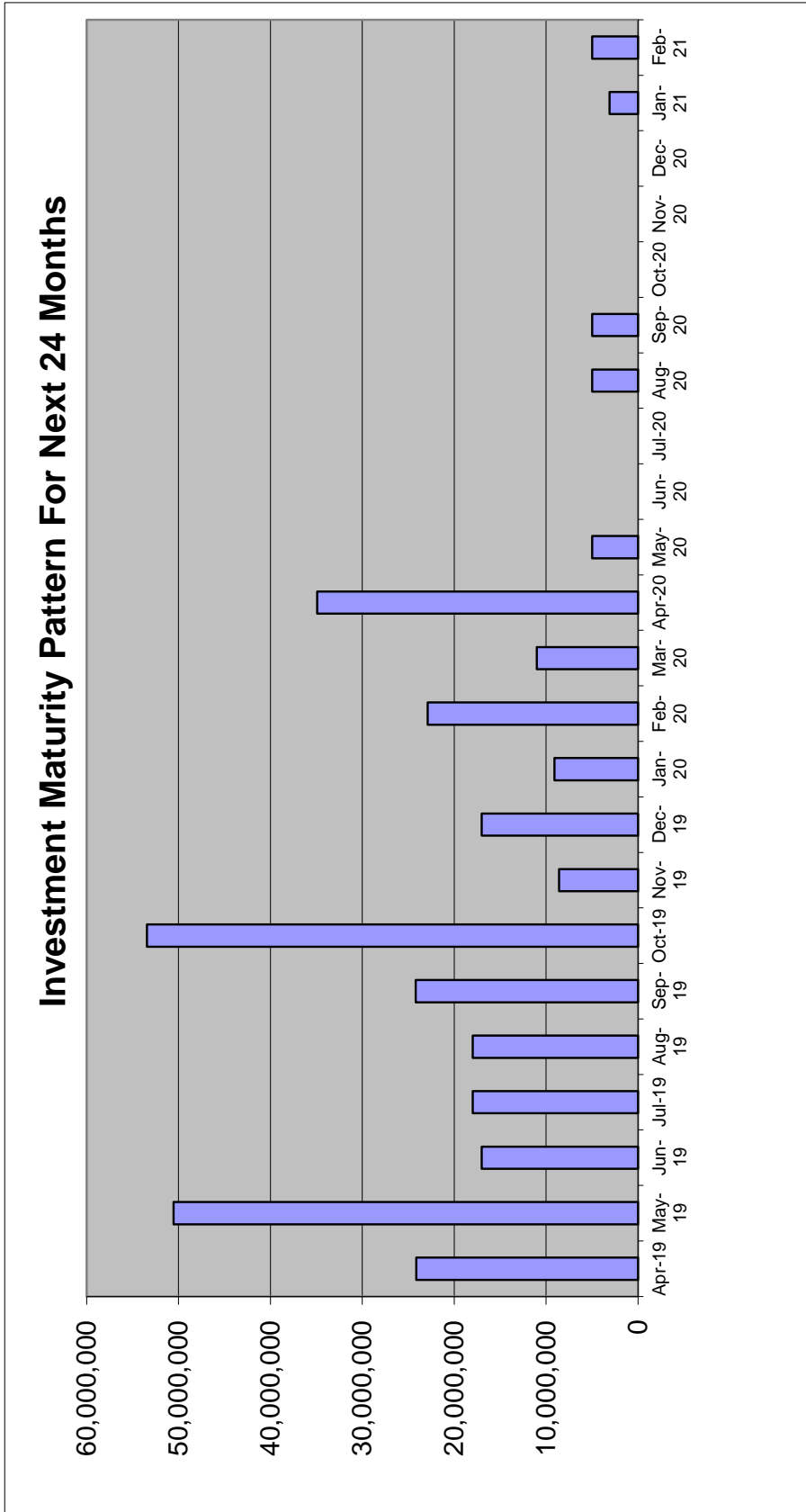




Years 11 and 12

In 2013 the Council successfully applied to the Government to borrow £43m from the PWLB at a discounted "Project Rate" to finance the development of Tipner, Horsey Island and Dunsbury Hill. As a consequence of this £25m was borrowed in 2014/15 and £18m was borrowed in 2015/16 for 15 years repayable at maturity in line with the financing requirements of this project.





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Agenda Item 9

Title of meeting:	Governance and Audit and Standards Committee
Date of meeting:	26 th July 2019
Subject:	Treasury Management Monitoring Report for the First Quarter of 2019/20
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 19th March 2019.

2. Purpose of report

The purpose of the report is to inform members and the wider community of the Council's Treasury Management position, ie. its borrowing and cash investments at 30th June 2019 and of the risks attached to that position.

Whilst the Council has a portfolio of investment properties and some equity shares which were acquired through the capital program; these do not in themselves form part of the treasury management function. The performance of the investment property portfolio was reported to the Cabinet on 9th October 2018.

3. Recommendations

It is recommended that the following be noted:

- 3.1 That there have been no breaches of the Treasury Management Policy 2019/20 in the period up to 30th June 2019.
- 3.2 That the actual Treasury Management indicators as at 30th June 2019 set out in Appendix A be noted.

4. Background

The Council's treasury management operations encompass the following:

- Cash flow forecasting (both daily balances and longer term forecasting)
- Investing surplus funds in approved cash investments
- Borrowing to finance short term cash deficits and capital payments
- Management of debt (including rescheduling and ensuring an even maturity profile)

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 treasury management budget accounts for a significant proportion of the Council's overall budget.

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 within the Treasury Management Policy 2019/20 on 8th March 2019. The City Council approved the Treasury Management Policy 2019/20 on 19th March 2019.

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.

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Signed by Director of Finance and Information Technology Services (Section 151 Officer)

Appendices:

Appendix A: Treasury Management Monitoring Report
Appendix B: LIBID rates 2019/20

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

APPENDIX A**TREASURY MANAGEMENT POSITION FOR THE FIRST QUARTER OF 2019/20****A1. SUMMARY OF TREASURY MANAGEMENT INDICATORS**

The City Council originally approved the authorised limit (the maximum amount of borrowing permitted by the Council) and the operational boundary (the maximum amount of borrowing that is expected) on 12th February 2019. On 17th June the City Council increased the authorised limit and the operational boundary in order to facilitate the acquisition of the city's out of town business park, Lakeside North Harbour for a sum substantially in excess of £100m to be financed by borrowing. The Council's debt at 30th June was as follows:

Prudential Indicator	Original Limit £m	Revised Limit £m	Actual £m
Authorised Limit - the maximum amount of borrowing permitted by the Council	737	807	703
Operational Boundary - the maximum amount of borrowing that is expected	707	777	703

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
Minimum proportion of loans maturing	0%	0%	0%	0%	0%	0%	0%	0%
Maximum proportion of loans maturing	10%	10%	10%	20%	30%	30%	40%	40%
Actual proportion of loans maturing	1%	1%	4%	6%	23%	7%	28%	30%

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
Minimum proportion of loans maturing	0%	0%	0%	0%	0%	0%	0%	0%
Maximum proportion of loans maturing	10%	10%	10%	20%	30%	30%	30%	30%
Actual proportion of loans maturing	2%	2%	6%	10%	22%	23%	21%	14%

Surplus cash invested for periods longer than 365 days at 30th June 2019 was:

	Limit	Quarter 1 Actual
	£m	£m
Maturing after 31/3/2020	205	110
Maturing after 31/3/2021	144	22
Maturing after 31/3/2022	117	10

A2. GOVERNANCE

The Treasury Management Policy approved by the City Council on 19th March 2019 provides the framework within which treasury management activities are undertaken.

There have been no breaches of these policies during 2019/20 up to the period ending 30th June 2019.

A3. BORROWING ACTIVITY

There has been a slight reduction in Public Works Loans Board (PWLB) rates in the first quarter of 2019/20 with continued uncertainty over the Conservative Party leadership election and a lack of clarity around Brexit.

Although the Council had cash investments of £417m at the start of 2019/20, most of these investments mature after the expected completion date for acquiring Lakeside North Harbour Business Park and are not tradable. Therefore £50m was borrowed to facilitate the acquisition of Lakeside North Harbour Business Park.

On 29 May the Council borrowed £20m from the PWLB at 2.28% repayable over 35 years on an annuity basis to help fund the acquisition of Lakeside, North Harbour Business Park.

With a lack of clarity over Brexit, trade uncertainty, global growth concerns and political tensions, market expectations for an increase in interest rates before May 2020 are close to zero. Market expectations for a cut in Bank Rate before May 2020 have picked up on the dovishness of the Bank of England and the Federal Reserve at their recent policy meetings although this is still not a strong view. With the likelihood of an interest rate cut exceeding the likelihood of an increase in interest rates, the remaining £30m required to facilitate the acquisition of Lakeside North Harbour Business Park was borrowed short term as follows:

- On 7 June the Council borrowed £10m for 7 Weeks at 0.65%
- On 10 June the Council borrowed £10m for 1 month at 0.68%
- On 20 June the Council borrowed £10m for 1 month at 0.68%

This short term borrowing will need to be replaced with long term fixed rate borrowing at some point in the future in line with the objective in the Capital Strategy approved by the City Council on 19th March 2019 to borrow as cheaply as possible for the long term at a fixed rate.

The average interest rate payable on the £50m borrowed in the first quarter of 2019/20 is 1.31%. These funds have been placed in money market funds and an instant access deposit account at Barclays Bank earning an average return of 0.69%. Therefore the Council will be bearing a cost of carry of 0.62%.

The acquisition of Lakeside North Harbour Business Park will increase the Council's underlying need to borrow, as measured by its capital financing requirement, by well in excess of £100m. Therefore the Council will ultimately need to undertake long term borrowing substantially in excess of a further £80m to finance the acquisition of Lakeside North Harbour Business Park.

The Council's gross borrowing at 30th June 2019 of £703m is within the Council's Authorised Limit (the maximum amount of borrowing approved by City Council) of £807m and also within the Council's Operational Boundary (the limit beyond which borrowing is not expected to exceed) of £777m.

The Council plans for gross borrowing to have a reasonably even maturity profile. This is to ensure that the Council does not need to replace large amounts of maturing borrowing when interest rates could be unfavourable.

The actual maturity profile of the Council's borrowing is within the limits contained within the Council's Treasury Management Policy (see paragraph A1).

Early Redemption of Borrowing

With the exception of two loans all the Council's borrowings to finance capital expenditure are fixed rate and fixed term loans. This reduces interest rate risk and provides a high degree of budget certainty.

The Council's borrowing portfolio is kept under review to identify if and when it would be financially beneficial to repay any specific loans early. Repaying borrowing early invariably results in a premium (early repayment charges) by the PWLB that are sufficiently large to make early repayment of borrowing financially unattractive to the Council.

No debt rescheduling or early repayment of debt has been undertaken during 2019/20 as it has not have been financially advantageous for the Council to do so.

Under/Over Borrowing

The extent to which the Council is "under" or "over" borrowed is determined by comparing the actual value of long term borrowing outstanding with the value of capital expenditure that has been incurred and was financed by borrowing (after deducting Minimum Revenue Provision that has been made in respect of that capital expenditure).

If the Council has borrowed less than it requires to fund the total value of capital expenditure to be funded from borrowing the Council is "under borrowed" and if the value of borrowing is greater than the value of capital expenditure incurred which is to be financed from borrowing it is "over borrowed".

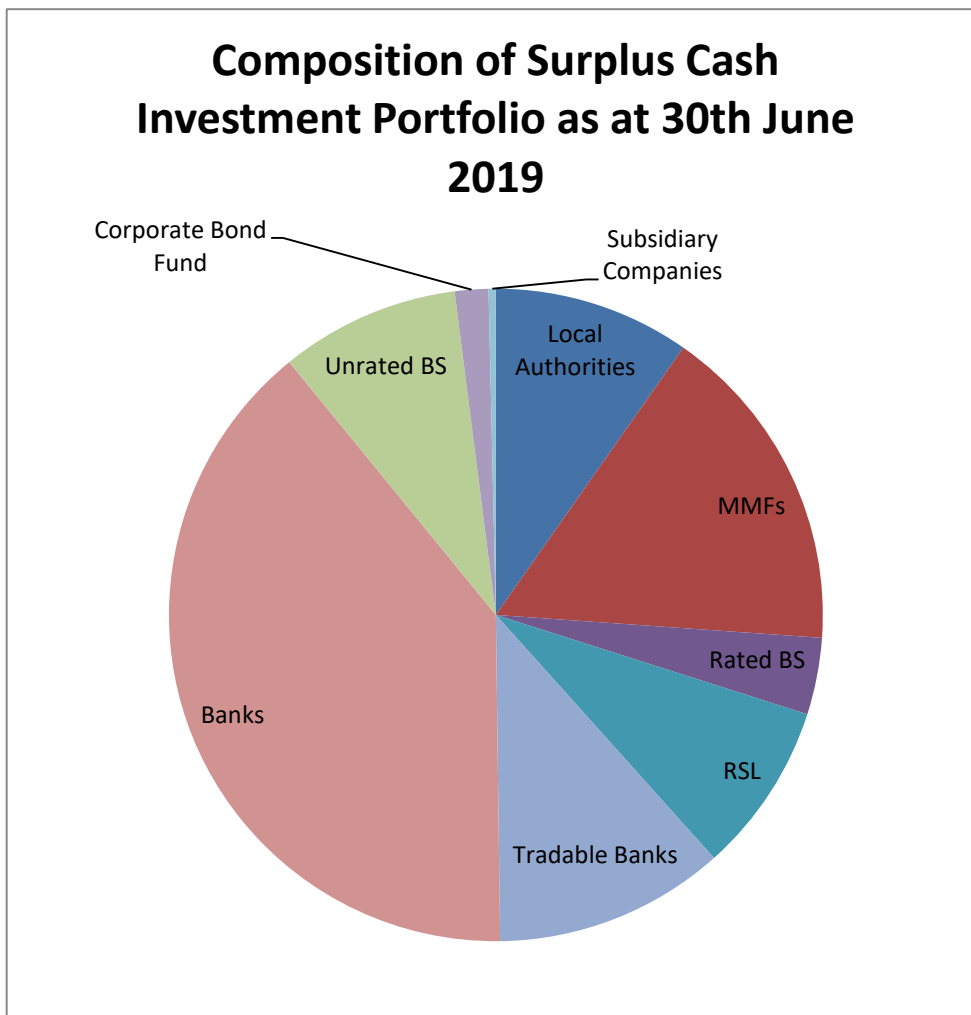
At 31 March 2019 the Council was over borrowed by £29m. The £50m borrowed in the first quarter of 2019/20 will increase the Council's over borrowing to £79m. However, the Council will be under borrowed following the acquisition of Lakeside North Harbour Business Park.

A4. INVESTMENT ACTIVITY

Investment rates for terms of less than a month have remained constant at less than 0.70% in the first quarter of 2019/20. Investment rates for terms in excess of 3 months have followed a falling trend in the first quarter of 2019/20. Appendix B shows the actual market rates available for the first quarter of 2019/20. Bank base rate is not expected to rise again this financial year and then to only rise slowly thereafter.

The Council's surplus cash investments have increased by £60m from £417m at 31st March 2019 to £477m at 30th June 2019. This is due to funds being borrowed to fund the acquisition of Lakeside North Harbour Business Park. The average rate of return on the Council's cash investments has risen from 1.12% in 2018/19 (before providing for defaults) to 1.20% in the first quarter of 2019/20. The improvement in the return on the Council's cash investments is due to an increase in the market value of tradable investments as they near maturity. The Council's budgeted investment return for 2019/20 is £4.2m and performance for the year to date is £0.3m above budget. This is also a result of having higher cash balances than originally anticipated in order to fund the acquisition of Lakeside North Harbour Business Park. All the Council's investments have been in accordance with the Council's Treasury Management Policy approved by Full Council in March 2019 and there are no breaches to report.

A summary of the Council's surplus cash investment portfolio is shown in the graph below. These investments totaled £477m as at 30th 2019.



Money Market Funds

Money market funds are instant access investments in AAA rated pooled funds.

Tradable Investments in Banks and Corporates (Commercial Companies)

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.

Externally Management Corporate Bond Holdings

The Council has some externally managed corporate bond holdings. These consist of tradable debt issued by commercial companies.

Rated Building Societies

These are building societies with at least two credit ratings from Standard and Poor, Moody's or Fitch.

Unrated Building Societies

These are building societies that do not have at least two credit ratings from Standard and Poor, Moody's or Fitch.

A5. COMBINED BORROWING AND INVESTMENT POSITION (NET DEBT)

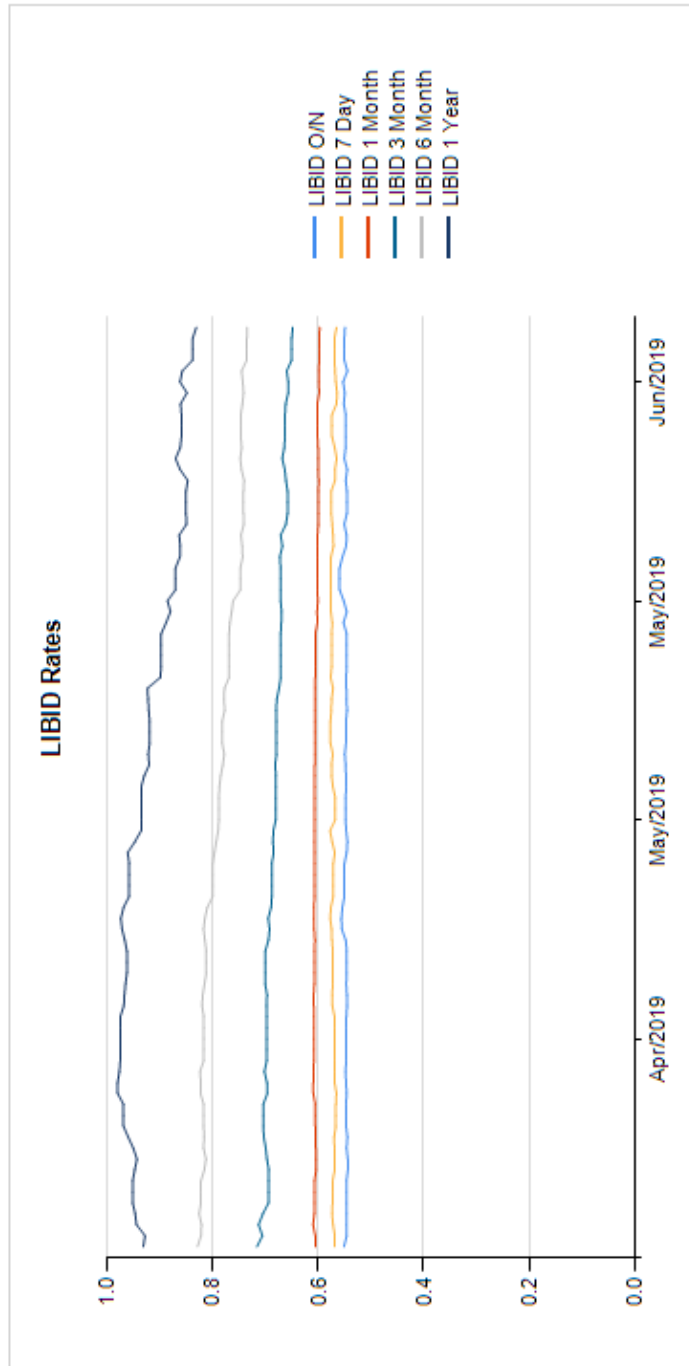
The Councils net debt position at 30th June 2019 is summarised in the table below.

	Principal	Average Interest Rate	Interest to 30th June 2019
Borrowing (including finance leases & private finance initiative (PFI) schemes)	£638m	3.07%	£4.9m
Investments	(477m)	(1.20%)	(£1.3m)
Net Debt	£161m		£3.6m

APPENDIX B

LIBID rates are London inter-bank bid rates and give an indication of the rates available in the London money market

Some of the Council's cash is invested for longer than a year for which there is no comparable published LIBID rate





Agenda item:

Decision maker:	Governance & Audit & Standards Committee
Subject:	Regulation of Investigatory Powers Act 2000 (RIPA)
Date of decision:	29 th July 2019
Report from:	Elizabeth Goodwin, Chief Internal Auditor
Report by:	Lorraine Lindsay, Audit & Investigations Officer
Wards affected	All
Key decision (over £250k)	N/A

1. Summary

- 1.1 Following the issue of updated (September 2018) Codes of Practice and Guidance by the Investigatory Powers Commissioner's Office (IPCO) and a change in personnel, minor amendments are proposed to be made to the Policy. There has not been any RIPA application since the last report to Committee on the 29th January 2016.

2. Purpose of report

- 2.1 To update Members on the Authority's use of Regulatory Powers for the period from 29th January 2016 to 5th July 2019 and the changes required to the Policy.

3. Background

- 3.1 PCC has a Policy and Procedures to ensure that officers comply with the Regulation of Investigatory Powers Act 2000 requirements to mitigate any risk of legal challenge. These documents are updated when there are changes in the codes of practice or legislation, including case law and personnel.

4. Recommendations

It is recommended that Members of the Governance and Audit and Standards Committee:

- 4.1 Note that there have not been any RIPA applications authorised since the last report to this Committee on the 29th January 2016,
- 4.2 Approve the required changes detailed under section 6, which have been made following the introduction of new Codes of Practice and Guidance and changes key in personnel.

5. Development since the previous reporting period

- 5.1 There has not been any RIPA activity for a number of years and none for the period noted. PCC were last inspected by Sir David Clarke (Assistant Surveillance Commissioner) in May 2016, who concluded that the high standards reported at the conclusion of the previous inspection in April 2013 had been maintained.
- 5.2 Since 1st September 2017 Lord Justice Fulford became the Investigatory Powers Commissioner and the Investigatory Powers Commissioner's Office (IPCO) took over the inspection and oversight functions in the single independent function which had been carried out by previous commissioners' offices', (Office of the Surveillance Commissioner - OSC, Chief Surveillance, Interception of Communications, and Intelligence Services Commissioners).

6. Changes to Policy

- 6.1 The proposed changes to the RIPA Policy & Procedures are highlighted on the attached document Appendix A and are as follows:
- 6.1.1 **Policy Title:** Page 1, Policy Owner has changed from Michael Lawther (Deputy Chief Executive & Senior Responsible Officer) to Elizabeth Goodwin (Chief Internal Auditor & new Senior Responsible Officer). Policy Author, from Elizabeth Goodwin to Lorraine Lindsay (Audit & Investigation Officer). This page has also been updated with 'contractors' (acting on behalf of the Authority) added.
- 6.1.2 **Policy Statement:** Paragraph 1.8, Statutory Instrument updated from 2003 No. 3171 to 2010 No. 521.
- 6.1.3 **Terms Explained:** Paragraph 3.3, additional narrative provided for clarity relating to Covert Human Intelligence Sources. Paragraph 3.4 & 3.5 - Collateral Intrusion also updated to provide clarity around the definition of collateral intrusion. Paragraph 3.7, the word 'prolonged' amended to 'targeted'.
- 6.1.4 **Confidential Material:** Paragraph 3.8, additional narrative has been added to give clarity relating to confidential material.
- 6.1.5 **Juvenile Sources:** Paragraph 4.4.1 has been added to provide clarity on juvenile sources. Paragraph 5.12 has been amended as the duration of any authorisation has been amended from one month to four months. In addition, wording has been added relating to the requirement of any authorisation to be subject to at least monthly reviews.
- 6.1.6 **Covert Surveillance of Social Network Sites (SNS):** Paragraph 4.6 has been amended following additional guidance under the Home Office revised Code of Practice. 4.6.1 to 4.6.7 are all new detailed inclusions.
- 6.1.7 **Risk Assessment - Duty of Care:** Paragraphs 5.4 to 5.6 have been added to ensure that guidance is provided in the 'duty of care' to a covert human intelligence source (CHIS) and the need to perform risk assessments.

- 6.1.8 **CCTV & Aerial Covert Surveillance:** Paragraph 6.2 has been added following guidance provided by the Home Office.
- 6.1.9 **Oversight and IPCO Guidance - Senior Responsible Officer:** Paragraph 10.1 has been updated to change the Senior Responsible Officer from Michael Lawther to Elizabeth Goodwin. 10.5 has also been updated to reflect the change in independent oversight from the Office of the Surveillance Commissioner to the Investigatory Powers Commissioners Office.
- 6.1.10 **Complaints:** The phone number noted for the Investigatory Powers Tribunal has been updated.
- 6.1.11 **Appendix A - Contacts:** The contact details have been amended to include a new 'Authorising Officer' Paul Somerset - Deputy Chief Internal Auditor, who has replaced Elizabeth Goodwin - Chief Internal Auditor.

7. Equality impact assessment (EIA)

This is an information report only and therefore does not require an equalities impact assessment.

8. Legal Implications

8.1 The Legal implications are incorporated within the body of this report. There are no other immediate legal implications arising from this report

9. Finance Comments

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

.....
 Signed by: Elizabeth Goodwin, Chief Internal Auditor, Senior Responsible Officer for RIPA.

Appendices: APPENDIX A UPDATED 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
1 Covert Surveillance Code of Practice Issued by the Home Office and Covert Human Intelligence sources Code of Practice issued by the Home Office	https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/742041/201800802_CSPI_code.pdf

2	Regulation of Investigatory Powers Act 2000	http://www.legislation.gov.uk/ukpga/2000/23/contents
3	Portsmouth City Council Regulation of Investigatory Powers Act Policy	Revised Policy attached as Appendix to this report.
4	Protection of Freedoms Bill	http://www.homeoffice.gov.uk/publications/about-us/legislation/protection-freedoms-bill/

Policy Title: Corporate Policy and Procedure on the Regulation of Investigatory Powers Act 2000 (RIPA)

ID	<i>Counter Fraud -RIPA</i>
Last Review Date	<i>June 2019</i>
Next Review Date	<i>When any changes in personnel, legislation or Codes of Practice</i>
Approval	<i>Governance and Audit and Standards Committee.</i>
Policy Owner	<i>Elizabeth Goodwin, Chief Internal Auditor & Senior Responsible Officer for RIPA</i>
Policy Author	<i>Lorraine Lindsay (Audit & Investigations Officer)</i>
Advice & Guidance	<i>Lorraine Lindsay, Tel: 023 9284 1373 Audit & Investigations Officer Lorraine.lindsay@portsmouthcc.gov.uk</i>
Location	<i>Policy Hub</i>
Related Documents	<i>Covert Surveillance Code of Practice; Regulation of Investigatory Powers Act 2000; Protection of Freedoms Bill</i>
Applicability	<i>All PCC Staff & Contractors (acting on behalf of the Authority, i.e. an agent)</i>

Summary:

1. Controls on covert surveillance were introduced as a consequence of the Human Rights Act 1998, which enshrined the European Convention and Human Rights into UK law and came into effect on 2 October 2000.
2. The Regulation of Investigatory Powers Act 2000 (RIPA) and RIPA (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 aim to ensure that public bodies respect the privacy of members of the public when carrying out their investigations and that there is an interference with privacy only where the law permits it and there is a clear public interest justification in the prevention or detection of crime.
3. The Protection of Freedoms Act 2012 requires that Local Authorities seeking RIPA authorisation are subject to judicial approval. This means that approval of the RIPA authorisation or Renewal of an authorisation must be agreed by a judicial authority in the local Magistrates Court.
4. The Regulation of investigative Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2012 has stated that RIPA can only be used for criminal offences that could attract a custodial sentence of 6 months or more, or are relate to tobacco or alcohol sales to children. Local Authorities can only consider applications in the context of prevention & detection of crime and no other. Applications once authorised have to be approved by a Magistrate.
5. RIPA controls the use of various methods of investigation, in particular the use of covert surveillance, covert human intelligence sources (CHIS) and accessing communication data and defines what constitute these activities.
6. If the activities proposed by investigating officers fall within the definitions (see Section 3) then this Policy, Procedures and the Code of Practice must be followed. If investigating officers have any doubts about the application or meaning of its provisions they must obtain advice from the Authorising Officers before proceeding. (see Appendix A)
7. RIPA is not concerned with overt surveillance. Most of the surveillance carried out by or on behalf of Portsmouth City Council will be overt. That is, there will be nothing secretive, clandestine or hidden about it. In many cases for officers it will be business as usual i.e. going about Council business openly e.g. a Trading Standards Officer visiting a market to look for sales of counterfeit goods. Where it is targeted, that is a specific stall holder is to be the focus of covert surveillance, it becomes directed surveillance and requires a RIPA authorisation.
8. All directed surveillance, using a CHIS or accessing communications data must be properly authorised. Failure to secure proper authorisation and to comply with this procedure could lead to evidence being excluded by the court, significant costs being awarded against the City Council and complaints against the City Council. The City Council is subject to audit and inspection by the Investigatory Powers Commissioners Office (IPCO) and it is important that compliance with RIPA and with the Guide can be demonstrated in every case.

Contents

1. Policy Statement
2. Objectives
3. Terms explained
4. Procedure
5. CHIS (Covert Human Intelligence Sources)
6. CCTV & Aerial Covert Surveillance
7. Communications Data
8. Impact Risk Assessment
9. Further Guidance
10. Oversight
11. Complaints

[Appendix A: List of Authorised Persons](#)

[Flowchart 1: Surveillance, guidance.](#)

[Flowchart 2: CHIS guidance.](#)

[Flowchart 3: Accessing communications data](#)

[Impact Risk Assessment Form](#)

[Surveillance an aid to investigation](#)

[RIPA Application for Directed Surveillance](#)

[RIPA Application review form](#)

[RIPA Cancellation Form](#)

[Application for judicial approval for authorisation to obtain or disclose communications data, to use a covert human intelligence source or to conduct directed surveillance.](#)

[Regulation of Investigatory Powers Act 2000 sections 23A, 23B, 32A, 32B.](#)

Further information including forms and codes of practice:

<http://www.homeoffice.gov.uk/counter-terrorism/regulation-investigatory-powers/ripa-codes-of-practice/>

<https://www.gov.uk/government/collections/ripa-codes>

1. Policy Statement

- 1.1 In some circumstances, it may be necessary for Portsmouth City Council employees or contractors, in the course of their duties, to make observations of a person or person(s) in a covert manner, i.e. without that person's knowledge. By their nature, actions of this sort may constitute an interference with that person's right to privacy, and may give rise to legal challenge as a potential breach of Article 8 of the European Convention on Human Rights and the Human Rights Act 1998 ('the right to respect for private and family life').
- 1.2 The Regulation of Investigatory Powers Act (2000) [RIPA] provides a legal framework for covert surveillance activities by public authorities, (including local authorities), and an independent inspection regime to monitor these activities.
- 1.3 Portsmouth City Council employees and contractor (where applicable) will adhere to the authorisation procedure before conducting any covert surveillance and if in doubt will seek advice from an Authorising Officer.
- 1.4 Employees and contractors (where applicable) of Portsmouth City Council will **not** carry out intrusive surveillance within the meaning of the Regulation of Investigatory Powers Act 2000 [refer to Terms Explained Section 3 paragraph 3.7] nor will they interfere with property or wireless telegraphy.
- 1.5 Officers of Portsmouth City Council may only authorise or engage in covert surveillance, CHIS and access to communication data where it meets the statutory tests that it is necessary for the "prevention or detection of crime or disorder" and where it has been demonstrated to be necessary and proportionate in what it seeks to achieve and meets home office requirements.
- 1.6 This Policy makes a number of references to confidential information. The Revised Code of Practice which came into effect in December 2014 requires the highest levels of authorisation where 'confidential information' is likely to be acquired and at PCC this is the Chief Executive. [Refer to Definitions in Section 3]
- 1.7 The Authority will make arrangements to ensure that the Code of Practice is complied with including having Member and Senior Officer Oversight to ensure that The Code is complied with and appropriate training is given to officers.
- 1.8 Statutory Instrument **2010 No 521** restricts authorising officers in local authorities to prescribed offices of no lower a level than assistant chief officer, assistant head of service, service manager or equivalent.

2. OBJECTIVES

- 2.1 The objective of this Policy and Procedures is to ensure that all work involving directed surveillance by Portsmouth City Council employees is carried out effectively, while remaining in accordance with the law. It should be read in conjunction with the Regulation of Investigatory Powers Act (2000), RIPA (Directed Surveillance and Covert Human Intelligence Sources) Order 2010, The Protection of Freedoms Act 2012 and the Code of Practice on Covert Surveillance and the Code of Practice on the Use of Covert Human Intelligence Sources.

3. TERMS EXPLAINED

- 3.1 **Authorising Officer** is the person(s) in the organisation who is entitled to give an authorisation for directed surveillance in accordance with the Regulation of Investigatory Powers Act 2000 and The Code of Practice prior to its approval by a Magistrate.
- 3.2 **CHIS (Covert Human Intelligence Source)**. A CHIS is someone who establishes or maintains a relationship with a person for the purpose of covertly obtaining or disclosing information. In practice, this is likely to cover the use of an informer, volunteer or Council officer in striking up a relationship with someone as part of an investigation to obtain information “under cover”.
- 3.3 Someone who volunteers information to the Council, either as a complainant or out of civic duty, is not likely to be a covert human intelligence source. i.e. if someone is keeping a record, say, of neighbour nuisance, this will not itself amount to use of a CHIS. However, if the informant providing the information has been tasked by the Council to obtain information by engaging with an individual to ask questions with a view to gathering evidence, this would amount to use of a CHIS. In addition Officers need to consider whether any information passed to the Council has been obtained in the course of a personal or other relationship, such as a relative, friend or work colleague, even if that relationship was not established or maintained for the purpose of obtaining it. In this event advice should be sought immediately from an Authorising Officer.
- 3.4 **Collateral intrusion** means the obtaining of private information about persons who are not the intended subject of the surveillance. This could include their family, colleagues, and associates, anyone who is seen with and interacts with the subject during the surveillance operations. The fact that covert surveillance occurs in a public place or on business premises does not mean that it cannot result in the obtaining of private information about a person.
- 3.5 Every effort should be made to minimise unnecessary intrusion, however, where collateral intrusion is unavoidable, the identified risk must be recorded for consideration on the RIPA application so that a proportionality test can be applied.
- 3.6 For example, prolonged surveillance targeted on a person will undoubtedly result in the obtaining of private information about him/her and others that he/she comes into contact, or associates, with. However, strict rules must be complied with before such surveillance may be authorised.
- 3.7 Similarly, although overt, public space CCTV cameras do not normally require authorisation. If however the camera is tasked for a specific purpose, which involves **targeted** surveillance on a particular person, authorisation must be obtained.
- 3.8 **Confidential Material** Confidential information consists of matters subject to legal privilege, confidential personal information or confidential journalistic material, or where information identifies a journalist's source, where material

contains confidential personal information or communications between Members of Parliament and another person on constituency business. So, for example, extra care should be given where, through the use of surveillance, it would be possible to acquire knowledge of discussions between a minister of religion and an individual relating to the latter's spiritual welfare, or where matters of medical or journalistic confidentiality or legal privilege may be involved.

- 3.9 **Covert surveillance Covert (or 'hidden') surveillance.** Covert surveillance is carried out in a manner calculated to ensure that the person subject to the surveillance is not aware it is taking place. That is, it is done secretly.
- 3.10 **Directed surveillance** is surveillance which is:-
- Covert;
 - Not intrusive surveillance (see definition below - Portsmouth City Council must not carry out any intrusive surveillance);
 - Not carried out as an immediate response to events which would otherwise make seeking authorisation under the Act not reasonably practicable (e.g. spotting something suspicious and continuing to observe it as part of business as usual) and
 - Is undertaken for the purpose of a specific investigation or operation in a manner likely to obtain private information about a person (whether or not that person is specifically targeted for purposes of the investigation) and is for the sole purpose of preventing or detecting crime or disorder.
 - ***All directed surveillance must be RIPA authorised.***
(*Please note - "private information" in relation to a person includes any information relating to their private or family life, their home and their correspondence.*)
- 3.11 **Intrusive Surveillance** This is covert surveillance of anything taking place on residential premises or in a private vehicle that involves the presence of an individual on the premises or in the vehicle, or is carried out by means of a surveillance device capable of providing information of the same quality and detail as might be expected to be obtained from a device actually present on the premises or in the house.
- Only the police and certain other law enforcement agencies may carry out intrusive surveillance. Council officers, or anyone on behalf of the Council, must not carry out intrusive surveillance.**
- An example of intrusive surveillance is planting a listening or other device ('bug') in a person's home or in their private vehicle or using a sophisticated listening device (eg. DAT) outside a person's home or in their private vehicle that will provide results equivalent to being "on-site". N.B. Interference with property or wireless telegraphy is also forbidden to local authorities.**
- 3.12 **Necessity** means that there is no reasonable and effective alternative way of achieving the desired objective(s) and it's proportionate in what it seeks to achieve. All options must be considered and reasons given for discarding them. The least intrusive option that will yield the desired result is the one that is expected to be used.
- 3.13 **Overt (or 'open') surveillance.** Surveillance will be overt if the subject has

been told that it will happen. N.B. you do have to be careful however about obtaining private information on others that have not been informed.

Overt

- Police Officer, Street Warden, Enforcement Officer or Ranger on routine patrol
- Sign-posted public space CCTV cameras (in normal use)
- Recording noise coming from outside the premises, after the occupier has been warned in writing, that this will occur if the noise persists.
- An Officer may act overtly when test purchasing as there is no forming of a relationship with the retailer (i.e. the officer behaves no differently from a normal member of the public).

Overt but not requiring prior authorisation

- CCTV cameras providing general traffic crime or public safety information

- 3.14 **Private information** includes information about a person relating to his/her private or family life.
- 3.15 **Private vehicle** means any vehicle that is used primarily for the private purpose of the person who owns it or of a person otherwise having the right to use it. This does not include a person whose right to use a vehicle derives only from his having paid, or undertaken to pay, for the use of the vehicle and its driver for a particular journey. A vehicle includes any vessel, aircraft, or hovercraft.
- 3.16 **Proportionality** means that the use of surveillance is not excessive, i.e. that it is in proportion to the significance and level of offence being investigated and collateral intrusion impacts (see necessity).
- 3.17 **Residential premises** means any premises occupied or used, however temporarily, for residential purposes or otherwise as living accommodation.
- 3.18 **Surveillance** is monitoring, observing or listening to persons, their movements, their conversations or other activities or communications; recording anything monitored, observed or listened to in the course of surveillance; and Surveillance by or with the assistance of a surveillance device.

4. THE PROCEDURE

Scope

- 4.1 This procedure applies in all cases where `directed surveillance` is being planned or carried out. Directed surveillance is defined in the code of Practice as surveillance undertaken "for the purposes of a specific investigation or operation" and "in such a manner as is likely to result in the obtaining of private information about a person" for the prevention and detection of crime.
- 4.2 The procedure does not apply to:
- Ad-hoc covert observations that do not involve the systematic surveillance of specific person(s)
 - Observations that are not carried out covertly, or
 - Unplanned observations made as an immediate response to events

- 4.3 In cases of doubt, the authorisation procedures described below should be followed.

Test Purchases

- 4.4 An impact assessment prior to covert test purchases being made should be carried out and the Local Authority Coordinators of Regulatory Services (LACORS) guidance followed. If the test purchase is simply entering a business premise, making a purchase and leaving then it is unlikely to require a RIPA. Where any service wishes to carry out covert operations that they try to make overt, by writing to vendors in advance of an operation, they should write to vendors no more than two weeks in advance. Any more than this and it may be construed as covert surveillance and an impact assessment/ RIPA authorisation may be required.

Juvenile Sources

- 4.4.1 Special safeguards must be put in place when test purchases are being made by juveniles (anyone under 18 years of age). Under no circumstances should a juvenile under 16 be used, unless special provisions, contained within the Regulation of Investigatory Powers (Juveniles) Order 2000 are satisfied. A 'CHIS' of 16 years of age cannot be authorised to give information against their parent of any person who has parental responsibility for them,

Drive Bys

- 4.5 Where an officer, as part of an investigation, intends to drive by a property to establish the location of a property then a RIPA is unlikely to be required however if the drive by is to assess for signs of occupation and a record is made it is likely a RIPA will be required. An impact risk assessment should be completed initially and if it shows that collateral intrusion is likely to arise a full RIPA application should be made prior to any activity.

Covert Surveillance of Social Networking Sites (SNS)

- 4.6 The Home Office revised Code of Practice 3.10 to 3.17 states:-

4.6.1 'The growth of the internet, and the extent of the information that is now available online, presents new opportunities for public authorities to view or gather information which may assist them in preventing or detecting crime or carrying out other statutory functions, as well as in understanding and engaging with the public they serve. It is important that public authorities are able to make full and lawful use of this information for their statutory purposes. Much of it can be accessed without the need for RIPA authorisation; use of the internet prior to an investigation should not normally engage privacy considerations. But if the study of an individual's online presence becomes persistent, or where material obtained from any check is to be extracted and recorded and may engage privacy considerations, RIPA authorisations may need to be considered'.

4.6.2 'Where a person acting on behalf of a public authority is intending to engage with others online without disclosing his or her identity, a CHIS authorisation may be

needed'. In deciding whether online surveillance should be regarded as covert, consideration should be given to the likelihood of the subject(s) knowing that the surveillance is or may be taking place'.

4.6.3 'Depending on the nature of the online platform, there may be a reduced expectation of privacy where information relating to a person or group of people is made openly available within the public domain, however in some circumstances privacy implications still apply. This is because the intention when making such information available was not for it to be used for a covert purpose such as investigative activity. This is regardless of whether a user of a website or social media platform has sought to protect such information by restricting its access by activating privacy settings'.

4.6.4 'Where information about an individual is placed on a publicly accessible database, for example the telephone directory or Companies House, which is commonly used and known to be accessible to all, they are unlikely to have any reasonable expectation of privacy over the monitoring by public authorities of that information. Individuals who post information on social media networks and other websites whose purpose is to communicate messages to a wide audience are also less likely to hold a reasonable expectation of privacy in relation to that information'.

4.6.5 'Whether a public authority interferes with a person's private life includes a consideration of the nature of the public authority's activity in relation to that information. Simple reconnaissance of such sites (i.e. preliminary examination with a view to establishing whether the site or its contents are of interest) is unlikely to interfere with a person's reasonably held expectation of privacy and therefore is not likely to require a directed surveillance authorisation. But where a public authority is systematically collecting and recording information about a particular person or group, a directed surveillance authorisation should be considered. These considerations apply regardless of when the information was shared online'.

4.6.6 'In order to determine whether a directed surveillance authorisation should be sought for accessing information on a website as part of a covert investigation or operation, it is necessary to look at the intended purpose and scope of the online activity it is proposed to undertake. Factors that should be considered in establishing whether a directed surveillance authorisation is required include:

- Whether the investigation or research is directed towards an individual or organisation;
- Whether it is likely to result in obtaining private information about a person or group of people;
- Whether it is likely to involve visiting internet sites to build up an intelligence picture or profile;
- Whether the information obtained will be recorded and retained;
- Whether the information is likely to provide an observer with a pattern of lifestyle;
- Whether the investigation or research is part of an ongoing piece of work involving repeated viewing of the subject(s);
- Whether it is likely to involve identifying and recording information about third parties, such as friends and family members of the subject of interest, or information posted by third parties, that may include private information and therefore constitute collateral intrusion into the privacy of these third parties.

4.6.7 Internet searches carried out by a third party on behalf of a public authority, or with

the use of a search tool, may still require a directed surveillance authorisation.

- 4.7 The setting up of false identities is not allowed and an application and authorisation for the use and conduct of CHIS is necessary if a relationship is established or maintained.

Employee Investigations

- 4.8 For employment investigations of non-criminal activity if covert surveillance is proposed, a RIPA is not required. However an assessment should always be made to ensure that it is lawful, collateral intrusion is minimised and the action is proportionate and necessary.

Confidential Material

- 4.9 Applications where a significant risk of acquiring confidential material has been identified will always require the approval of the Chief Executive. In reality this is likely to be very rare due to the nature of the Council's work, which is unlikely to conduct the sort of investigations whereby confidential material could be obtained but it must be considered at the outset.

- 4.11 Confidential material consists of:

- Matters subject to legal privilege, (for example between professional legal advisor and client)
- Confidential personal information, (for example relating to a person's physical or mental health), or
- Confidential journalistic material

Juvenile or vulnerable Individual CHIS's

- 4.12 Applications for CHIS using either Juveniles or vulnerable individuals must be referred to the Chief Executive for Authorisation (See item 6).

Authorisation Procedure

- 4.13 Applications for directed surveillance will be authorised by either the Deputy Chief Internal Auditor or the Corporate Strategy Manager. The relevant Authorising Officer must see the process (from authorisation, review & cancellation) through for any applications they have authorised. If they are not able to do so because of sickness then another authorising officer can continue with the process but a record must be made of that fact.
- 4.14 There should never be a time when neither of the Authorising Officers are available due to unforeseen circumstances but if this should occur and the application for activity cannot wait for a week or so then the Senior Responsible Officer must designate an officer of suitable rank to act as an Authorising Officer and reasons for this and the absence of the Authorising Officers should be recorded. Under no circumstances can the Senior Responsible Officer act as Authorising Officer.

- 4.15 The Authorising officer should avoid authorising their own activities (i.e. where they are responsible for the activity or involved in the operation) wherever possible and only do so in exceptional circumstances. Where it becomes necessary to do so, a record to that effect must be made on the central record.
- 4.16 All applications for directed surveillance authorisations will be made on the official form. The applicant in all cases should complete this. They must demonstrate the who, what, why, where, when and how of an operation giving details of any and all technical equipment to be used and all options considered with reasons why this is the most reasonable and effective approach. Copying information from a previous authorised application is discouraged as it could be seen that insufficient thought has been applied and there is a danger of copying over incorrect information.
- 4.17 The investigating officer must consider what may happen and cover for this in the application and it be authorised before any activity takes place in accordance with the principles established by *Kinloch v Her Majesty's Advocate* [2012] UKSC 62.
- 4.18 The proposed seizure of any items as part of the RIPA application must comply with PACE, relevant RIPA sections & the Police Act 1997, although these will usually be in conjunction with the Police.
- 4.19 Once the RIPA application has been authorised the authorising officer will go through what has been authorised with the applicant in accordance with the ruling of *R v Sutherland* 2000. There must be no doubt about what has been specifically authorised. The investigating officer can only carry out the actions that have been authorised in the RIPA application for that RIPA once approved by a Magistrate. It will be the Investigating Officer's responsibility to submit the application to the Magistrate following authorisation. The Authorising Officer will be present to represent the Council, as required under Section 223 of the Local Government Act. The investigating Officer must ensure that all staff involved with the investigation understands what has been authorised and approved and they must all sign the forms to that effect.
- 4.20 All requests to Magistrates will be on the forms as provided in the Code of Practice issued by the IPCO and the date authorised by the Magistrate recorded on the central record as well as the date authorised by the Authorising Officer.
- 4.21 All applications for directed surveillance renewals will be made on the official form. The applicant in all cases should complete this where the surveillance requires continuation beyond the previously authorised period, (including previous renewals). Renewals must also be authorised by the authorising officer and approved by a Magistrate.
- 4.22 The Commissioners consider that the best officer to apply to magistrates for approval of an authorisation of directed surveillance or CHIS is the Authorising Officer, as only they can answer questions about their reasoning on necessity, proportionality, collateral intrusion and risk. However where it is not practicable the investigating officer will seek magistrate's approval (see paragraph 4.16) and the Investigating Officers must report back promptly to the Authorising Officer

any comments made by the magistrate. Comments must be recorded by the Authorising Officer and action taken to incorporate or address them.

4.23 Where authorisation ceases to be either necessary or appropriate the authorising officer will cancel an authorisation using the official form.

4.24 Any person giving an authorisation for the use of directed surveillance must set out in their own words why they believe the activity is necessary and proportionate stating that:

- Account has been taken of the likely degree of intrusion into the privacy of persons other than those directly implicated in the operation or investigation, (collateral intrusion). Measures or mitigation action have been taken, wherever practicable, to avoid unnecessary intrusion into the lives of those affected by collateral intrusion
- The authorisation is necessary
- The authorised surveillance is proportionate
- It is for a specific targeted criminal offence that carries a maximum sentence of 6 months or more, imprisonment, or is one of the exemptions

Urgent Cases

4.25 There is no longer a power to make urgent oral authorisations. All authorisations, even if urgent, (where life or an operation is in jeopardy) must be in writing and approved by a magistrate. However it is not envisaged that there will be urgent cases as activities at PCC are unlikely to involve such scenarios.

Necessity

4.26 Surveillance operations shall only be undertaken where there is no reasonable and effective alternative way of achieving the desired objective(s).

Effectiveness

4.27 Surveillance operations shall be undertaken only by suitably trained or experienced employees, or under their direct supervision.

Proportionality

4.28 The use of surveillance shall not be excessive, i.e., it shall be in proportion to the significance of the matter being investigated and balance the intrusiveness of the activity on the target and others who might be affected by it against the need for the activity in operational terms. The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means. Proportionate must also include whether it is a potential criminal offence that could attract a custodial sentence of a minimum of six months or more, or involves the sales of tobacco or alcohol to minors.

Authorisation

4.29 All directed surveillance shall be authorised in accordance with this procedure.

Time Periods - Authorisations

- 4.30 Written authorisations expire 3 months beginning on the day from which they took effect.

Review

- 4.31 The Authorising Officer should determine how often a review should take place of an authorisation and this should be as frequently as is considered necessary and practicable. The review of an authorisation should be undertaken regularly to assess the need for the surveillance to continue. The results of the review are to be recorded on the central record.

Time Periods - Renewals

- 4.32 If at any time before an authorisation would expire, the Authorising Officer considers it necessary for the authorisation to continue for the purpose for which it was given, it may be renewed in writing for a further period of 3 months beginning with the day on which the previous authorisation ceases to have effect. Applications for renewal should only be made shortly before the authorisation is due to expire and must be submitted to a Magistrate by the Investigating Officer for judicial approval before they can be effective.
- 4.33 Any person entitled to authorise may renew authorisations. They may be renewed more than once, provided they continue to meet the criteria for authorisation and must be approved by a Magistrate to become effective.
- 4.34 All applications for the renewal of an authorisation for directed surveillance must record:
- Whether this is the first renewal or every occasion on which the authorisation has been renewed previously
 - Any significant changes to the information
 - The reasons why it is necessary to continue with the directed surveillance
 - The content and value to the investigation or operation of the information so far obtained by the surveillance
 - The results of regular reviews of the investigation or operation

Cancellation

- 4.35 The Authorising Officer who granted or last renewed the authorisation must cancel if they are satisfied that the directed surveillance no longer meets the criteria upon which it was authorised.
- 4.36 The cancellation should include how the surveillance assisted the investigation and details regarding direction of the product.

Monitoring

- 4.37 Each Service or discrete location within Services must maintain a record of all applications for authorisation, (including refusals), renewals, reviews, and cancellations.

Security and Retention of Documents

- 4.38 Documents created under this procedure are highly confidential and shall be treated as such. Services shall make proper arrangements for their retention, security and destruction, in accordance with the requirements of the Data Protection Act 1998 and the Code of Practice.

- 4.39 The Chief Internal Auditor will be responsible for the creation and maintenance of an up to date Central Register of Authorisations containing the following information:

- The type of authorisation
- The date the authorisation was given
- Name and title of the authorising officer
- The unique reference number of the investigation or operation
- The title of the investigation or operation including a brief description and whether the urgency provisions were used and if so why
- If the authorisation is renewed when it was renewed and who authorised including the name and title of the authorising officer
- Whether the investigation or operation is likely to result in obtaining confidential information
- The date the authorisation was cancelled and outcome
- Whether or not it was self authorised i.e. authorised by an authorising officer involved in, or responsible for, the investigation or operation being authorised.
- The date of Magistrates approval

- 4.40 The Chief Internal Auditor shall also be responsible for retaining the original:

- Authorisation application forms along with any supplementary documentation and notification of the approval given by the authorising officer including a record of the periods over which surveillance took place
- The magistrates approval form
- The frequency of reviews prescribed by the authorising officer and a record of the result of each review of the authorisation
- Of any renewal forms authorised together with any supporting documentation submitted when the renewal was requested
- Cancellation forms.

- 4.41 Where the product of surveillance could be relevant to pending or future criminal or civil proceedings it should be retained in accordance with established disclosure requirements.

- 4.42 Generally all original forms will be retained for at least six years from the date of cancellation. In all cases records will not be destroyed without the authority of the Senior Responsible Officer. Records must be destroyed in accordance with the principles of the Data Protection Act and The Code of Practice.

5. COVERT HUMAN INTELLIGENCE SOURCE (CHIS)

Definition

- 5.1 The Definition of a Covert Human Intelligence Source (CHIS) under the 2000 Act states that a person is a 'CHIS' if:
- (a) They establish or maintain a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph (b) or (c)
 - (b) They covertly use such a relationship to obtain information or to provide access to any information to another person or
 - (c) They covertly disclose information obtained by the use of such a relationship or as a consequence of the existence of such a relationship
- 5.2 A relationship is established or maintained for a covert purpose if and only if it is conducted in a manner calculated to ensure that one of the parties to the relationship is unaware of the purpose.
- 5.3 A relationship is used covertly and information obtained is disclosed covertly if and only if the relationship is used or the information is disclosed in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the use or disclosure in question.

Risk Assessment - Duty of Care

- 5.4 The Securing and Welfare of a 'CHIS'
- 5.5 When the decision has been taken that the use of 'CHIS' is necessary the Authority has a duty of care to ensure the safety and welfare of the 'CHIS' whilst they carry out the designated actions or tasks.
- 5.6 Before any action is taken, a full Risk analysis should be undertaken by the Authority to consider all of the foreseeable consequences to the CHIS, both during the task, and after the cancellation of the authorisation. Consideration should be given to all appropriate eventualities, including, if the role of the CHIS becomes known. The risk assessment should be updated throughout the tasking to reflect any developments. The ongoing security and welfare of the CHIS should remain a priority.

Authorisation for CHIS

- 5.7 The conduct or use of a CHIS requires authorisation.
- **Use** of a CHIS is: inducing, asking or assisting a person to act as a CHIS or to obtain information by means of the conduct of a CHIS
 - **Conduct** of a CHIS is: establishing or maintaining a personal or other relationship with a person for the covert purpose of (or incidental to) obtaining, accessing or disclosing information.
- 5.8 The Council can use CHIS's if, and only if, RIPA procedures are properly

followed (see flow chart 2).

- 5.9 Care must always be taken to ensure that the CHIS is clear on what is/is not authorised at any given time and that all the CHIS's activities are properly risk assessed.

Urgent advice should be sought from an authorising officer should the use and conduct of a CHIS be considered.

- 5.10 Where a CHIS is used the following records must be kept for each source:

- The identity of the source
- The identity where known used by the source
- Any relevant investigating authority other than the authority maintaining the records
- The means by which the source is referred to
- Any other significant information connected with the security and welfare of the source
- Any confirmation made by a person granting or renewing an authorisation for the conduct or use of a source that the information regarding identity reference has been considered and that any identified risks to the security and welfare of the source have where appropriate been properly explained to and understood by the source
- The date when and the circumstances in which the source was recruited
- The identities of the persons who in relation to the source are discharging or have discharged the functions mentioned in s29(5)(a) to (c) of the 2000 Act (Handler and Controller)
- The periods during which those persons have discharged their responsibilities
- The tasks given to the source and the demands made of them in relations to their activities as a source
- All contacts or communications between the source and a person acting on behalf of PCC
- The information obtained by PCC by the conduct or use of the source
- Any dissemination by PCC of information obtained by the conduct or use of the source
- In the case of a source who is not an undercover operative every payment, benefit or reward and offer of payment, benefit or reward that is made or provided by PCC in respect of the source's activities for the benefit of PCC.

- 5.11 Every source must have a designated Handler and Controller in accordance with s29 (5) (a) to (e) of the RIPA 2000 Act. This states that:

29 (5) For the purposes of this Part there are arrangements for the source's case that satisfy the requirements of this subsection if such arrangements are in force as are necessary for ensuring—

(a) that there will at all times be a person holding an office, rank or position with the relevant investigating authority who will have day-to-day

responsibility for dealing with the source on behalf of that authority, and for the source's security and welfare;

(b)that there will at all times be another person holding an office, rank or position with the relevant investigating authority who will have general oversight of the use made of the source;

(c)that there will at all times be a person holding an office, rank or position with the relevant investigating authority who will have responsibility for maintaining a record of the use made of the source;

(d)that the records relating to the source that are maintained by the relevant investigating authority will always contain particulars of all such matters (if any) as may be specified for the purposes of this paragraph in regulations made by the Secretary of State; and

(e)that records maintained by the relevant investigating authority that disclose the identity of the source will not be available to persons except to the extent that there is a need for access to them to be made available to those persons.

Juvenile Sources/Vulnerable Individuals

- 5.12 Special safeguards apply to the use or conduct of a juvenile CHIS (i.e. under 18 year olds). On no occasion can a child under 16 years of age be authorised to give information against his or her parents or any person who has parental responsibility for them. The duration of any authorisation is **four** months from the time of grant or renewal (instead of twelve months), **and the authorisation should be subject to at least monthly reviews.**
- 5.13 A vulnerable individual is a person who is or may be in need of community care services by reason of mental or other disability, age or illness and who is or may be unable to take care of himself or herself, or unable to protect himself or herself against significant harm or exploitation.
- 5.14 A vulnerable individual will only be authorised to act as a source in the most exceptional of circumstances and a juvenile source or vulnerable individual source will only be authorised by the Chief Executive Officer (David Williams) or the person acting as the Head of Paid Service in his absence.

Please Note: Any use of a CHIS in any capacity requires the completion of a risk assessment and authority from your Section Managers or Director. In the case of Juveniles or Vulnerable individuals this is particularly so and these applications may only be authorised by the Chief Executive.

Test Purchases and CHIS's

- 5.15 Carrying out test purchases will not generally require the purchaser to establish a relationship with the supplier with the covert purpose of obtaining information and, therefore, the purchaser will not normally be a CHIS. For example, authorisation would not normally be required for test purchases carried out in the ordinary course of business e.g. walking into a shop and purchasing a product over the counter.
- 5.16 Developing a relationship with a person in the shop, to obtain information about the sellers suppliers of an illegal product e.g. illegally imported products will require authorisation as a CHIS. Similarly, using mobile, hidden recording devices or cameras to record what is going on in the shop will require authorisation as directed surveillance. Note that a CHIS may be authorised to wear a hidden camera without the need for an additional directed surveillance authorisation.

6. CCTV & Aerial Covert Surveillance

CCTV

- 6.1 The use of CCTV must be accompanied by clear signage in order for monitoring to be overt. If it is intended to use CCTV for covert monitoring e.g. by using either hidden cameras or without any signs CCTV is in operation then RIPA authorisation is likely to be required. In any case CCTV must be used in accordance with the Codes of Practice and Protection of Freedoms Act.

Aerial Covert Surveillance

- 6.2 Where surveillance using airborne crafts or devices, for example helicopters or unmanned aircraft (colloquially known as 'drones'), considerations should be made to determine whether a surveillance authorisation is appropriate. In considering whether the surveillance should be regarded as covert, account should be taken of the reduced visibility of a craft or device at altitude. If in doubt please contact an Authorising Officer to seek additional clarity.

7. COMMUNICATIONS DATA

Definition

- 7.1 The Regulation of Investigatory Powers (Communications Data) Order 2003 extends to local authorities the powers set out within RIPA to access communications data. Communications data includes information relating to the use of a communications service but does not include the contents of the communications itself (see section 21(4) RIPA for the detailed definition of "communications data").
- 7.2 Local authorities are allowed to access communications data only for the purposes of the prevention or detection of crime or the prevention of disorder.

7.3 Portsmouth City Council is only entitled to access:

- (i) **Subscriber (“Customer”) data** being any information, which does not include any of the contents of a communication, about the use made by any person of a postal or telecommunications service. In respect of a telecommunications service provider this is normally referred to as the “billing information”). This will include:
- Name of subscriber
 - Address for billing, delivery or installation
 - Contact telephone numbers
 - Abstract personal data provided by the subscriber e.g. demographic information
 - Subscriber account information e.g. billing arrangements including bank, credit/debit card details Other services provided to the customer
- (ii) **Service data** being any other information held by the service provider relating to the persons to whom the service is provided. (This is normally referred to as “subscriber information”). This will include:
- The period during which the customer used the service Information about forwarding services provided by telecommunication service providers and re-direction services provided by postal service providers.
 - Itemised billing information. Information on connection, disconnection and redirection Information on conference calls, call messaging, call waiting and call barring services
 - Top-up details for pre-pay mobile phones including credit/debit cards used
 - For postal items, records of registered, recorded or special delivery of postal items and the delivery or collection of parcels.

Accessing Communications Data

7.4 Access to communications data may be authorised in two ways; either (a) through an authorisation by a designated person which would allow the authority to collect or retrieve data itself, or (b) by a notice given to a postal or telecommunications operator requiring that operator to collect or retrieve the data and provide it to the local authority.

7.5 There is a Code of Conduct, which refers to a “Designated Person” granting authorisation or giving notices in relation to accessing Communication Data. Portsmouth City Council use the National Anti-Fraud Network (NAFN) as the SPOC (Single Point of Contact) and applications once approved by the designated person (Deputy Chief Internal Auditor or Corporate Strategy Manager) are sent to them for Magisterial approval which is also sought under the same process as surveillance.

8 IMPACT RISK ASSESSMENT

8.1 When considering whether to carry out surveillance it is recommended that an ‘impact risk assessment’ is carried out and recorded to establish if the proposed course of action is a proportionate response to the problem it seeks to address. An impact risk assessment should be carried out on all activities including those

that will not require RIPA authorisation.

8.2 The impact risk assessment involves;

- Identifying clearly the **purpose(s)** behind the monitoring arrangements and the benefits it is likely to deliver.
- Identifying any likely **adverse impact** of the monitoring arrangement
- Considering **alternatives** to monitoring or different ways in which it might be carried out
- Taking into account the **obligations** that arise from monitoring (especially on collateral intrusion)
- Judging whether the monitoring is **justified**

8.3 Adverse Impact- consideration should be given to:

- What intrusion, if any will there be into the private lives of workers and others, or interference with their private activities, emails, telephone calls or other correspondence.
- Whether those who do not have a business need to know will see information that is confidential, private or otherwise sensitive.
- In the case of surveillance on an employee, what impact, if any, will there be on the relationship of mutual trust and confidence that should exist between workers and their employer?

8.4 Alternatives – questions that should be asked:

- Are there other methods of obtaining the required evidence/information without carrying out covert surveillance, e.g. intelligence gathered from elsewhere.
- Has consideration been given to writing to the individual(s) informing them of the issue and advising that monitoring will be carried out over a specified period? (remember collateral intrusion could still apply to their colleagues or family etc)
- Has consideration been given to carrying out overt surveillance as part of officers' normal duties?
- Can established or new methods of supervision, effective training and or clear communication from managers, rather than electronic or other systemic monitoring, deliver acceptable results?
- Can monitoring be limited to those individuals and workers about whom complaints have been received, or about whom there are other grounds to suspect of wrongdoing?
- Can monitoring be automated? If so, will it be less intrusive, e.g. does it mean that private information will be 'seen' only by a machine rather than by other workers?
- Can spot-checks be undertaken instead of using continuous monitoring?

8.5 Obligations – means considering the following:

- Whether and how individuals or employees will be notified about the monitoring arrangements.
- How information about the individual or employee collected through

monitoring will be kept securely and handled in accordance with the Act and DPA requirements.

- The implications of the rights that individuals have to obtain a copy of information about them that has been collected through monitoring.

8.6 Justified – involves considering:

- The benefit of the method of monitoring/surveillance
- Any alternative method of monitoring/surveillance
- Weighing these benefits against any adverse impact
- Placing particular emphasis on the need to be fair to the individual worker or person
- Ensuring, particularly where monitoring electronic communications of employees' is involved, that any intrusion is no more than absolutely necessary

9. FURTHER GUIDANCE

9.1 Guidance is provided as a reminder of the authorisation process (the Magisterial approval process is in addition to these) and can be located as appendices to this document

[Flowchart 1: Surveillance, guidance.](#)

[Flowchart 2: CHIS guidance.](#)

[Flowchart 3: Accessing communications data](#)

[Surveillance an aid to investigation Guidance](#)

9.2 Appendix A of this document provides the relevant contact details of the officers who may authorise surveillance, the use of a CHIS and give advice on accessing communications data.

10. OVERSIGHT AND IPCO GUIDANCE

Senior Responsible Officer

10.1 The Senior Responsible Officer (at Portsmouth City Council this is Elizabeth Goodwin - Chief Internal Auditor) must review each authorised RIPA to ensure that they are being authorised in accordance with the Code and to identify any training requirements.

10.2 Requests for guidance from The Investigatory Powers Commissioner's Office (IPCO) must only originate from the Senior Responsible Officer. The IPCO has made it clear that it does not give legal advice and any opinion given in a reply to a request for guidance does not constitute legal advice and should not be cited as the definitive advice of the IPCO.

Members

10.3 The RIPA Policy must be reviewed when there are any changes in personnel, legislation or codes of practice and any amendments must be approved by the Governance and Audit and Standards Committee.

- 10.4 Regular reports of Authorised applications must be submitted to the Governance and Audit and Standards Committee by the Senior Responsible Officer along with an opinion on any training requirements or where the Code has not been followed.

Investigatory Powers Commissioners Office

- 10.5 The **Investigatory Powers Commissioner's Office** provides independent oversight of the use of the powers contained within the Regulation of Investigatory Powers 2000. This oversight includes inspection visits by Inspectors appointed by the **IPCO**.

11. COMPLAINTS

The Regulation of Investigatory Powers Act 2000, (the UK Act), establishes an independent Tribunal. This has full powers to investigate and decide any cases within its jurisdiction. Details of the relevant complaints procedure can be obtained from:

Investigatory Powers Tribunal
PO Box 33220
London
SW1H 9ZQ - Tel: **020703537111**

Appendix A

CONTACTS

Authorising Officers:

RIPA & Designated Authorising Officer Communications:

Paul Somerset, Deputy Chief Internal Auditor

paul.somerset@portsmouthcc.gov.uk

Tel: 023 9283 4673

RIPA & Designated Authorising Officer Communications:

Paddy May, Corporate Strategy Manager

paddy.may@portsmouthcc.gov.uk

Tel: 023 9283 4020

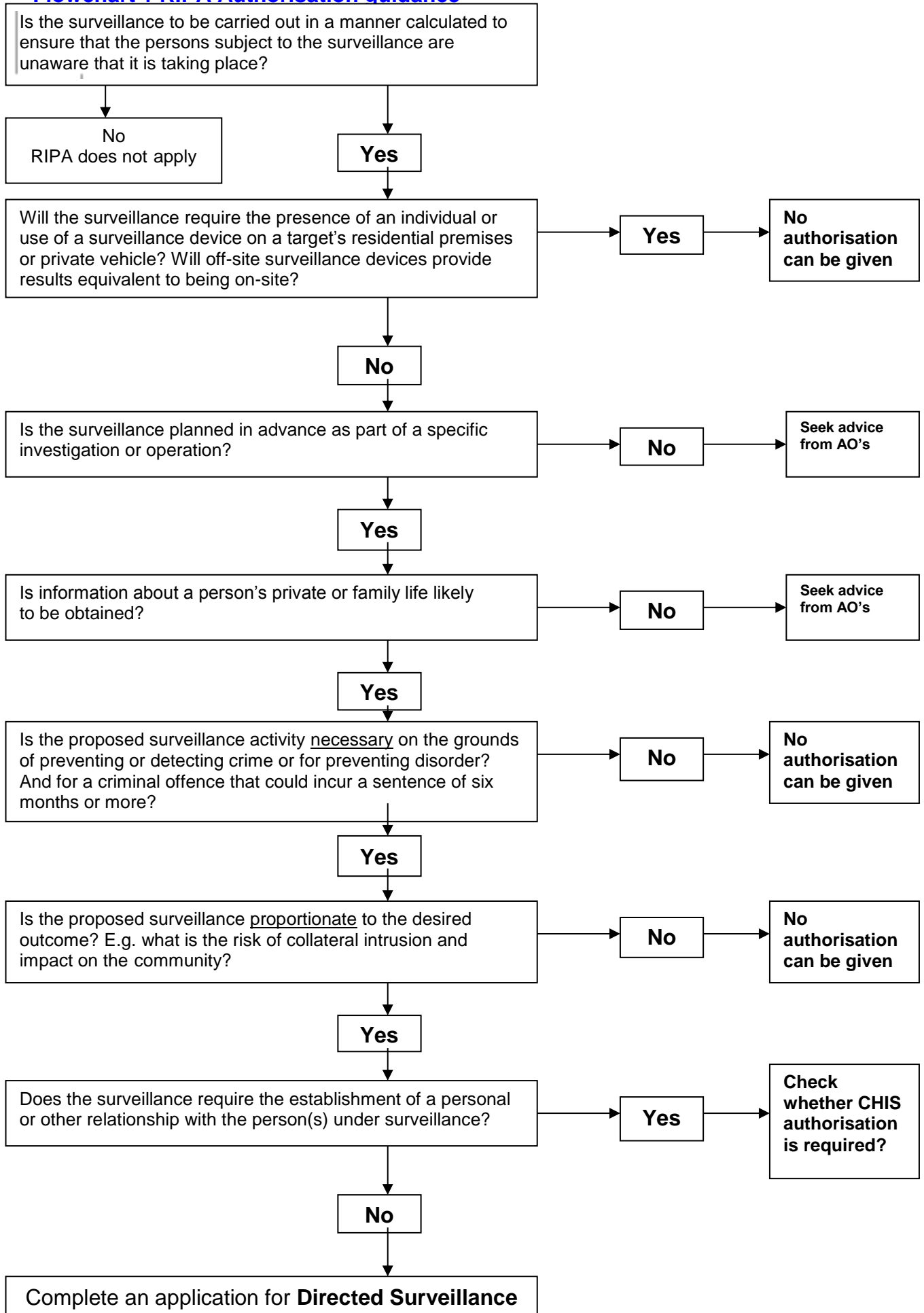
Senior Responsible Officer:

Elizabeth Goodwin, Chief Internal Auditor

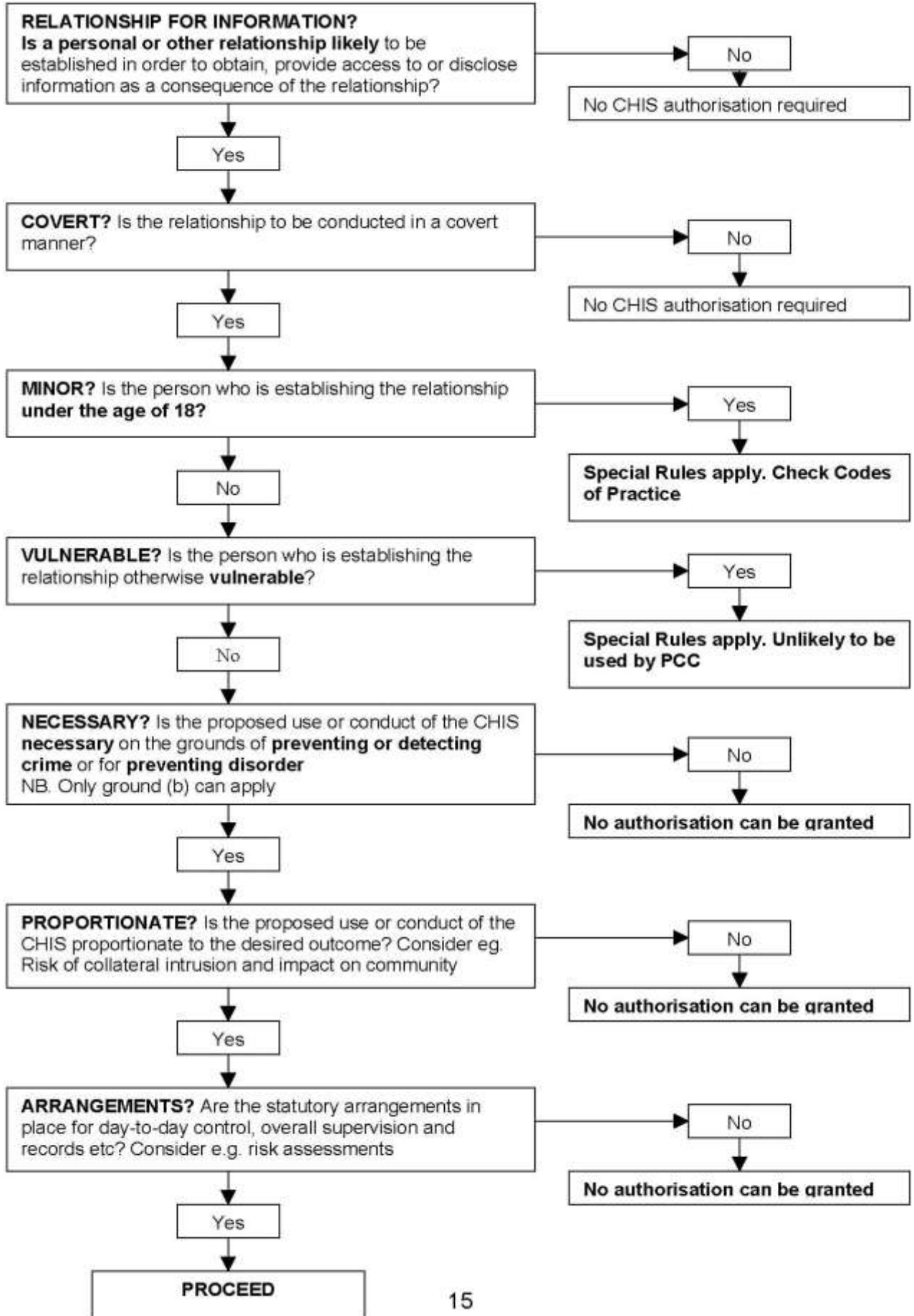
elizabeth.goodwin@portsmouthcc.gov.uk

Tel: 023 9283 4682

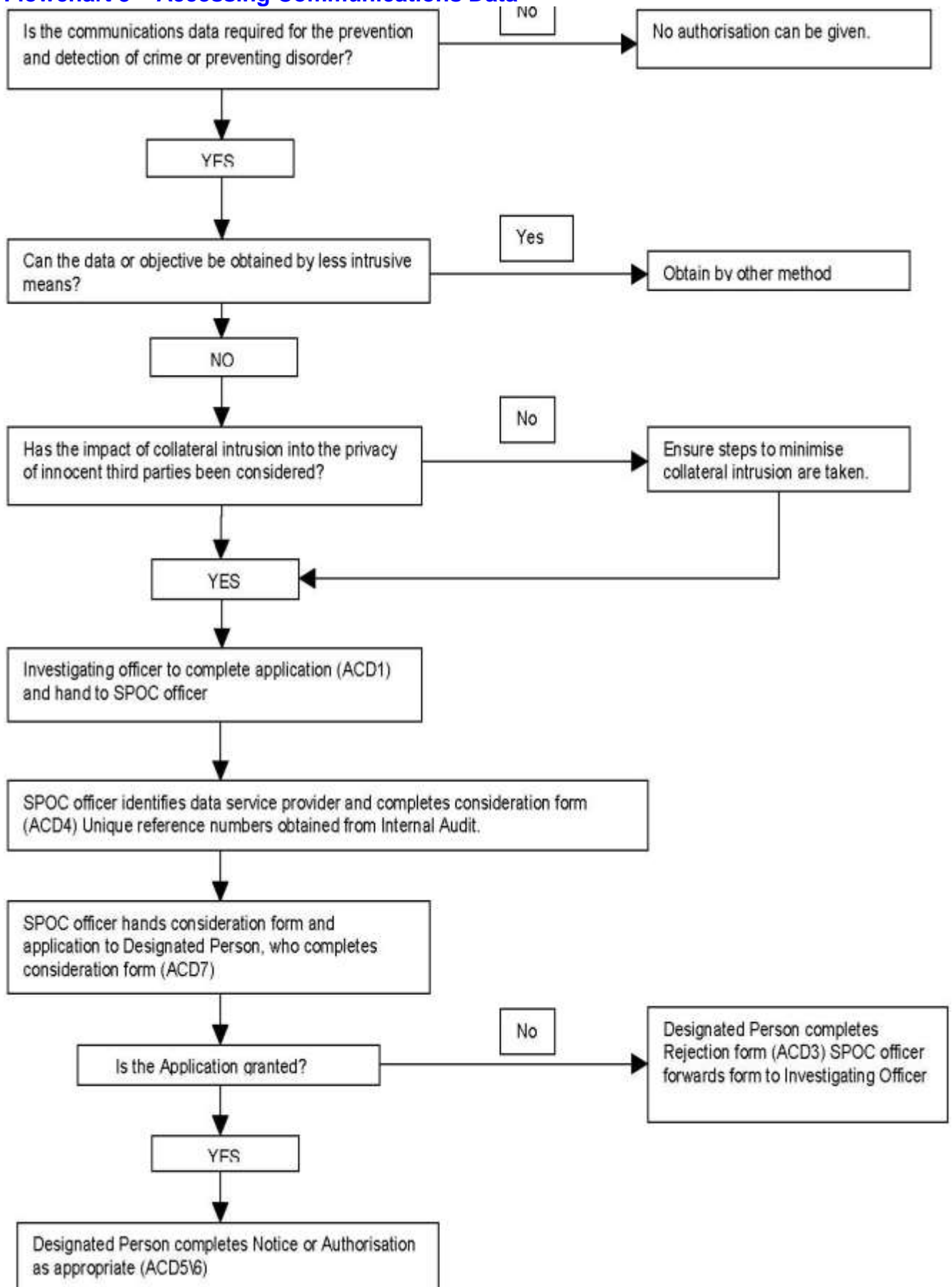
Flowchart 1 RIPA Authorisation guidance



Flowchart 2 – CHIS Guidance



Flowchart 3 – Accessing Communications Data



Note: If at any time during the process, the data is no longer required for any reason. The SPOC officer should be informed and the Designated Person will complete the relevant cancellation notice (ACD8/9) which is forwarded to the Data service Provider

Impact Risk Assessment Form

Date and Time:

Name and Title:

Details of the operation / investigation

Details of the offence(s) / Breach(s)

Proposed actions

Purpose of the proposed actions and benefits it is likely to deliver

Identify any likely adverse impact of these actions

Are there any alternatives i.e. different ways in which the desired outcome could be achieved?

Are there any obligations that arise from the proposed actions?

How are these actions justified?

Does RIPA need to be considered?

Signature

Date and Time

SURVEILLANCE - AN AID TO INVESTIGATION

DEFINITION

1. Surveillance is the continuous watching (overt or covert) of persons, vehicles, places or objects to obtain information concerning the activities and identities of individuals.

OBJECTIVES OF SURVEILLANCE

2. Surveillance operations can have some of the following objectives:
 - a. To obtain evidence of a crime.
 - b. To locate persons by watching their haunts and associates.
 - c. To obtain detailed information about a subject's activities.
 - d. To check on the reliability of informants.
 - e. To obtain information for search warrants*.
 - f. To prevent an offence or to *arrest a subject in commission of an offence.
 - g. To obtain information for later use in an interview.
 - h. To develop leads and information received from other sources.
 - i. To know at all times the whereabouts of an individual.
 - j. To obtain evidence for use in court.

TYPES OF SURVEILLANCE

3. The following types of surveillance can be carried out:
 - a. Covert Surveillance
A secretive watch where the subject is not aware of our presence.
 - b. Overt Surveillance
An open observation where we deliberately expose the operatives to a subject. (Used as a deterrent).
 - c. Static Surveillance
The use of a vehicle, building or street furniture (for a short time only) as an observation post (OP) from which to observe a subject or premises or to act as the "trigger" for foot or mobile surveillance.
 - d. Mobile Surveillance
The use of cars to follow a subject who is travelling by vehicle. Motorcycles can be used as part of a mobile surveillance operation.

- e. Technical Surveillance*
The use of technical equipment such as "bugs" to monitor the activities of a subject(s). This is a very specialised skill. ***not applicable n.b. LA's do not have the legal powers to do this**

The neumonic ADVOKATE is a useful aid to ensure that any information gained by carrying out surveillance will stand up to cross-examination in court.

- A** Amount of time
How long was the subject actually in view?
- D** Distance
How far away from you was the subject?
Did you have to use binoculars?
Did you have to avoid the subject's gaze?
- V** Visibility
What is your vision like?
Do you have to wear glasses - and were you wearing them at the time?
Were you looking through a windscreen or into a vehicle mirror?
Were the mirrors misted up?
What was the weather like - foggy; where was the sun?
- O** Obstacles
Were there any obstacles to your vision - bushes, cars, people?
- K** Known
Is the subject known to you?
If so, how?
If not - how did you recognise the subject?
- A** Any reason to remember the subject?
Brightly coloured or unusual clothes.
Looked like a famous person.
- T** Time
How long after seeing the subject did you make notes?
Could you have forgotten or confused anything since you last saw the subject?
- E** Errors
Could you have made a mistake in identifying the subject?
If not, why not?

DESCRIPTION OF PEOPLE

- A** Age
Approximate within 4 years, ie 20-24

- B** Build
Qualify by example if possible

- C** Clothing
Uniforms, brands, logos, etc

- D** Distinguishing Marks
Tattoos, scars, complexion

- E** Elevation/Height
Approximate within 4", ie, 5`2 - 5`6

- F** Face
Complexion, facial hair, glasses, jewellery

- G** Gait
How they walk

- H** Hair
Style, colour, length, etc

DESCRIPTION OF VEHICLE

- S** Shape
Saloon, estate, mpv, etc

- C** Colour
Basic/metallic

- R** Registration
Full/part

- I** Identifying Marks
Dents, alloy wheels, lights, etc

- M** Make and Model

PRE-SURVEILLANCE CHECKLIST

Before carrying out a surveillance operation the following factors need to be checked by a ground reconnaissance or, if this is not possible, a map study.

DO YOU REALLY NEED TO CARRY OUT SURVEILLANCE - CAN YOU OBTAIN THE NECESSARY INFORMATION BY OTHER MEANS?

IF NOT, SOME OF THE THINGS TO CONSIDER FIRST BEFORE DEPLOYING....

ROUTES IN AND OUT

LIKELY DROP OF POINTS (DOPs)

BEST APPROACHES

FROM WHERE CAN YOU SEE THE TARGET CLEARLY?

CAN ALL APPROACHES/EXITS BE SEEN?

CAN YOU BE OBSERVED OR OVERLOOKED?

WILL YOU BE OBVIOUS?

WHERE CAN ANY BACK-UP BE LOCATED?

ARE COMMUNICATIONS REQUIRED?

DO ALL COMMUNICATIONS WORK?

IS AN EMERGENCY RV REQUIRED - IF SO, WHERE WILL IT BE LOCATED?

ARE ANY SPECIAL PREPARATIONS REQUIRED?

IS THERE ANY SPECIAL EQUIPMENT REQUIRED?

WHERE ARE THE MOST APPROPRIATE REST AREAS, FOOD SOURCES, TOILETS ETC?

A GUIDE TO PREPARATION AND USE OF SURVEILLANCE LOGS

1. Surveillance logs constitute original notes of evidence and as far as practicable it is essential that they are prepared and preserved strictly in accordance with rules of evidence, ie, where items have been deleted they must be initialed by the person making the entry. Each entry must follow consecutively with no spaces left.
2. Where a dedicated loggist is appointed, it is his/her responsibility to accurately record events as they are transmitted or reported to him/her.
3. The loggist will be responsible for completing daily, at the commencement of the surveillance, details of the persons employed. These details will be recorded on the opening page.
4. The loggist will record the date, time, his/her name and the fact he/she is performing the duty of loggist. On being relieved, regardless of the length of absence, he/she will "sign off" adopting the same procedure as that when signing on. When it is not practical to conform strictly to these procedures, eg, where the loggist has to leave his/her vehicle in order to participate in the surveillance, such facts should be recorded as soon as practicable.
5. The person who witnesses a particular event will, if it is not his/her own entry, initial alongside the entry where his/her name appears at the first available opportunity. He/she must also sign and date the log at the conclusion of the notes. In the cases where a dedicated loggist is not appointed or where it is not possible to communicate with the loggist, the person witnessing must record details of the event at the time or as soon as practicable.
6. Where notes are not made at the time of the occurrence they must be made as soon as practicable. Notes will be followed by the date, time and place the notes are made.
7. Where two or more persons are present at an occurrence, there is no objection to them collaborating when preparing their notes so that the notes may be as full and comprehensive as possible. Where notes have been made by only one person, there is no objection to these notes being used by another person when giving evidence, provided the person who has not written the notes, reads them as soon as possible after they are made, accepts that they are accurate, and signs and dates them. A note whether made in collaboration with a colleague or otherwise, or if made by a colleague, must only reflect the person's genuine personal observation and recollection.
8. The taking of original notes is of the utmost importance because the notes may later have to be produced in court or referred to by the person long after they were made.
9. The general preference is that the 24 hour clock is used in the log book.
10. No erasure or obliteration of notes is permissible at any time and once an entry in a book has been signed, it cannot be altered in way, either by adding, deleting or changing any particulars. Any corrections made before presentation are to be initialed. If additional or corrected information is obtained subsequently, a further and separate entry is to be made.
11. The pages of the log book are to be numbered. A page-numbered book should be used for this purpose. No pages may be removed. At the conclusion of the operation, the log book should be stored with the remainder of the papers for future production as required.

12. Unnecessary spaces will be avoided between words or at the end of lines. Unused spaces should be struck out and, if a space is left after recording, a line drawn to the end and initialed.
13. Overwriting is forbidden. If a mistake is made, eg, if a wrong word is used or if a word is mis-spelt, it must be struck out and initialed and the letter "A" inserted. At the foot of the page, before it is signed, the letter "A" is again to be inserted followed by the correction. If a second or third mistake is found, the letter "B" and "C" are to be used as necessary. If there is no room at the foot of the page, the corrections may be added at the end of the log for the day.
14. The log book should be available for production if required by the court, or Counsel who desire to examine them. Copies of notes must not be taken to Court; the original must be used in every case. If it should be necessary to make an original note on a loose piece of paper and subsequently copy it into the log book, the original note must be carefully preserved for production if required.

REMEMBER!

In the event of criminal proceedings taking place against a subject, a poorly maintained or inaccurate surveillance log can result in a case being dismissed with many, many hours of wasted effort.



**PART II OF THE REGULATION OF INVESTIGATORY
POWERS ACT (RIPA) 2000
APPLICATION FOR AUTHORISATION TO CARRY OUT
DIRECTED SURVEILLANCE**

<https://www.gov.uk/government/publications/application-for-use-of-directed-surveillance>

**PART II OF THE REGULATION OF INVESTIGATORY
POWERS ACT (RIPA) 2000
REVIEW OF A DIRECTED SURVEILLANCE AUTHORISATION**

<https://www.gov.uk/government/publications/review-of-use-of-directed-surveillance>

**PART II OF THE REGULATION OF INVESTIGATORY
POWERS ACT (RIPA) 2000
CANCELLATION OF A DIRECTED
SURVEILLANCE AUTHORISATION**

<https://www.gov.uk/government/publications/cancellation-of-use-of-directed-surveillance-form>

Application for judicial approval for authorisation to obtain or disclose communications data, to use a covert human intelligence source or to conduct directed surveillance. Regulation of Investigatory Powers Act 2000 sections 23A, 23B, 32A, 32B.

Local authority:.....

Local authority department:.....

Offence under investigation:.....

Address of premises or identity of subject:.....

.....

.....

Covert technique requested: (tick one and specify details)

Communications Data

Covert Human Intelligence Source

Directed Surveillance

Summary of details

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Note: this application should be read in conjunction with the attached RIPA authorisation/RIPA application or notice.

Investigating Officer:.....

Authorising Officer/Designated Person:.....

Officer(s) appearing before JP:.....

Address of applicant department:.....

.....

Contact telephone number:.....

Contact email address (optional):.....

Local authority reference:.....

Number of pages:.....

Order made on an application for judicial approval for authorisation to obtain or disclose communications data, to use a covert human intelligence source or to conduct directed surveillance. Regulation of Investigatory Powers Act 2000 sections 23A, 23B, 32A, 32B.

Magistrates' court:.....

Having considered the application, I (tick one):

- am satisfied that there are reasonable grounds for believing that the requirements of the Act were satisfied and remain satisfied, and that the relevant conditions are satisfied and I therefore approve the grant or renewal of the authorisation/notice.
- refuse to approve the grant or renewal of the authorisation/notice.
- refuse to approve the grant or renewal and quash the authorisation/notice.

Notes

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Reasons

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Signed:

Date:

Time:

Full name:

Address of magistrates' court:



Title of meeting:	Governance & Audit & Standards Committee
Date of meeting:	26 July 2019
Subject:	Consideration of the political balance rules in relation to the constitution of Sub-Committees considering complaints against Members.
Report by:	City Solicitor
Wards affected	N/A
Key decision	No
Full Council decision	No

1 Purpose of Report

- 1.1 The Committee is asked to consider whether it wishes to disapply the political balance rules in respect of its Sub-Committees which consider complaints against Members and to agree that the same rule shall apply to the Initial Filtering Panel.

2 Recommendation

- 2.1 It is recommended that the political balance rules are disapplied 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.

3 Background

- 3.1 The Committee agreed on 8 June 2018 to "disapply" the political balance rules in respect of Sub-Committees of Governance and Audit and Standards Sub-Committees when dealing with complaints. This meant the Sub-Committees' membership would in future not be made up of Members in the same proportion as the political groups are represented on the Council. Instead it was agreed that the Sub-Committees would be "cross party as far as reasonably practicable". This was considered important to ensure the greatest transparency in the decision making of these Sub-Committees where complaints against members were considered. It was also agreed that the same rule would apply to the make-up of the Initial Filtering Panel which is not a formal Sub-Committee of Governance and Audit and Standards.
- 3.2 Section 17 (2) Local Government and Housing Act 1989¹ provides that any

¹ <http://www.legislation.gov.uk/ukpga/1989/42/section/17>

decision not to apply the political balance rules shall come to an end if there is any change in the make-up of a committee where they have been disapplied.

- 3.3 The decision is one which only this Committee can make but it must be made without any of the Members present voting against it.

4 Reasons for recommendations

- 4.1 As there has been a change this municipal year in the political make-up of the Council, Members are asked to reconsider this decision, as the decision to disapply the political balance rules, made in June 2018, is only effective for one year or until there is any change in the make-up of a committee where they have been disapplied. If Members decide to disapply the political balance rules then this shall occur only until May 2020 when the decision would again have to be reconsidered.

5 Equality Impact Assessment (EIA)

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

6 Legal implications

- 6.1 The City Solicitor's comments are included in this report.

7 Director of Finance's comments

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

.....
Signed by: City Solicitor

Appendices: None

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
None	N/A



Title of meeting:	Governance and Audit and Standards Committee
Date of meeting:	26 th July 2019
Subject:	Performance Management update - Q4, 2018-19
Report by:	Corporate Performance Manager
Wards affected:	n/a
Key decision:	No
Full Council decision:	No

1. Purpose

- 1.1 To report significant performance issues, arising from Q4 performance monitoring, to Governance and Audit and Standards committee and highlight areas for further action or analysis.

2. Recommendations

- 2.1 The Governance and Audit and Standards Committee is asked to:
- 1) note the report in the revised format;
 - 2) agree if any further action is required in response to performance issues highlighted

3 Background

- 3.1 This report is part of the regular series of quarterly report highlighting significant performance issues across the organisation.
- 3.2 In compiling reports, directors are asked to consider:
- 1) Priority performance areas
 - 2) Projects
 - 3) Risks
- 3.3 Expectations have been shared with Directors that reports should cover the breadth of organisational activity and enable GAS to discern a picture of performance in the organisation. Reports should provide an indication of both current performance and trends. Directors have been asked to make use of readily understood RAG (red; amber; green) terminology to describe perspectives where:
- Green is improving; exceeding or on plan
 - Amber is no change or some degree of uncertainty about performance
 - Red is deterioration; failing to achieve plan; or a high level of concern.

- 3.4 In order to make the key issues clearer to members, directors have been asked to provide summaries highlighting the issues the committee needs to be aware of (Appendix 1) with more in depth assurance around the management of performance and projects presented in further appendices.
- 3.5 The report has been significantly overhauled in response to feedback from committee members to focus on director summaries, and more high level, graphic reporting around KPIs (appendix 2). The KPIs and projects are now presented against the corporate priorities.
- 3.6 This is the first time of reporting in this format, so there are still some gaps, but the decision was made to reformat at Q4 2018-2019, to ensure that reporting is in a strong position for the full year 2019-2020 and to ensure that members receive more accessible information at the earliest opportunity. For Q1 2019-2020, information will also be included about the strategic risks to the organisation.

4. Equality impact assessment (EIA)

- 4.1 Any equality matters arising through performance or value for money consideration will be considered as a discrete process, as separate EIAs will be completed for these areas of work.

5. Legal Implications

- 5.1 The report has incorporated legal implications and accordingly there are no other immediate legal implications arising from this report.

6. Finance Comments

- 6.1 There are no financial implications to bring to member's attention at this stage. However, it should be noted that there could be further financial implications following further exploration of any of the performance issues raised in this report, and related future reports could result in financial implications. These will be flagged to members at the appropriate time.

.....
Signed by:

Appendices: **Appendix 1- Summary of directorate issues**
 Appendix 2 - Performance issues
 Appendix 3 -Projects

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 - Q4 Director Summaries

ADULT SOCIAL CARE		
What's going well	What are our challenges ?	What are our immediate priorities?
<p>Implementation of the 'System1' client record system.</p> <p>System1 went live for ASC in March 2019. This enables NHS and social care professionals to view patient records and inform decision making and communication by knowing of each other's involvement.</p> <p>Older Persons Care Homes.</p> <p>In line with the Cabinet Member decision in November 2018. ASC engaged with residents and families and enabled people to move to new accommodation from Edinburgh House by the end of April 2019. This was earlier than planned as relatives decided to move their loved ones more quickly than had been anticipated.</p>	<p>There has been a rise in the number of people with challenging behaviour resulting from a learning disability. Within Portsmouth, 90 people with a learning disability amount to £8.5m of the ASC budget commitment.</p> <p>The residential care market continues to experience challenges locally with 9% of residential care homes being rated as inadequate and 31% requires improvement as at May 2019. Portsmouth CCG and ASC continue to work together through a 'Quality Team' to help providers improve quality and CQC ratings, the team are currently working with 11 providers. There continues to be a waiting list for assessment in community Social Work and ASC have used existing staff to lead a piece of work analysing the demands on the community service. Providers remain under pressure financially both nationally and locally. ASC has a programme of engagement with providers set up in 2019 and is considering how to support the market in addition to cost of living rises.</p>	<p>The saving target for 2019/20 is £966k and progress against savings are reviewed monthly within the service and discussed with the portfolio member.</p> <p>Whilst the service continues to have an estimated underlying budget deficit of £2.5m. , the ASC strategy is linked to moving back into financial balance by 2021/22. The budget position continues to be reported in line with council procedures.</p> <p>The central priority for the current year will be to ensure the ASC strategy is deliverable, with the anticipated savings requirements and methodology being regularly monitored and reported. The MTFS will also act as the vehicle for identifying future ASC savings to meet the corporate requirements.</p> <p>Community Independence Service</p> <p>This service is configured to provide intensive support to people at home, using a reablement approach to prevent avoidable admission to hospital, long term care and care packages at home. Initial feedback from residents and colleagues is positive and the service continues to develop as an ASC priority making an impact on unnecessary hospital admission.</p>

CHILDREN, FAMILIES AND EDUCATION

What's going well	What are our challenges ?	What are our immediate priorities?
<ul style="list-style-type: none"> • Plans for the implementation of a Family Safeguarding Model: good collaboration with adult services and successful piloting of the family version of the Up2U programme on which to build • Significant redevelopment of the Teach Portsmouth branding and website - well received by schools • School capital programmes (condition); reception of plans for the rebuild of Mayfield School • School capital programmes (sufficiency); priority expansion schemes at Admiral Lord Nelson School, The Portsmouth Academy and Charter underway and all on track • Development of a strategic SEND accommodation strategy • Implementation of the new elective home education protocol • Procurement and implementation of new school meals catering contract from Sept • The new targeted health visiting, ECHO, programme • Lower number of total open cases in children's social care • Implementation of more co-production of child protection plans through whiteboard technology • Better quality plans indicated through audit 	<ul style="list-style-type: none"> • Rise in secondary fixed period exclusions and permanent exclusions - focus on Castle View Academy and Charter Academy • Pressures on the Through Care, Fostering and Care Leaving services as a result of the increased numbers of looked after children and care leavers • Some workforce turbulence through maternity cover • Increased challenge by the courts of some of our practice • Pressure on the SEN team because of the higher numbers of children with Education, Health and Care Ps; backlog of work building up • Pressures on the High Needs Block school funding and Home to School Transport budget because of increased numbers of children with complex needs and rising transport provider costs • Continuing difficulty in finding good care placements for children with complex needs • Pressure on special school places - temporary solution required for Mary Rose Academy places • Pressures on school budgets - for both academies and LA maintained schools 	<ul style="list-style-type: none"> • Challenging schools with high levels of fixed term and permanent exclusions • Exploring ways of redeploying resource to relieve pressure areas and support system improvement • Delivery of school capital programme - condition and sufficiency • Delivery of the three elements of the Stronger Futures sustainability programme • £800k refurbishment of building in Fratton (previously The Harbour School) in order to provide space for Mary Rose pupils from Sept 2019 • Integration with the CCG • Deployment of DfE school management resource advisers (SMRAs) to support LA maintained schools that are facing budget pressures • Closure of Willows Centre for Children and expansion of Clifdale Primary Academy from Sept 2019

PUBLIC HEALTH		
What's going well	What are our challenges ?	What are our immediate priorities?
<p>Commissioned services</p> <ul style="list-style-type: none"> • Adult drug and alcohol service <p>Underwent systems thinking redesign, findings are being embedded, working underway to improve data quality.</p> <p>Additional funding secured; i)capital funding for premises ii)supporting children affected by parental alcohol use</p> <p>Partnership working</p> <ul style="list-style-type: none"> • Clinical Commissioning Group <p>Merging commissioned functions where appropriate. This will including sharing resources and potential to pool funding on programme areas</p> <p>Main benefits from PH services perspective;</p> <p>9)better join up of sexual health commissioning (remove false barriers between funding / provision) ii)opportunity to improve join between mental health and addiction services iii)link / support into Primary Care Networks as they develop</p>	<p>Uncertainty!</p> <ul style="list-style-type: none"> • Funding <p>Still no update on public health grant / BRR</p> <p>Some clarity on funding for NHS Agenda for Change pay rise (funding is apparently going to go direct from NHSE to providers of public health services)</p> <p>Lots of funding opportunities are very short term – 1 yr funding – challenge to recruit or develop good people in that context, and providers unlikely to invest in the city</p> <ul style="list-style-type: none"> • Mandate <p>Still no response from government on the consultation they held into mandated functions a year ago!</p> <ul style="list-style-type: none"> • Structures of NHS partners <p>Significant change</p> <p>Commissioned services</p> <ul style="list-style-type: none"> • Sexual Health <p>Pressure in activity levels but currently managing within budget</p> <ul style="list-style-type: none"> • Adult drug and alcohol service <p>Significant cost pressure coming from price rise in cost of single drug (buprenorphine) – price increased by 600% in the last year – creating a</p>	<p>Commissioned services</p> <ul style="list-style-type: none"> • Section 75 arrangement for health visiting and school nursing services <p>Progressing section 75 arrangement with current provider Solent (work led by Children's directorate).</p> <p>Potential risk to public health budget if this is not achieved within the given timescale (end June 2019) noting that the 2019/20 budget allocated from the public health grant has reduced</p> <p>Partnership working</p> <ul style="list-style-type: none"> • Air Quality <p>Chairing and supporting with health information to air quality board</p> <p>Strong links with transport and planning teams, as well as environmental health</p> <p>But, is complex!</p> <ul style="list-style-type: none"> - Responding to ministerial directive is first priority - Risk of legal challenge on anything we do – will inevitably disappoint someone somewhere - Really an infrastructure problem

<p>Linked into STP workstreams Primarily Population Health Management, Prevention - overall STP prevention programme, children and young people's prevention, Local Maternity System prevention Contribute to clinical executive group More opportunities to influence will arise as future shape of Integrated Care System develops • Homelessness and healthcare Held workshop to hear from people with lived experience of homelessness and their healthcare experiences Taken findings to CCG clinical advisory group – informing commissioning intentions Developing bid to PHE for additional funding (one off) to pilot new approaches Working with cross party homelessness reduction group – working with independent chair to better understand the data we hold across the council</p>	<p>Senior capacity • Part mitigation hoped to be new senior intelligence post. However, this will not provide greater technical analytical capacity in itself. Also low capacity in specialist public health advice. Risk being not able to input with breadth and depth to offer sufficient advocacy for a population based, preventative, evidence informed approach Other • Harm reduction work for events Disappointing that The Loop were unable to get permission to operate at South Central festival from the Home Office, especially when they have previously outlined a supportive position</p>	<p>Need integrated public transport and active transport infrastructure to offer acceptable alternative to private cars - Hard to deliver this in timeframe required by central govt - Also Need to recognise health and economic co-benefits - Challenge of ensuring that any proposed CAZ does not worsen inequalities, and Need to be considerate of links to IoW and other ferry linkages</p>

REGENERATION

What's going well	What are our challenges ?	What are our immediate priorities?
<p>Generally the Directorate has met the objectives for this year. The Directorate has been working to ensure statutory duties are met and that we are focussed on the key tasks that contribute to our corporate priorities and the regeneration of the city. We have made adjustments to some teams to enable delivery of important objectives such as improving air quality, the development of strategic sites and planning for Brexit.</p>	<p>The continuing uncertainty around Brexit negotiations has impacted our Local Transport Plan with resources being diverted to putting in place mitigation measures on the approach to the port.</p> <p>Significant issues arising from Tipner consultation for the Local Plan due the effects of air quality issues so we are currently reviewing the plan timetable.</p> <p>Risks around consultation on major schemes such as coastal defences with the extra cost of delivery that may result.</p> <p>The need to continually bid for new funding to deliver programmes and projects requires horizon scanning, good communication with Members, stakeholders and funding agencies; and to ensure we have skills and resources in place to deliver them.</p> <p>Capacity issues caused by key staff vacancies with the need to employ agency staff to ensure that we continue to move forward on important work.</p>	<p>There is a focus on cross directorate and collaborative working to ensure that projects offering a significant contribution to our corporate aims are involve all relevant contributors and stakeholders.</p> <p>There are is also strategic developments of key sites that are in the early stages of programme management and careful engagement of third parties is vital. It is important that strategic development schemes and other large projects with a high profile are adequately resourced and that communications are expertly managed.</p>

HOUSING, NEIGHBOURHOODS AND BUILDING SERVICES

What's going well	What are our challenges ?	What are our immediate priorities?
<p>Waste Management - the introduction of the wheelie bins across the city has run smoothly. There are indications in the service level measures of the positive impact on the waste tonnage and recycling rates (including the volume of galls collected). These will be seen against the Q.1 waste measures.</p> <p>Leamington House & Horatia House - the rehousing element of the project continues to be managed well. All households will have been made an offer of alternative accommodation in Q.1. The cabinet agreed the next steps in February 2019 and work is underway to decommission etc.</p> <p>Street homelessness and rough sleeping partnership strategy - the partnership group has formed well with an independent chair selected. Funding for the work has been agreed in principle by the MHCLG for 2019/20 (the formal notification will be received in Q.1). That will support the ongoing night bed service. A bid has been submitted to the Rapid Housing Pathway fund to build on the accommodation first model and we will be informed in Q.1 if we are successful. The last rough sleeping count (20th March - recorded 7 rough sleeper with 41 individuals in the night bed service)</p>	<p>Homeless approaches continue to rise which places pressure on the available temporary accommodation. This is a reported national trend and relates to the additional burdens arising from the Homeless Reduction Act 2018. Additional burden funding will be confirmed in Q.1. A bid for (Private rented sector access funding) has been made as part of a plan to reduce the use of B&B/Hotel temporary accommodation</p>	<p>Homeless - Addressing the use of B&B/Hotel use as temporary accommodation (May 2019).</p> <p>Waste Management - preparing the introduction of a food waste trial (Summer 2019).</p> <p>LH & HH - creating and agreeing the community engagement consultation (April - May 2019). Aim will be to commence the consultation in June 2019.</p>

CULTURE, LEISURE AND REGULATORY SERVICES

What's going well	What are our challenges ?	What are our immediate priorities?
<p>The Libraries target to increase virtual visits by 5% from 2017 to 2018 was significantly surpassed by an actual increase of 39% This is not due to different methods of data collection but the virtual figures reflect the general movement to access services on line and with greater frequency and confidence.</p> <p>In addition very high use of music streaming as subscription allows more hours daily and e-loans supported by increased percentage of Bookfund spend.</p>	<p>Cemeteries strategy delay.</p>	<p>D-Day 75 and resource and impact on remainder of operation and other project was a risk and concern</p>

FINANCE AND INFORMATION SERVICES		
What's going well	What are our challenges ?	What are our immediate priorities?
<p>Strategic Partnerships:</p> <ul style="list-style-type: none"> Partnerships with the IOW Council and Gosport Borough Council remain strong, the partnership with the IOW Council has been extended to include Internal Audit <p>Annual Budget Setting:</p> <ul style="list-style-type: none"> The Council approved a balanced Revenue Budget for 2019/20 within the statutory timescales The Council's approved Budget for 2019/20 was in accordance with the Medium Term Financial Strategy -achieving £4m of savings and retaining good financial resilience The Council approved its Capital Strategy for 2019/20 (a new statutory requirement) The Housing Revenue Account Budget and associated rents for 2019/20 were consulted with residents and approved by the Cabinet Member for Resources 	<p>Budget pressures - care sector</p> <p>Future savings targets</p> <p>Capacity in Financial Services to provide the financial support and evaluation for the delivery of the Administrations existing and emerging priorities</p> <p>Universal credit</p> <p>Capacity to provide effective coverage for the vacant Support Services Director</p> <p>The Council's pay structure is not market competitive across Finance, IT and Procurement</p> <p>The Council has an underlying need to borrow to fund the approved capital programme and hedging strategies need to be deployed to manage interest rate volatility associated with the uncertainty of Brexit</p> <p>EBS Project Progress</p> <p>Implementation of Northgate systems in Revenues and Benefits to simplify and enable further automation and digital customer access portals</p>	<p>Preparing the Budget for 2020/21 and the next 3 years</p> <p>Closing the Accounts for 2018/19</p> <p>Supporting Adult Social Care and Children's Social Care to design and implement Financial Sustainability Plans to eliminate their underlying deficits</p> <p>Preparing for the Fair Funding and Business Rate Retention Reviews and responding to associated Government consultations</p> <p>The disposal of Victory Energy Supply Limited for the best possible price</p> <p>Financial evaluation and support to the Council's major projects and priorities including:</p>

- The Council's Treasury Management Strategy was approved by full Council

Provision of timely, accurate & relevant management information:

- Budget monitoring information continues to be reported on time

Treasury Management Activities:

- All capital sums invested were securely returned
- Borrowing of £34.5m was undertaken at lower than budgeted (and benchmark) rates

External Income:

- The Council successfully applied to become a Business Rate Retention Pilot for 2019/20 against very strong competition and with limited numbers of available applications. It is expected that it will provide an additional £1.6m for the Council in 2019/20
- Income from external payrolls - the Council now has 18 external payroll clients generating gross income of £280k
- Additional Voluntary Contributions by employees - this results in a National Insurance saving for the Council (currently amounting to £200k) as well as an improved pension for the employee

Training - The service currently has 6 apprentices and 5 other staff in professional training

- The Two Towers
- Tipner regeneration (City Deal)
- The new City Centre Road
- Sea Defences
- Transforming Cities Bid
- Affordable Housing provision
- Acquisition of Lakeside, North harbour

ERP replacement

Management of the Council's Treasury Investments (Security, liquidity & yield)

Realignment of the Council's Budget to the new Portfolio structure

Recruitment to key posts including Deputy Director of Finance, Interim Head of IT Services, Finance Manager for Children's Services

HR, LEGAL AND PERFORMANCE

What's going well	What are our challenges ?	What are our immediate priorities?
<p>HR</p> <ul style="list-style-type: none"> • Employee Wellbeing: campaigns such as mental health awareness week, cancer screening, wellbeing champions, time to change pledge and disability confident employer. The Workforce Wellbeing Co-ordinator has been instrumental in achieving success and running the campaigns. • Absence levels have bottomed out and in terms of days lost long term equates for 6.49 days, medium 1.39 and short term is 2.8 days. • Apprenticeships: <ul style="list-style-type: none"> • The public sector apprenticeship target of 2.3% of headcount (132 apprentices, 82 in PCC and 50 in Schools) was achieved in quarter 4 and is likely to be exceeded by around 5 apprentices once providers have entered all the starts onto their digital accounts. • The public sector target for 2019/20 is 126. • Procurement for the Social Work degree Apprenticeship has commenced with an expected start date of September 2019. • Working group across the SHIP region has been set up by PCC for the OT Degree Apprenticeship. 	<ul style="list-style-type: none"> • Resources - to become a disability leader and continue with wellbeing initiatives, resources will need to be maintained and or increased. • Management of long term absence, which equates for the majority of absence. • Continuing to maintain management and staff engagement. • Sorting out relationship between BI data and EBS data to help services make sense of trends (BI data will be more accurate but not comparable to EBS data) 	<ul style="list-style-type: none"> • Raising awareness with all staff and achieving senior management buy in. • Embedding new Occupational Health provider • Social work degree apprenticeship

• Levy spend has increased with the requirement to pay back any of our levy fund to the government now having been pushed back to April 2021 (£36,380). However this is likely to be pushed back further as we increase apprenticeships numbers, introduce more higher level apprenticeships and share our levy pot with employers in the city as agreed in Employment Committee.

Internal Audit

• 99% of the audit plan is complete or is in progress.

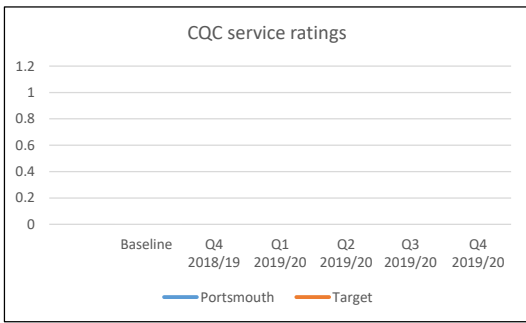
• The audit plan shows 2 critical exceptions Strategy

• Success in OPE Portsmouth Harbour bids with programme support funding as well as schemes in Gosport

• Support to a range of services on activities important to individual directorates

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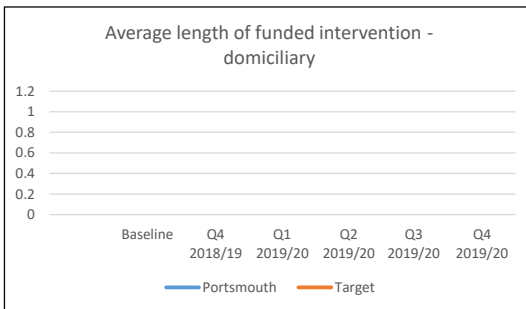
Priority- a city that works together, enabling communities to thrive and people to live healthy, safe, independent lives



RAG against target

RAG against trend

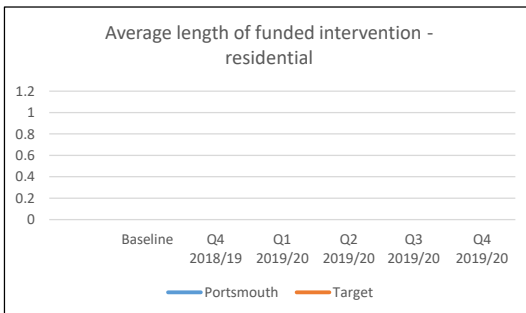
COMMENTARY
We need to identify and agree the measures of whether we are achieving our aims and objectives across dimensions of cost, quality and customer experience. This is to be developed in line with the Blueprint for ASC in Portsmouth.



RAG against target

RAG against trend

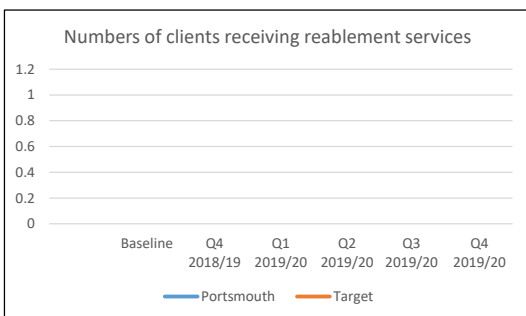
COMMENTARY
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RAG against target

RAG against trend

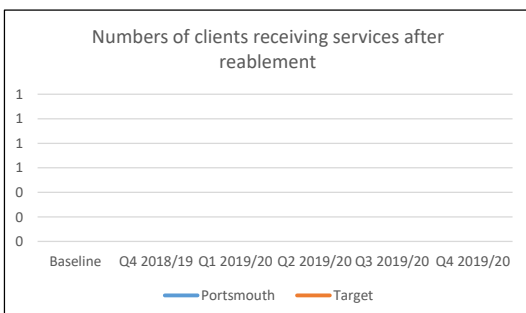
COMMENTARY
We need to identify and agree the measures of whether we are achieving our aims and objectives across dimensions of cost, quality and customer experience. This is to be developed in line with the Blueprint for ASC in Portsmouth.



RAG against target

RAG against trend

COMMENTARY
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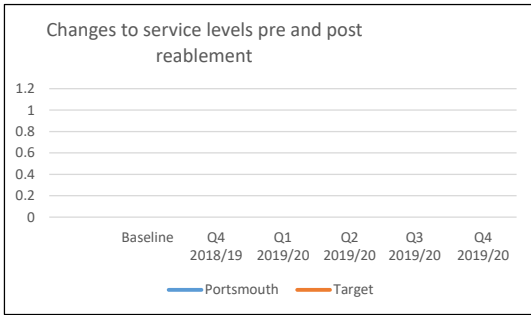


RAG against target

RAG against trend

COMMENTARY
We need to identify and agree the measures of whether we are achieving our aims and objectives across dimensions of cost, quality and customer experience. This is to be developed in line with the Blueprint for ASC in Portsmouth.

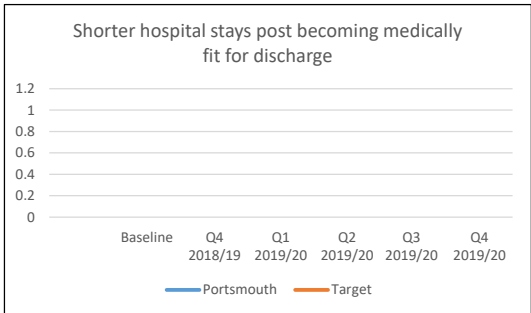
Priority- a city that works together, enabling communities to thrive and people to live healthy, safe, independent lives



RAG against target

RAG against trend

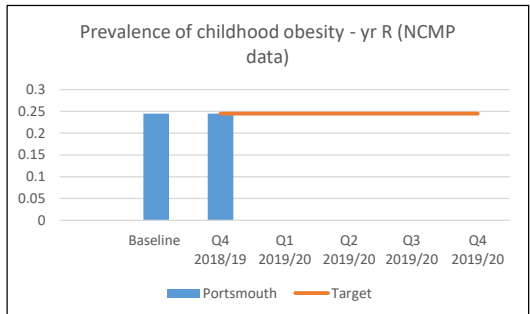
COMMENTARY
We need to identify and agree the measures of whether we are achieving our aims and objectives across dimensions of cost, quality and customer experience. This is to be developed in line with the Blueprint for ASC in Portsmouth.



RAG against target

RAG against trend

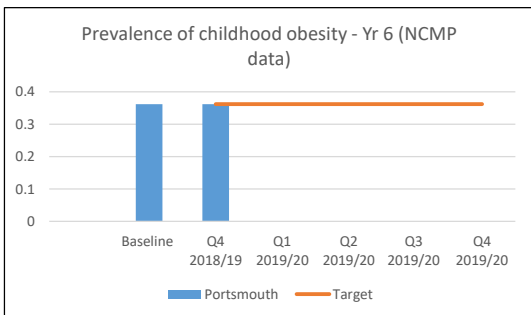
COMMENTARY
We need to identify and agree the measures of whether we are achieving our aims and objectives across dimensions of cost, quality and customer experience. This is to be developed in line with the Blueprint for ASC in Portsmouth.



RAG against target

RAG against trend

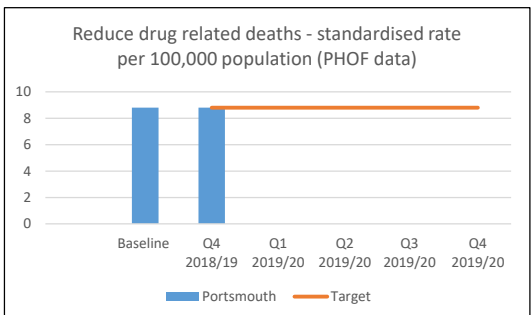
COMMENTARY
Data gathered during the school year and published annually. In 2017/18, Portsmouth significantly worse than than national average at Yr R.



RAG against target

RAG against trend

COMMENTARY
Data gathered during the school year and published annually. In 2017/18, Portsmouth was similar to the national average at Yr R.

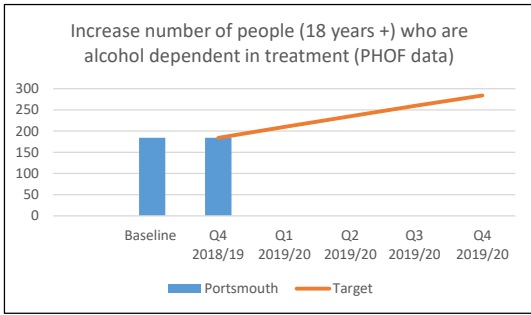


RAG against target

RAG against trend

COMMENTARY
There is a lag in the publication of data and it is published annually. Monitoring needs to be long term as the influence of action taken in-year will not be known. In 2015-17, Portsmouth is significantly worse than the national average.

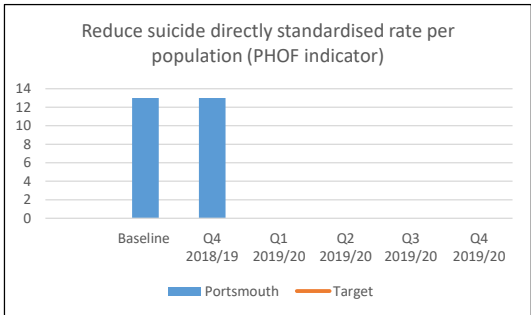
Priority- a city that works together, enabling communities to thrive and people to live healthy, safe, independent lives



RAG against target

COMMENTARY
There is a lag in the publication of data and it is published annually- however more timely data is available locally.

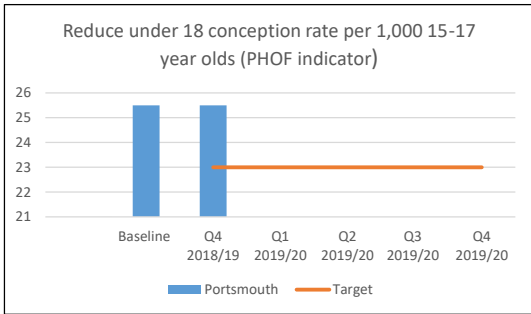
RAG against trend



RAG against target

COMMENTARY
There is a lag in publication of data and it is published annually. Monitoring needs to be long term as influence of actions taken in - year will not be known. In 2015-17, Portsmouth significantly worse than national average. Portsmouth Suicide Prevention Plan target is a 10% reduction in suicide rate over three years.

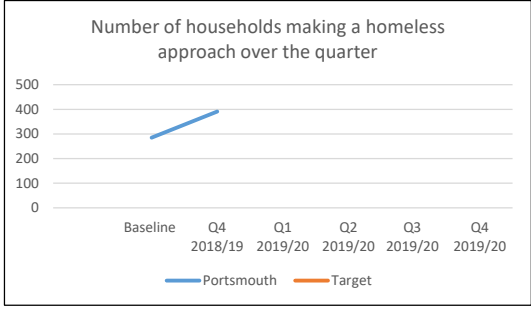
RAG against trend



RAG against target

COMMENTARY
There is a lag in the publication of data. Monitoring needs to be long-term as the influence of actions taken in year will not be known. In 2017, Portsmouth significantly worse than national average.

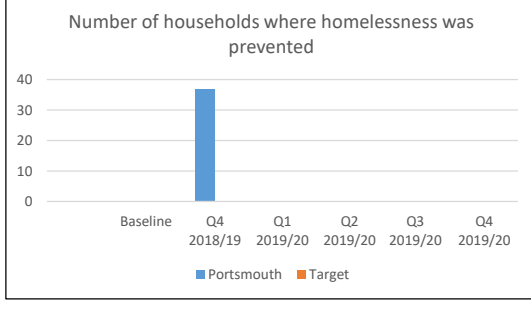
RAG against trend



RAG against target

COMMENTARY
These figures reflect the situation in households within the Portsmouth area.

RAG against trend

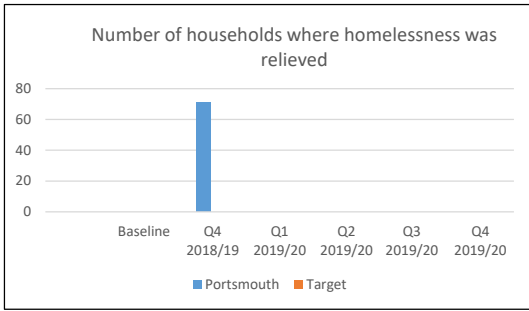


RAG against target

COMMENTARY
This is a new measure and there is no established baseline.

RAG against trend

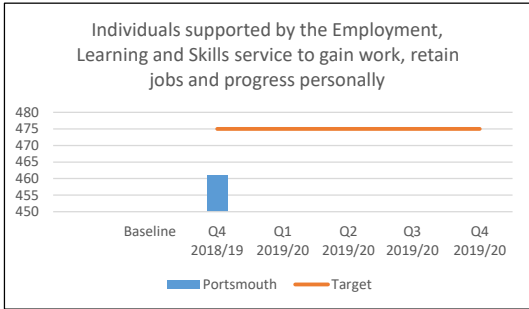
Priority- a city that works together, enabling communities to thrive and people to live healthy, safe, independent lives



RAG against target

RAG against trend

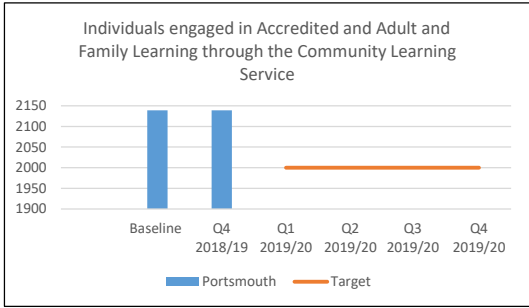
COMMENTARY
This is a new measure and there is no established baseline.



RAG against target

RAG against trend
GREEN

COMMENTARY
There is no established baseline as programmes are new for 2019/20.

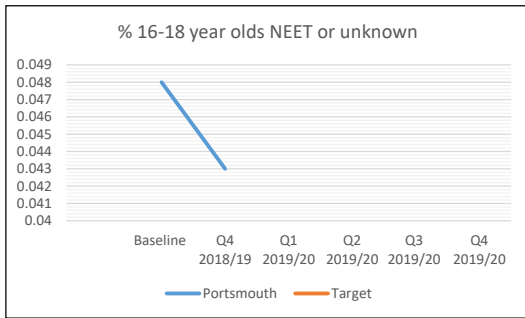


RAG against target

RAG against trend
AMBER

COMMENTARY
Target refers to the 2018-19 academic year - there may be fewer individuals in 2019, but they are more likely to progress to further learning.

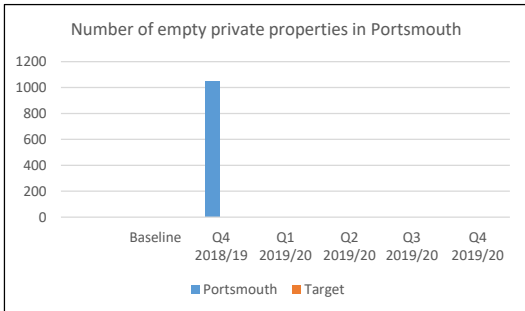
Priority- Encourage regeneration built around our city's thriving culture, making Portsmouth a great place to live, work and visit



RAG against target

RAG against trend

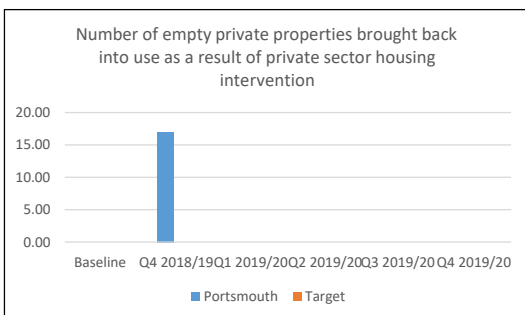
COMMENTARY



RAG against target

RAG against trend

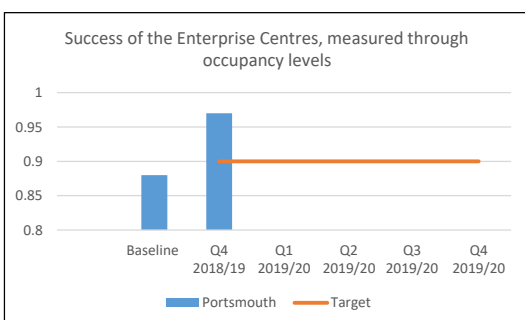
COMMENTARY
This is a new measure and there is no established baseline.



RAG against target

RAG against trend

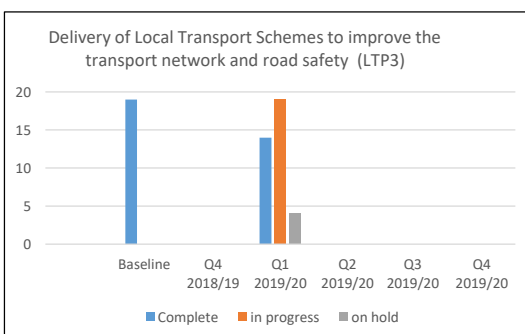
COMMENTARY
This is a new measure and there is no established baseline.



RAG against target

RAG against trend
GREEN

COMMENTARY
High demand for small, affordable work space in the right location.

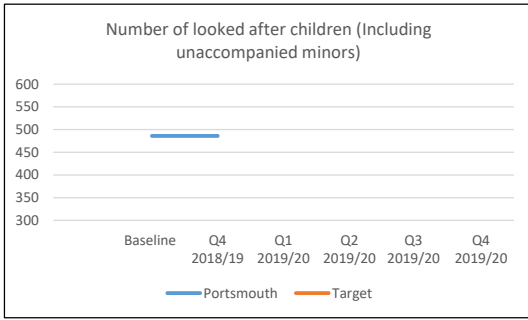


RAG against target

RAG against trend
AMBER

COMMENTARY
Urgent work relating to Brexit has resulted in resources being diverted, which has affected progress.

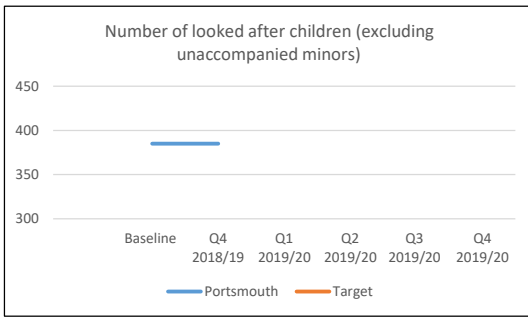
Priority- Make Portsmouth a great place to live, learn and play, so our children and young people are safe, healthy and positive about their futures



RAG against target

COMMENTARY

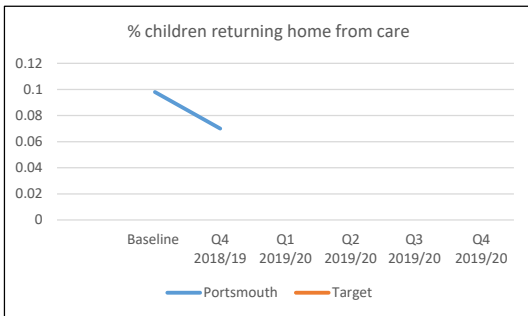
RAG against trend



RAG against target

COMMENTARY

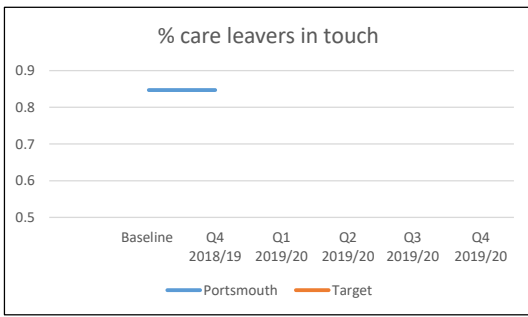
RAG against trend



RAG against target

COMMENTARY

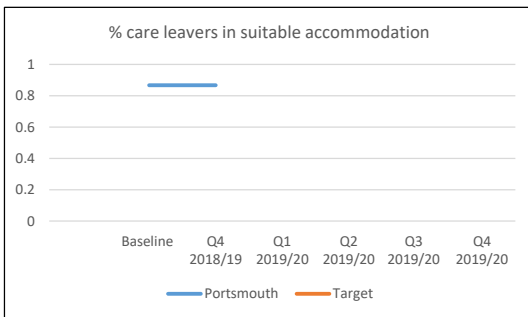
RAG against trend



RAG against target

COMMENTARY

RAG against trend

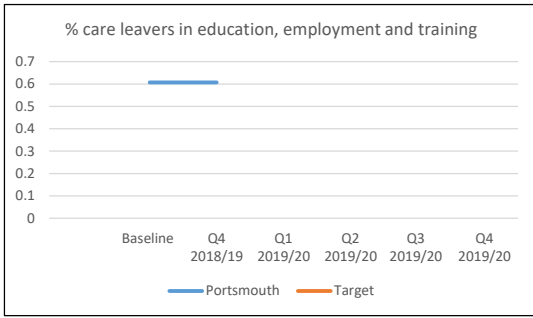


RAG against target

COMMENTARY

RAG against trend

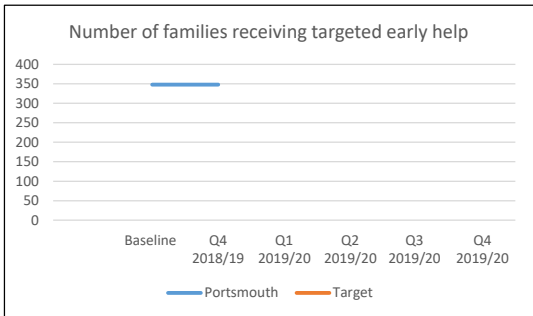
Priority- Make Portsmouth a great place to live, learn and play, so our children and young people are safe, healthy and positive about their futures



RAG against target

RAG against trend

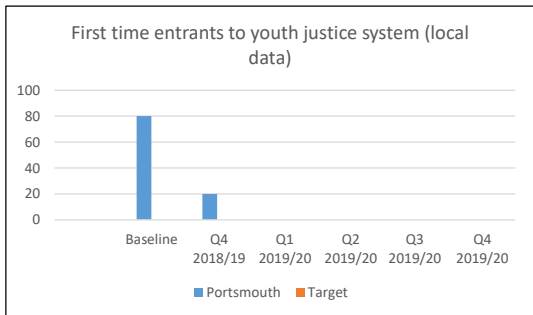
COMMENTARY



RAG against target

RAG against trend

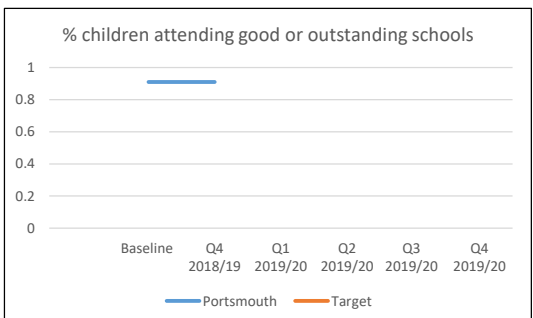
COMMENTARY



RAG against target

RAG against trend

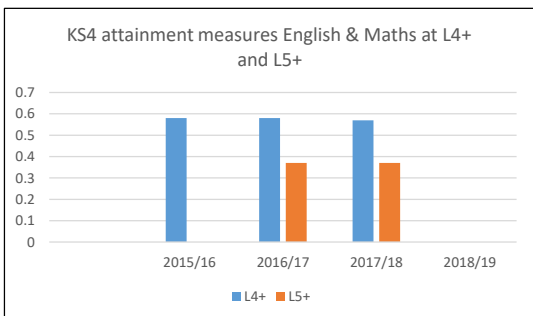
COMMENTARY



RAG against target

RAG against trend

COMMENTARY

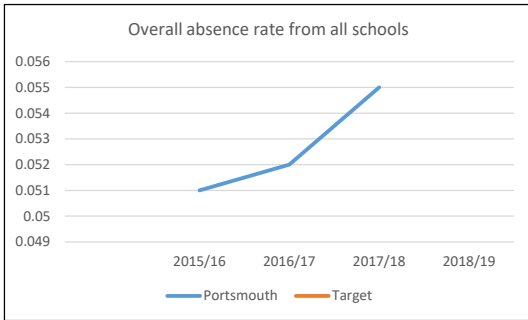


RAG against target

RAG against trend

COMMENTARY
Annual data - provisional 2019 results will be available in August 2019.

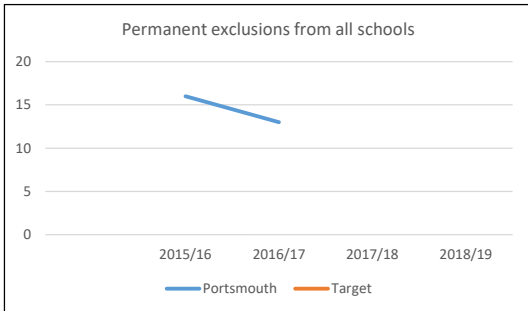
Priority- Make Portsmouth a great place to live, learn and play, so our children and young people are safe, healthy and positive about their futures



RAG against target

RAG against trend

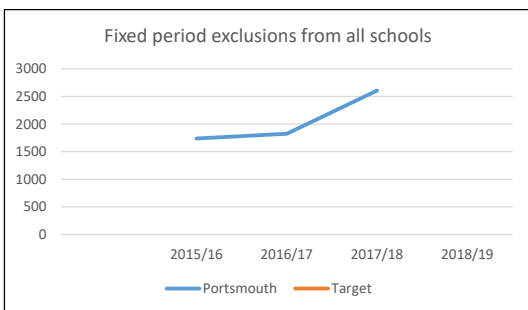
COMMENTARY
Whole year data - most recent data from DfE March 2019. Released annually.



RAG against target

RAG against trend

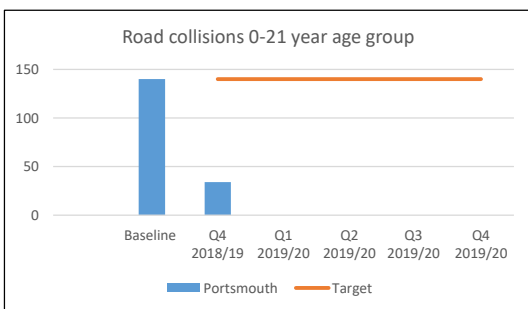
COMMENTARY
Whole year data - Most recent data from DfE: release July 2018 for 2016/17. Data published annually. To be updated with 2017/18 data after DfE publish revised data in July 2019.



RAG against target

RAG against trend

COMMENTARY
Whole year data - most recent data from LA Capita One data for 6 half terms for fixed period exclusions for 2017/18. This will be replaced by DfE data for 2017/18 when that is published in July 2019.

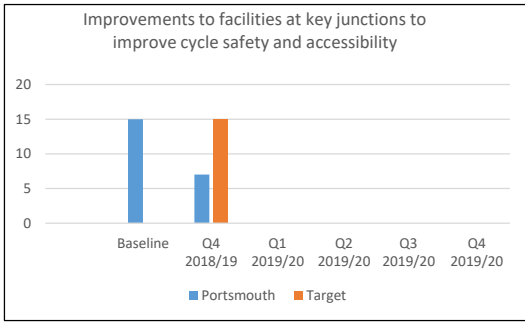


RAG against target

RAG against trend
GREEN

COMMENTARY
The baseline represents the average number of collisions over the last 5 years.

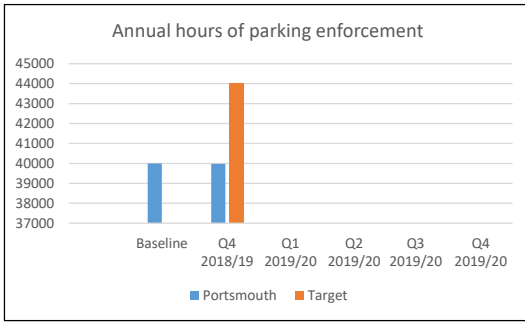
Priority-Make our city cleaner, greener and safer



RAG against target

COMMENTARY
Number of sites is dependent on the amount of funding available each year.

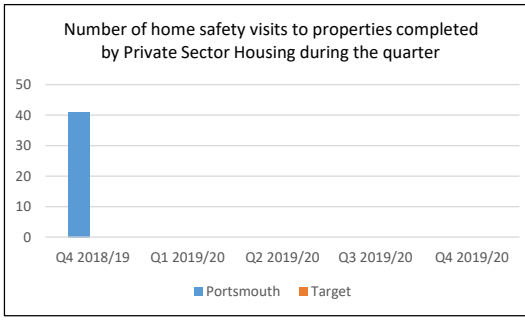
RAG against trend
GREEN



RAG against target

COMMENTARY
Additional Civil Enforcement Officers have been recruited

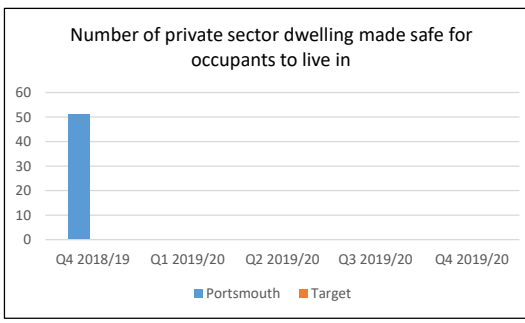
RAG against trend
GREEN



RAG against target

COMMENTARY
This is a new measure and there is no established baseline.

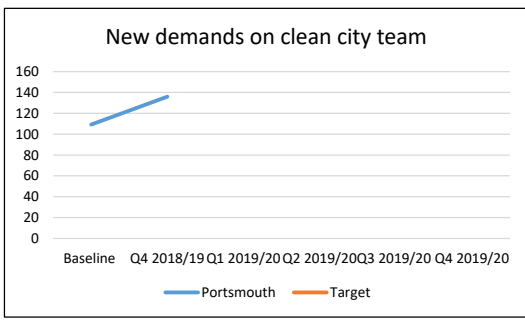
RAG against trend



RAG against target

COMMENTARY
This is a new measure and there is no established baseline.

RAG against trend

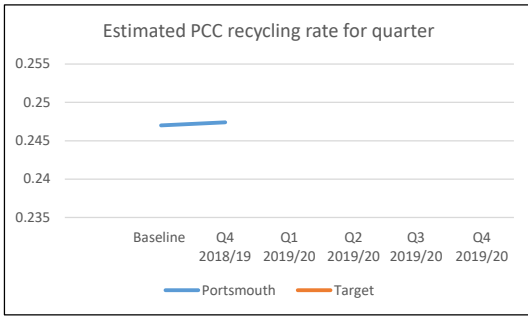


RAG against target

COMMENTARY
Combined highest demands of ASB, rough sleepers, drug related debris and dog fouling

RAG against trend

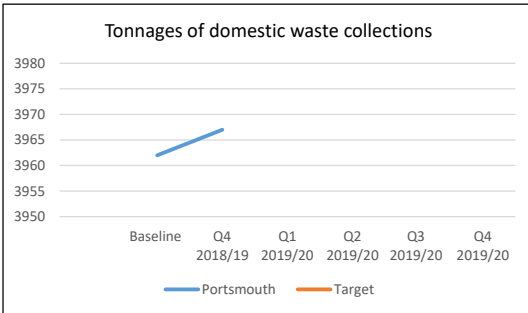
Priority-Make our city cleaner, greener and safer



RAG against target

RAG against trend

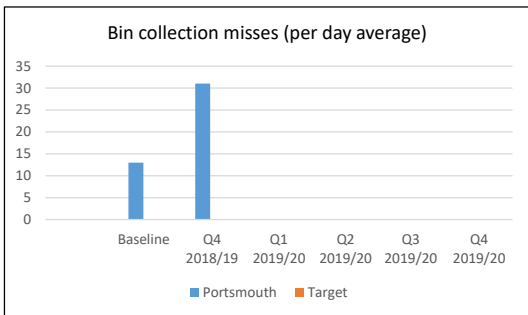
COMMENTARY
Not all data has been finalised; figures are produced annually and will likely be subject to change .



RAG against target

RAG against trend

COMMENTARY
This measure incorporates kerbside refuse, recycling collection and glass bank collection expressed as an average per month. Overall refuse tonnage has reduced by 300+ tonnes per month since the roll out of wheelie bins. The baseline figure includes January data which is significantly higher than average and the full impact of the wheelie bin rollout will not be seen at this stage.

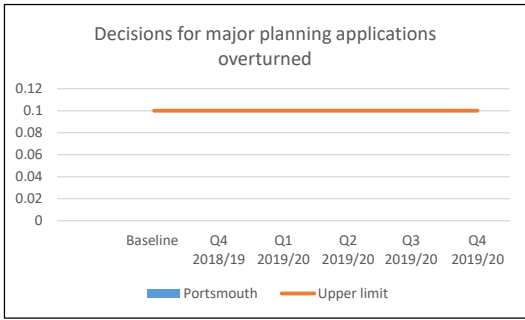


RAG against target

RAG against trend

COMMENTARY
Increase from previous year's baseline is attributed to the roll out of wheelie bins across the city.

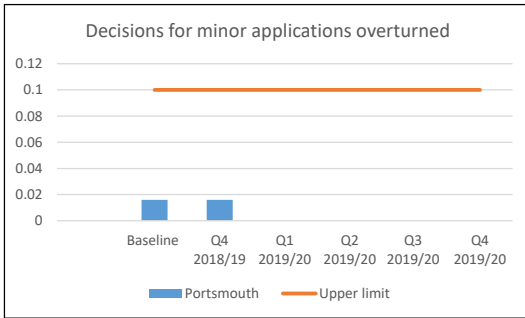
Priority - Make sure our council is a caring, competent and collaborative organisation that puts people at the heart of everything we do



RAG against target
GREEN

RAG against trend
GREEN

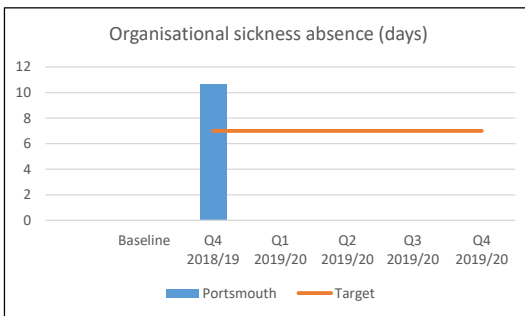
COMMENTARY
The measure considers the % local decisions overturned and is a proxy for quality of decision making. There is an upper tolerance of this issue of 10% over a 2 year rolling period.



RAG against target
GREEN

RAG against trend
GREEN

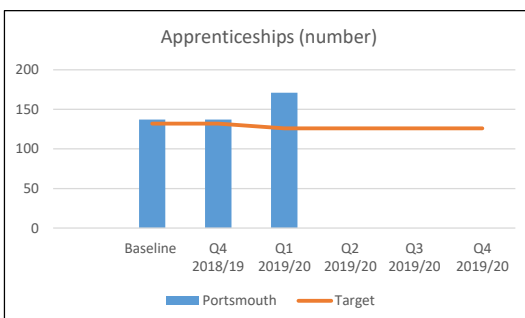
COMMENTARY
The measure considers the % local decisions overturned and is a proxy for quality of decision making. There is an upper tolerance of this issue of 10% over a 2 year rolling period.



RAG against target
RED

RAG against trend
AMBER

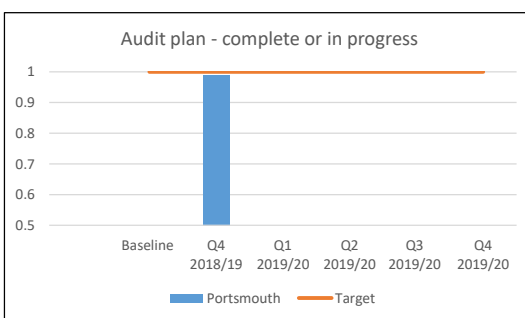
COMMENTARY
Absence levels have bottomed out whilst still being above target. This gives some confidence for the future. The management of short term and medium term absence (just under 4.2 days) is positive. Long-term absence is harder to manage and represents the majority of absence.



RAG against target
GREEN

RAG against trend
GREEN

COMMENTARY
PCC currently have 171 apprentices on programme over 39 different frameworks and standards, level 2 to level 7
Repayment of Apprenticeship Levy - PCC not projected to repay any levy fund to Government until June 2021 and this is consistently being pushed back due to the success in recruiting PCC apprentices
Public Sector target for 2018/19 achieved and exceeded- awaiting final confirmation of percentage we have achieved
Recently awarded the following apprenticeships;
• Payroll
• Accountancy
• Social Work
• Learning and Development
• Planning

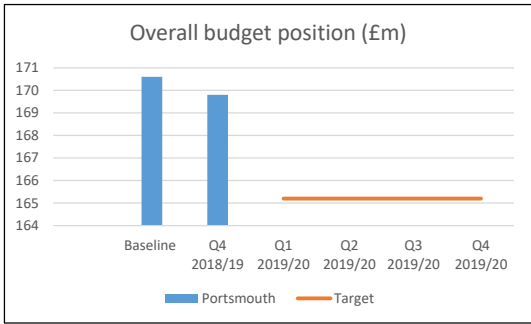


RAG against target
GREEN

RAG against trend
GREEN

COMMENTARY
99% of the Audit Plan is complete or in progress. From the audits undertaken so far, two critical risk exceptions have been identified and 52 high risk exceptions.

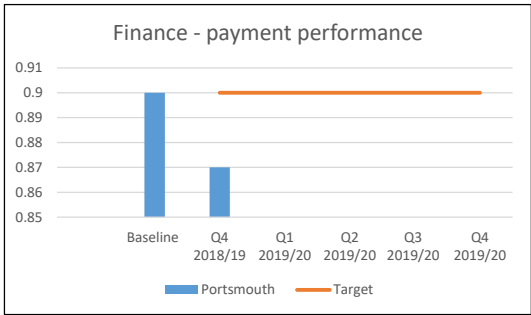
Priority - Make sure our council is a caring, competent and collaborative organisation that puts people at the heart of everything we do



RAG against target

RAG against trend

COMMENTARY



RAG against target
AMBER

RAG against trend
AMBER

COMMENTARY

Major Projects

Name of Programme/project	Project Summary	Directorate	Member Champion	Estimated project cost (latest forecast)	Project - current stage	Start Date	Next milestone (date and description)	Planned Finish Date	Status - timescale	Status - budget	Risks
Make Portsmouth a city that works together, enabling communities to thrive and people to live healthy, safe, independent lives											
New models of care	This relates to the enhancing of Adult Social Care's in-house reablement service. Team have started to produce measures demonstrating positive outcomes.	Adult Social Care	Clr Matthew Winnington	£595k per year	Delivery	2018	Recruit staff (rolling objective) - reablement assistants and occupational therapists	2021	AMBER	AMBER	Project does not achieve required savings
Residential remodelling	Merging of in-house care homes and creating new extra care facilities	Adult Social Care	Clr Matthew Winnington	£9.7m capital bid	Delivery	2018	Dec 2019 expected to see next home closed with residents relocating to other homes	2020	AMBER	AMBER	Delays to closures will impact savings plans. Potential adverse reaction from families.
Domiciliary care intervention	Redesigning how Adult Social Care provides personal care to people in their own homes.	Adult Social Care	Clr Matthew Winnington		Redesign	2018	July for presentation and recommendations		GREEN	GREEN	Agreement for next phase not given.
Integrated localities intervention	Systems thinking is being applied to support the integration of health and social care community teams.	Adult Social Care	Clr Matthew Winnington		Redesign	2018	Roll-in of new way of working in South Locality - Summer 2019	N/A	AMBER	AMBER	Ability to scale up effectively. Organisational barriers around integrated systems
Telecare/assistive technology	Assistive Technology intervention commenced, enabling a better understanding of how to integrate assistive technology as part of care and support plans.	Adult Social Care	Clr Matthew Winnington		Feasibility	2018	Finalising check phase. Next phase will involve relevant experimentation.	2019	GREEN	AMBER	Understanding both specialist and financial requirements within a complex technology market
Oakdene	Development of supported living accommodation to service users from a variety of current placements, including residential care settings who have been identified as being able to live more independently.	Adult Social Care	Clr Matthew Winnington	£2.29m	Feasibility	2017	Preparing to tender				There is a known risk that the CASHH funding could be withheld due to conditionality around delivery timescales. Other project costs remain stable but to look for savings
Encourage regeneration built around our city's thriving culture, making Portsmouth a great place to live, work and visit											
City Centre North	Joint Venture (PCC and Delancey) to produce a development scheme for the Tricorn Development element of the City Centre Regeneration Programme. Separate strategies are being considered for the transport link and Commercial Road Improvements.	Regeneration	Councillor Steve Pitt	Potentially £1bn total scheme value (including private sector investment)	Tricorn Development - Planning Stage Transport Link - Design Stage Commercial Road Improvements - pre-planning stage	11 July 2015	Heads of Terms agreement with Delancey - Easter 2019. Full agreement Summer 2019. Phase 1 (and/or meanwhile uses) from 2019/20. Transport link starts Autumn 2019. Temporary Improvements to Commercial Rd - start late 2019.	TBC	AMBER	AMBER	Agreement of Heads of Terms; ownership issues; nitrates; large number of stakeholders
Tipner Regeneration Scheme	Deliver a new community in the Tipner masterplan area, including new homes and a cultural and employment hub.	Regeneration	Councillor Steve Pitt	Under review	Development of masterplan	Start on site 2022	1st stage Design Feasibility brochure produced July 2019.	May 2039	AMBER	AMBER	Habitats Regulation Assessment - Land Ownership - Link between marine employment and residential requirements - external funding
The Hard Bus apron replacement	Design and build a new pavement to sit on the current jetty structure.	Regeneration	Councillor Lynne Stagg	£2.5million	Planning and Design	01 January 2019	Appointment of contractor in July 2019	Summer 2020 (subject to funding)	GREEN	AMBER	Approval of funding is required to progress the project
Landing Craft Tank Project	Partnership with National Museum of the Royal Navy who are the lead organisation; PCC to deliver the project Activity Plan and will be responsible for the operation as part of D-Day Story	Culture, Leisure and Regulatory Services	Clr Steve Pitt	£5.6million (of which £84k is PCC capital)	Setting up service level agreement with NMRN	Ongoing	LCT 7074 is due to arrive on site Spring 2020	Open to the public in Summer 2020			

Central Corridor Transport Infrastructure Improvements	Improvements scheme benefiting/improving air quality, pedestrian and cyclist safety along the Central Corridor.	Regeneration	Councillor Lynne Stagg	£668k	Construction	Mar-19	Completion - August 2019	August 2019	GREEN	GREEN	
Eastern Corridor Transport Infrastructure Improvements	Scheme to deliver improved sustainable transport choices, improved air quality and a reduction in noise, travel time and congestion.	Regeneration	Councillor Lynne Stagg	£1million	Construction of agreed improvement. Further improvements under development.	Mar-18	Phase 2 feasibility Milton Common cycle path - planning	March 2021	GREEN	GREEN	
Programme of capital projects to improve the infrastructure of the International Port and Portico	Construction of a new cruise terminal building. Extending Berth 2 to accommodate cruise vessels. Replacements of the passenger boarding bridge. Construction of a new container park at Portico.	Regeneration		£21million	Each project is at a different stage, from feasibility, planning and design.	Nov-17	Appointment of a Berth 2 contractor in July 2019. Construction of a container park to start in July 2019.	2021	GREEN	GREEN	Berth extension - strength of existing berth may not be sufficient and require additional strengthening.
Portsmouth Coastal Defences	Completion of Phases 3 and 4 part 1 of the North Portsea Island Flood defences. Achievement of Southsea Flood Defences milestone; Design Phase 1, planning application and full business case	Regeneration	Councillor Steve Pitt	£178 million	North Portsea - in construction; Southsea - planning and design	2017	Phases 3 and 4 part 1 of the North Portsea Island defences. Achievement of Southsea - Design Phase 1, planning application and full business case.	2026	GREEN	AMBER	Additional funding will be required to support the business case. Uncertainty on construction price may delay the start of construction.
Somerstown Regeneration	Masterplan for the Somerstown Regeneration Scheme	Regeneration	Cllr Darren Sanders	n/a	Planning and consultation	01 May 2019	Community engagement begins May 2019 - 6 week consultation period.	August 2019	GREEN	GREEN	
Dunsbury Park	Develop commercial space to provide employment and generate revenue.	Regeneration	Councillor Steve Pitt	£130 million	Mid-development	2016	Appointment of contractor - September 2019.	2025	GREEN	GREEN	Attracting businesses to recover investment is partly dependent on the UK
Horatia House and Leamington House - feasibility and decant	Initial feasibility work highlighted an issue with concrete strength in both blocks leading to a decision to rehouse both blocks (see below). Cabinet decision (special Cabinet 26th February) - The Cabinet: 2) agreed that it is financially unviable to undertake the works to strengthen, clad and install sprinklers into Leamington House and Horatia House, and as a result; 3) agreed that on completion of the permanent rehousing of all households from Leamington House and Horatia House, the two blocks will be removed from charge, decommissioned and secured; 5) agreed that there is an opportunity for the sites to be redeveloped to create affordable/social housing and regeneration in this area of the city and requests the Regeneration Directorate, working with the Housing Directorate, to provide a report to Cabinet with an options appraisal for the demolition of Leamington House and horatia House and development of the sites in consultation with the local and wider Somerstown community and stakeholders.	HNB/Regeneration	Cllr Sanders	Costs of future scheme to be quantified	Feasibility	N/A	May 2019 - all occupants received offers for permanent housing. June 2019 - all occupants of blocks to be rehoused (subject to court timescales where households have refused alternative offers). Community consultation proposed to take place during June 2019 (results analysed July 2019).	tbc	GREEN	RED	Availability of funding for the outcome of rehousing and associated costs and feasibility. Impact on the housing waiting list.
Five sites programme	Construction of 5 new housing development sites	Regeneration	Cllr Steve Pitt	£45million	Unicorn House has commenced on site. Other 4 sites are at feasibility stage.	2018	Financial appraisal and viability report on remaining 4 sites	2023	GREEN	GREEN	Planning and financial viability

Make Portsmouth a great place to live, learn and play so our children and young people are safe, healthy and positive about their futures.

Maintain a resilient early help offer	This is one of the three strands of our Stronger Futures 2 Programme. In 2019-2020 there is a particular focus on supporting schools to build resilience and good mental health for children.	Children, Families and Education	Cllr Rob Wood	Within existing resources	Following two years of work on the redesign of health visiting and the creation of a much larger targeted early help offer for vulnerable families, the focus has moved to supporting schools and building stronger links between schools, early help and mental health services.	2016/17	Autumn 2019 - Introduce new process for co-ordinating the support offer to schools, linking with the redesign of SEN outreach.	Ongoing	GREEN	GREEN	This work depends on close partnership with schools, including through the Portsmouth Education Partnership and with Solent NHS Trust. If partnership working is not carefully supported, buy-in will be reduced.
Strengthen safeguarding support for children through a whole family safeguarding model and effective assessment, planning and review	New adult services posts to be co-located with children's teams, to provide holistic support to vulnerable families.	Children, Families and Education	Cllr Rob Wood	£450k per annum	Management structure and responsibilities have been agreed and posts will be advertised over the summer with a view to increasing holistic support from Autumn 2019.	Spring 2019	Summer 2019 - recruitment of a co-ordinator and 8 new posts to support whole family working	Ongoing	GREEN	GREEN	Key current risk is around recruitment - failure to fill posts with high quality staff and/or taking good staff away from other adult services
Provide effective, sustainable care for children and young people unable to live with their families and consistent, high quality support to care leavers	Implementation of the Mockingbird Family Model of fostering; improved housing offer for care leavers and promotion of the Care Leavers Covenant	Children, Families and Education	Cllr Rob Wood	Within existing resources until investment requirement confirmed	Members have agreed to investment in the Mockingbird Family Model; new housing allocation processes are in place for care leavers and proposals for promoting the Covenant have been developed	Autumn 2018	Summer 2019 - contract signed for the Mockingbird Family Model license and engagement with foster carers over service design; engagement with other council departments and city businesses over the Covenant.	Ongoing	GREEN	GREEN	Failure to secure buy-in from foster carers to the model; failure to recruit to key co-ordinator and hub roles; failure to secure buy-in to the Covenant
MOSAIC project	Implement new case management system for social care and early help (MOSAIC)	Children, Families and Education	Cllr Rob Wood	£1.9m	Implementation	01 July 2018	Summer 2019 - user testing	Autumn 2019	GREEN	GREEN	User testing reveals problems; staff not adequately prepared for the changeover
Enhance recruitment and retention of teachers and social workers	Strategy to boost recruitment and retention of teachers and social workers in the city	Children, Families and Education	Cllr Suzy Horton	£10k allocated from Education budget. Some sponsorship income. Small marketing budget for social worker recruitment.	Phase 1 implementation Teach Portsmouth website and social media developed and live. Plans now being developed to resource a linked website for social care recruitment	Ongoing	First phase of website development - Sept 2019. First strand of marketing campaign - summer 2019. Teach Portsmouth week - Oct 2019. Allocation of resource for social care development	Ongoing	GREEN	AMBER - funding is limited but bids are in development	Scale of impact on significant problem for the city (teachers); need to maintain current good level of permanent staff in social care
School attendance campaign	2-year media campaign to promote the importance of school attendance with residents; a range of measures to reduce exclusions, reduced timetables and elective home education including implementation of a new protocol with schools.	Children, Families and Education	Cllr Suzy Horton	£40k over 2 academic years	Implementation	01 October 2018	Summer term focus on not missing school for holidays and days out	Sept 2020	GREEN	GREEN	Persistent absence for secondary school aged pupils remains above national; exclusions have risen in some schools; the protocol on EHE appears to be achieving its aims
Education capital programme (1)	Statutory responsibility to ensure school places in primary and secondary schools (sufficiency duty)	Children, Families and Education	Cllr Suzy Horton	Total mainstream budget £64.7m. 2019/20 allocation - £7.81m	Schemes in place to ensure statutory duty is met. Current pressure is secondary places.	Ongoing	Phased programme of feasibility studies underway to aid future planning. Secondary - completion by Sept 2019. Primary - completion by Summer 2020	Ongoing	GREEN	GREEN	No significant risks at present

Education capital programme (2)	Statutory responsibility to ensure suitable special needs (SEND) provision (sufficiency duty)	Children, Families and Education	Cllr Suzy Horton	Total SEND budget £7.3m. 2019/20 allocation - £0.67m	Schemes in place to increase provision. SEND accommodation review being undertaken to inform future developments.	Ongoing	SEND strategic accommodation review completed - June 2019. Implications to be addressed via capital bid process - autumn 2019	Ongoing	AMBER - urgent works to create additional accom. For Sept 2019	AMBER - demand for SEND accom exceeds available budget. Strategic approach	Risks that urgent works may not be completed in time.
Education capital programme (3)	Maintenance of maintained school buildings (condition)	Children, Families and Education	Cllr Suzy Horton	Total programme £8.6m 2019/20 allocation - £1.7m	Schemes for most urgent issues in place	Ongoing	Schemes progressing as per plans	Ongoing	GREEN	GREEN	No specific risks at present
Education capital programme (4)	School replacement schemes or new schools funded by DfE	Children, Families and Education	Cllr Suzy Horton	Nil	Arundel Court and Beacon View - both on site and progressing Mayfield - planning application to be submitted June 2019 Wymering autism school - awaiting funding from minister	Ongoing	Schemes progressing as per plans	Ongoing	GREEN	GREEN	Potential delays to rebuilding schemes. Funding for Autism awaiting ministerial approval.
Make our city cleaner, safer and greener											
Paulsgrove Country Park	This project is managing the restoration of the landfill site by Veolia and preparation of the site to become "Paulsgrove Country Park", to be managed by Culture and Leisure Services. The Veolia contract forms part of PCC's waste management disposal contract (managed by Collette Hill (HNB); HCC are also supporting. The Regeneration Directorate are involved from a planning perspective and the creation of public access to the site (car park and road) and the Parks services team. The working group is meeting to ensure that all the various strands are co-ordinated and the overlaps are managed.	HNB/Culture and Leisure	Cllr Ashmore and Pitt	£1.5m PCC investment in Country Park.	Restoration works	2016	Updated Informal Cabinet Feb 2019	Summer 2021 (handover of Country Park to Parks) - still subject to negotiation. Waste Management monitoring - ongoing			
Air Quality Local Plan programme	Produce an Air Quality local plan.	Regeneration	Cllr Lynne Stagg	£2.5million	Development	2018	Submission of data to JAQU for initial evidence review June 2019. Public survey to understand behavioural response to CAZ charges June 2019.	Submission of Outline Business Case October 2019. Implementation completed by July 2021.	GREEN	GREEN	The process set by Ministerial Directive could result in implementation of a scheme that is not popular locally. Risk of Judicial Review.
Local plan refresh	Prepare the new Local Plan for the period until 2036 and bring it forwards in accordance with the agreed timetable.	Regeneration	Councillor Steve Pitt		Draft and consultation	2018	Publication of Local Plan consultation draft - December 2019	Summer 2020	AMBER	AMBER	Significant issues arising from Tipner consultation, effects of air quality issue to be considered. Plan timetable currently being reviewed.
Street Homelessness and Rough Sleeping Partnership Strategy 2018-2020	Street Homelessness and Rough Sleeping Partnership Strategy 2018-2020 now in final form (consultation completed in December 2018). Next phase is development of the 'accommodation first' which links support and accommodation through partnership working with public services and the voluntary sector. Current shelter/high bed service funded until end March 2019, with funding for 2019/20 now confirmed.	HNB	Cllr Sanders		Delivery	2018	Ongoing strategy	2020	GREEN	GREEN	Portsmouth's work in addressing the issues of rough sleeping has attracted MHCLG funding for 2018/19 and 2019/20.

Development of waste management infrastructure	To offer services which deliver waste reduction, and enable a wider range of opportunities for re-use and recycling. Update on the wheelie bin roll out - paper to ECS 5th Feb Paper to agree food waste recycling trial - paper to ECS 28th Feb	HNB	Cllr Ashmore	£4.5m SMRF (small material recovery facility)	Planning and Design	Jan-18	June 2018 - meet with Leaders and CEX to agree direction of travel	End of 2021	GREEN	GREEN - capital bid securs PCC contribution	Legislative change; outcomes of consultation
Make sure our council is a caring, competent and collaborative organisation that puts people at the heart of everything we do											
One public estate	Working with partners across the public sector to identify opportunities for land release to enable housing development	HRLP	Cllr Pitt	Cross partnership funding	Delivery	01 February 2018	Phase 8 - bid Autumn 2019	Current bid runs to 2023	GREEN	GREEN	
Apprenticeships	Delivery of apprenticeship programme across the organisation to fulfil responsibilities	Finance/ HRLP		£700k levy	Delivery	01 April 2017	Closing date for sharing PCC levy - 19/7/19.	ongoing	GREEN	GREEN	Funding for the schools apprenticeship officer has ceased - this could lead to a level of disengagement with staff based in schools. Whilst PCC has a clear process to follow, without funding support is not possible.
Employee Wellbeing	Programme to reduce sickness absence by improving employee wellbeing - funded by PH	HRLP/PH		PH transformation fund	Delivery	01 April 2018	Q1 - run Cancer Screening campaign. End Q1 - start new occupational health contract; Q2 - start new EAP contract; Q3 - run flu vaccination campaign	ongoing	GREEN	GREEN	
Local Full Fibre Network	City Wide to enable g bit connection	FIS		£3.9m	Supplier appointment	Late Summer 2019	Contract award	31st March 2021	AMBER	GREEN	DCMS funding must be spent by 31/3/21

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Agenda Item 16

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:	26 July 2019
Report by:	Director of Finance
Wards affected:	N/A

It is recommended that the attached appendices **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 **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 2019**. 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, the procurement manager or gateway board to allow departure from the Contract Procedure Rules with written justification for this approval.

The committee 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.



Directorate	Year to date 2019/20			April 2019			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	£4,402,693	£411,180	91%	£2,723,636	£29,236	99%	
Children Families and Education	£5,988,514	£2,016,793	66%	£2,446,169	£754,365	69%	LOW
Corporate Services	£2,134,279	£165,298	92%	£523,591	£850	100%	
Culture Leisure and Regulatory Services	£2,003,985	£677,133	66%	£561,296	£19,508	97%	
Finance	£6,957,921	£20,343	100%	£2,315,214	£550	100%	
Housing Neighbourhood and Building Services	£10,909,886	£717,618	93%	£2,712,758	£19,696	99%	
Portsmouth International Port	£1,045,113	£0	100%	£477,475	£0	100%	
Public Health	£2,830,433	£0	100%	£1,017,634	£0	100%	
Regeneration	£1,851,862	£467,519	75%	£977,155	£37,078	96%	
Capital schemes	£7,347,716	£1,277,812	83%	£2,120,930	£10,952	99%	
TOTAL	£45,472,401	£5,753,695	87%	£15,875,859	£872,235	95%	

A detailed commentary on non-compliant transactions in the month of April 2019 is provided in **Appendix 1**.

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 Q2 2019/20 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:

- Direct award
- Not obtaining 3 bids
- Not advertising the opportunity
- Insufficient time
- Emergency
- Use of a previous tender
- Original spend estimate wrong
- Shared service
- Single source
- Service user choice
- Other

Under the Contract Procedure Rules, waivers can be approved by:

- Director (or chief executive) - up to £100,000
- Procurement manager - £100,000 to £1m
- Gateway board - over £1m

More detail regarding waivers approved in Q2 2019/20 is provided in **Appendix 2**

Use of waivers in Q2:

Reason for waiver	Number of contracts	Contract value
Direct award	53	£3,894,385
Not obtaining 3 bids	6	£163,940
Emergency	1	£111,940
Insufficient time	1	£168,384
Single source	1	£11,228
Total	62 (51% of all contracts awarded in Q2)	£4,349,877 (13% of all contracts awarded in Q2)

Detail of waivers awarded in Q2:

	Value of all contracts awarded	Total number of contracts awarded	Waiver reasons	Value of Waivers	Number of waivers
Adult services	£ 17,800,814	4	Direct award	£ 31,000	2
			TOTAL WAIVERS Waivers as % of all contracts	£ 31,000 0%	1 25%
Children Families and Education	£ 3,246,742	10	Direct award	£ 1,707,759	5
			TOTAL WAIVERS Waivers as % of all contracts	£ 1,707,759 53%	5 50%
Corporate Services	£ 421,224	15	Direct award	£ 17,293	4
			TOTAL WAIVERS Waivers as % of all contracts	£ 17,293 4%	4 27%
Culture Leisure and Regulatory Services	£ 814,245	23	Direct award	£ 476,472	16
			Not obtaining 3 bids	£ 52,250	1
TOTAL WAIVERS Waivers as % of all contracts	£ 528,722 65%	17 74%			
Finance	£ 207,098	5	Direct award	£ 19,860	2
			TOTAL WAIVERS Waivers as % of all contracts	£ 19,860 10%	2 40%
Housing Neighbourhood and Building Services	£ 5,929,639	33	Direct award	£ 685,677	7
			Insufficient time	£ 168,384	1
Not obtaining 3 bids	£ 69,702	2			
TOTAL WAIVERS Waivers as % of all contracts	£ 923,763 16%	10 30%			
Portsmouth International Port	£ 162,786	4	Direct award	£ 151,558	3
			Single source	£ 11,228	1
TOTAL WAIVERS Waivers as % of all contracts	£ 162,786 100%	4 100%			
Public Health	£ 636,566	4	Direct award	£ 524,626	3
			Emergency	£ 111,940	1
TOTAL WAIVERS Waivers as % of all contracts	£ 636,566 100%	4 100%			
Regeneration	£ 4,488,407	23	Direct award	£ 280,140	12
			Not obtaining 3 bids	£ 41,988	3
TOTAL WAIVERS Waivers as % of all contracts	£ 322,128 7%	15 65%			
TOTAL	£ 33,707,521	121			

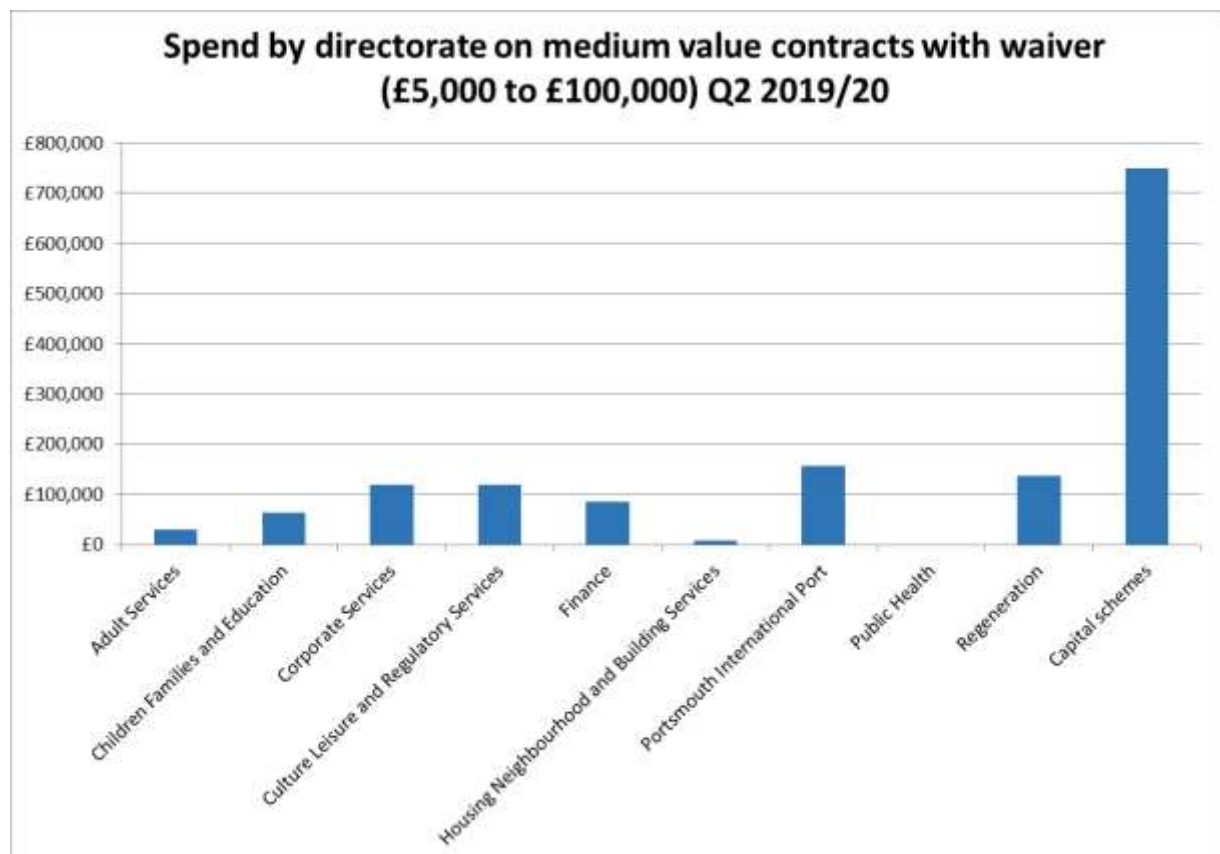
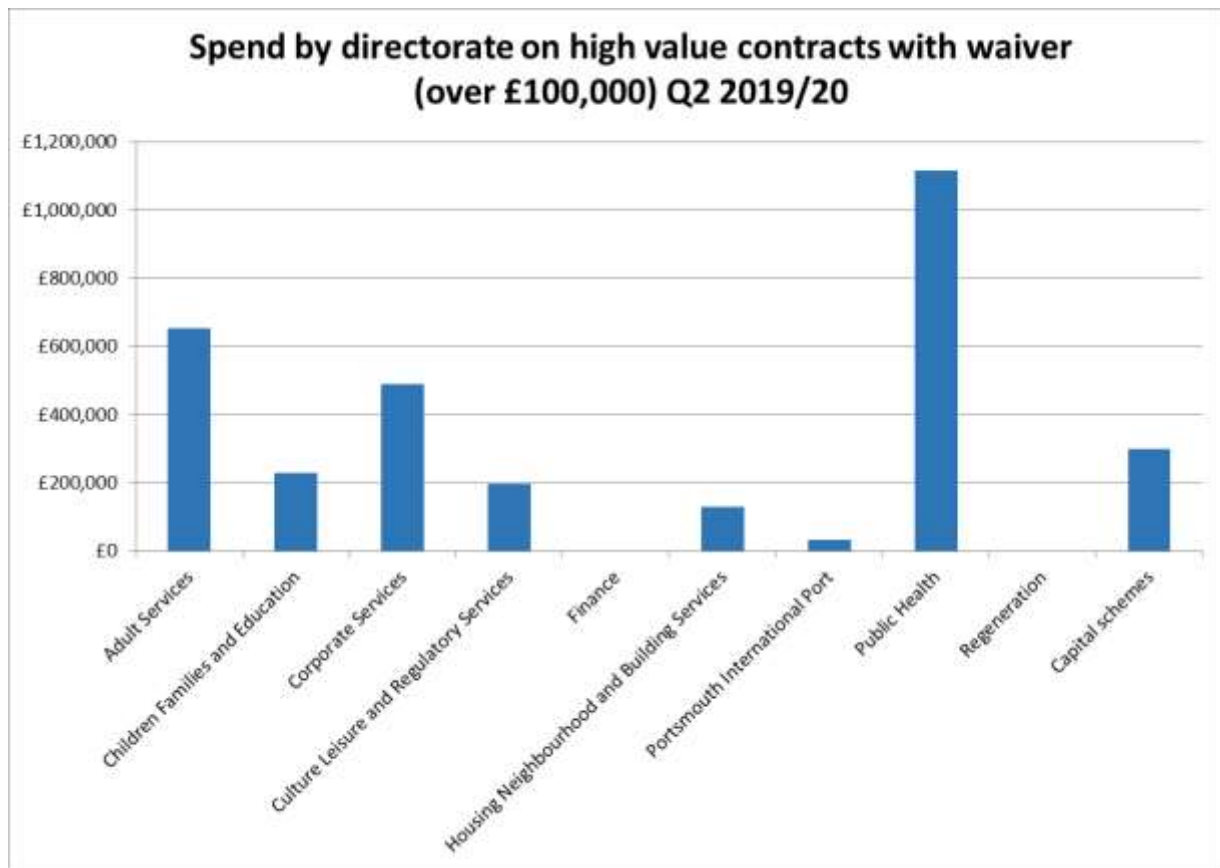
Section 3: Spend with waiver

The table and graphs provide a breakdown by directorate of the actual spend during Q2 2019/20 on contracts which have waivers associated with them (regardless of when the waiver was approved).

Waivers are not required for contracts below £5,000 (under CPRs).

See **Appendix 3** for details of payments under contracts with waivers in Q2.

	Total spend in quarter	Waiver spend in quarter	% of total spend covered by waiver in quarter
Adult Services	£4,402,693	£683,546	16%
Children Families and Education	£5,988,513	£292,349	5%
Corporate Services	£2,134,279	£608,497	29%
Culture Leisure and Regulatory Services	£2,003,984	£316,011	16%
Executive	£5,250	£0	0%
Finance	£360,907	£85,658	24%
Housing Neighbourhood and Building Services	£10,909,887	£138,053	1%
Portsmouth International Port	£1,045,113	£189,744	18%
Public Health	£2,830,433	£1,117,311	39%
Regeneration	£1,851,862	£137,949	7%
Capital schemes	£7,347,715	£1,048,158	14%
TOTAL	£38,880,637	£4,617,276	12%

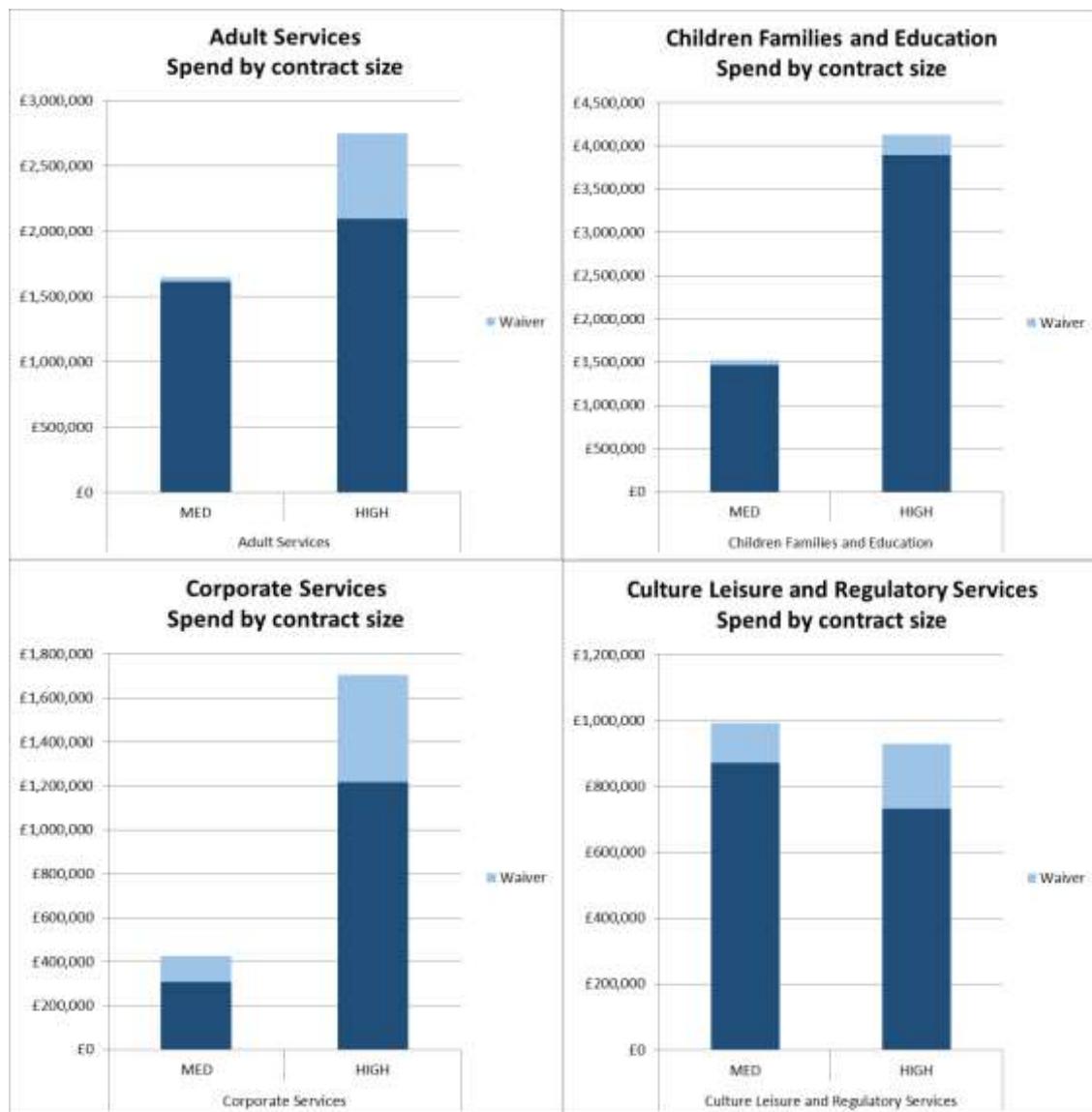


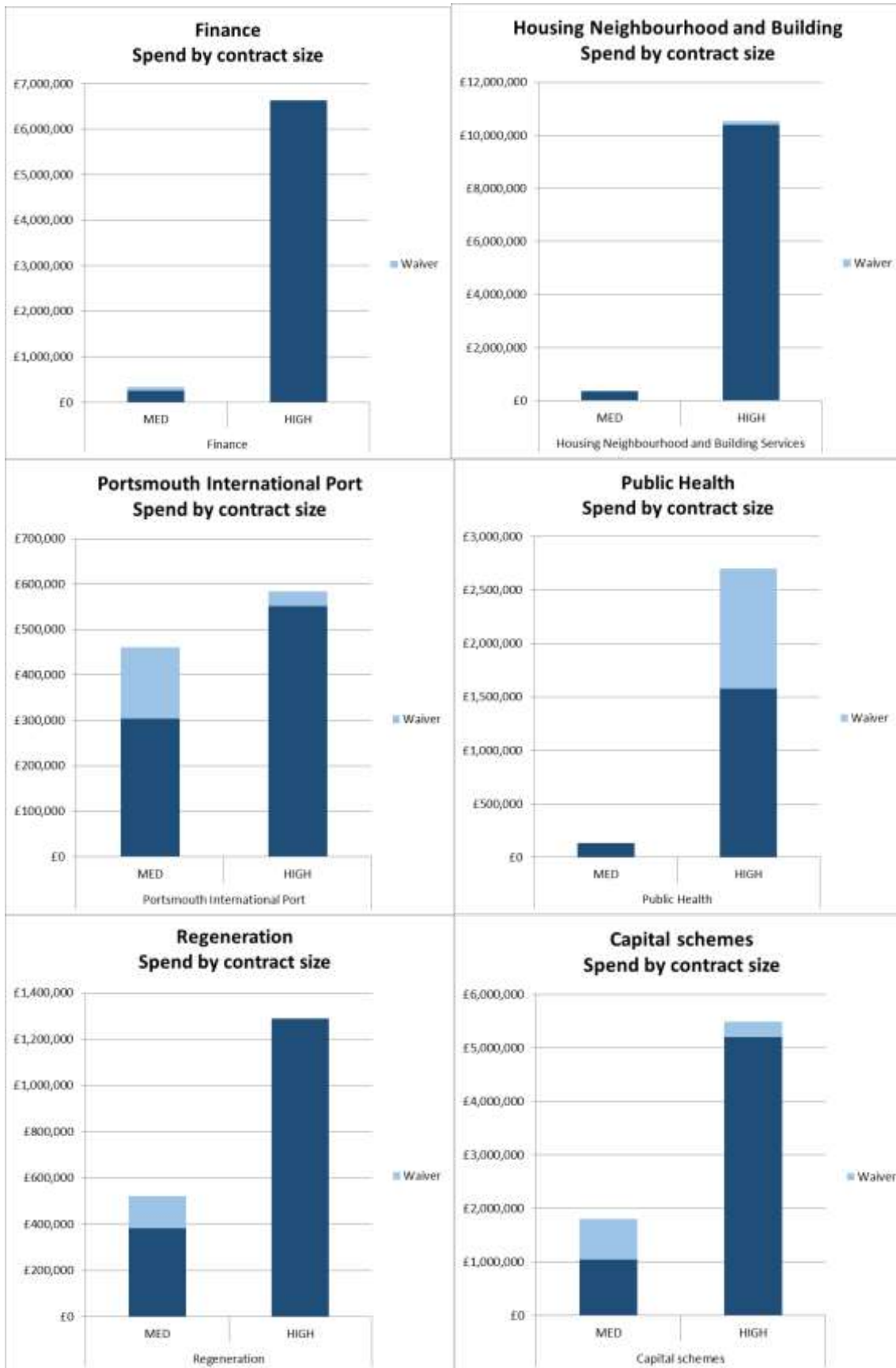
Section 4: spend by contract size

The following graphs present the actual spend by directorate in Q2 2019/20, 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: top 20 suppliers

The table below shows the council's top 20 suppliers and provides details of the nature and value of the contracts with them.

	Supplier	Principal activity of supplier	Directorates spending with this supplier	Value of spend in Q2	Contract name / purchase order detail	Lifetime contract value
1	ENSIGN HIGHWAYS LTD	Acts as highway maintenance contractors, specifically to operate a PFI contract with Portsmouth City Council	Finance	£6,597,015	Highways PFI - Portsmouth	£625,000,000
			Capital schemes	£368,423	Purchase of LED apparatus and CMS apparatus	£1,700,000
			Capital schemes	£277,366	Highways PFI - Portsmouth	£625,000,000
			Regeneration	£23,038	Highways PFI - Portsmouth	£625,000,000
			Housing Neighbourhood and Building Services	£3,876	Highways PFI - Portsmouth	£625,000,000
			ENSIGN HIGHWAYS LTD TOTAL	£7,269,719		
2	MOUNTJOY LIMITED	Facilities maintenance and the provision of building services	Housing Neighbourhood and Building Services	£3,597,205	Housing Repair and Maintenance - Mountjoy (1)	£130,000,000
			Capital schemes	£234,319	Portsmouth Watersports Centre Phase 2	£318,941
			Housing Neighbourhood and Building Services	£32,576	Southampton House	£362,286
			Culture Leisure and Regulatory Services	£17,577	Works at Mountbatten Centre	£17,577
			Adult services	£5,270	Conversion of a shower to a wet room	£5,482
			MOUNTJOY LIMITED TOTAL	£3,886,947		
3	COMSERV (UK) LIMITED	The provision of maintenance services to local authorities	Housing Neighbourhood and Building Services	£2,150,974	Housing Repair and Maintenance - Comserv (1)	£130,000,000
			Housing Neighbourhood and Building Services	£82,830	Paulsgrove FRA Actions Site 1	£101,586
			Capital schemes	£82,701	Barncroft Ward (Site 1) FRA Actions - General Bulding Framework	£98,760
			Capital schemes	£20,638	Gable Wall Rebuild & Repair - Fernhurst Junior School	£26,481
			COMSERV (UK) LTD TOTAL	£2,337,143		



	Supplier	Principal activity of supplier	Directorates spending with this supplier	Value of spend in Q2	Contract name / purchase order detail	Lifetime contract value		
4	SOLENT NHS TRUST	Public sector hospital activities, including NHS trusts	Public Health	£889,749	Provision of 0-5 services (Health Visitors)	£13,056,940		
			Public Health	£768,229	Provision of Public Health Services: Level 3 Sexual Health Services	£10,829,900		
			Public Health	£143,048	School Nursing - early help and prevention services	£2,720,800		
			Children Families and Education	£65,808	Continuing Care Packages	£65,808		
			Children Families and Education	£62,252	Child and Adolescent Mental Health Services	£1,162,920		
			Adult Services	£59,041	Integrated health and social care	£59,041		
			Children Families and Education	£36,548	Provision of Public Health Services: Level 3 Sexual Health Services	£10,829,900		
			Adult Services	£8,055	Speech and Language Therapy (SALT)	£8,750		
			Adult Services	£7,095	Continuing Care Packages	£557,000		
			Children Families and Education	£5,666	Family Nurse Partnership Programme	£632,408		
			Children Families and Education	£1,750	Speech and Language Therapy (SALT)	£8,750		
			SOLENT NHS TRUST TOTAL			£2,047,242		
			5	CANADA LIFE INVESTMENTS	A company engaged in the provision of fund management and management services	Housing Neighbourhood and Building Services	£1,103,595	Wightlink Ferry Terminal, land and buildings rent
CANADA LIFE INVESTMENTS TOTAL						£1,103,595		



	Supplier	Principal activity of supplier	Directorates spending with this supplier	Value of spend in Q2	Contract name / purchase order detail	Lifetime contract value
6	HAMPSHIRE COUNTY COUNCIL	General (overall) public service activities	Adult services	£568,632	Provision of Care - Harry Sotnick House	£8,000,000
			Children Families and Education	£180,511	Out of Hours Service - Children and Families	£2,835,000
			Adult services	£98,000	Out of Hours Service - Adults	£400,000
			Children Families and Education	£69,201	Element 3 top up funding	£69,201
			Adult services	£40,936	Residential care	£40,936
			Regeneration	£40,000	Contribution to Solent Transport	£40,000
			Children Families and Education	£20,000	Advice/Support Services for Outdoor Education	£160,000
			Children Families and Education	£17,374	Independent Fostering Agency - South Central	£12,000,000
			Regeneration	£12,000	Air Quality Local Plan	£12,000
			Adult services	£9,225	HPSN2,HWI and Secure Flexible Access + PCC Swift Maintenance for 2018-19	£14,970
			Regeneration	£8,030	A3M/M275 Operation Stack Tests	£8,030
			Corporate Services	£5,744	HPSN2,HWI and Secure Flexible Access + PCC Swift Maintenance for 2018-19	£14,970
			Children Families and Education	£2,628	Out of Area Home to School Transport	£125,000
			Regeneration	£2,477	Archaeological advice	£2,477
			Children Families and Education	£1,806	Provision of SACRE Services	£29,690
			Culture Leisure and Regulatory Services	£1,002	Scientific consultancy	£7,000
	HAMPSHIRE COUNTY TOTAL		£1,077,566			



	Supplier	Principal activity of supplier	Directorates spending with this supplier	Value of spend in Q2	Contract name / purchase order detail	Lifetime contract value
7	THE SOCIETY OF ST JAMES	The relief of poverty, sickness, hardship and distress in particular of persons who are homeless, unemployed or who have drug, alcohol or other substance addiction	Public Health	£438,055	Integrated Drug and Alcohol Recovery, Supported Housing and Homeless Support Service	£15,872,220
			Public Health	£243,397	Substance Misuse and Mental Health Dual Diagnosis Supported Living Service	£524,553
			Adult services	£107,401	Substance Misuse and Mental Health Dual Diagnosis Supported Living Service	£524,553
			Public Health	£87,394	Children of alcohol dependent parents in City of Portsmouth - Society of St James	£482,900
			Housing Neighbourhood and Building Services	£83,030	Young Persons' Hostel Services - Portsmouth	£1,873,713
			Housing Neighbourhood and Building Services	£25,084	Integrated Drug and Alcohol Recovery, Supported Housing and Homeless Support Service	£15,872,220
			Housing Neighbourhood and Building Services	£16,498	Supporting People - Single Homeless and Substance Misuse	£507,096
			THE SOCIETY OF ST JAMES TOTAL	£1,000,858		
8	BIFFA MUNICIPAL LTD	The provision of municipal services	Housing, neighbourhood and building services	£917,490	Domestic Waste Collection Services in Portsmouth	£24,800,000
			Capital schemes	£11,466	Domestic Waste Collection Services in Portsmouth	£24,800,000
			BIFFA MUNICIPAL LTD TOTAL	£928,956		
9	COMENSURA LTD	The management of contingent labour spend on both a vendor independent and a vendor neutral basis	Corporate Services	£869,770	Managed Services for Temporary Agency Resources to Portsmouth City Council	£10,000,000
			COMENSURA LTD TOTAL	£869,770		
10	LIBERTY GAS GROUP LIMITED	The provision of installation, service and repair of gas appliances	Housing, neighbourhood and building services	£809,347	Gas Maintenance and Annual Servicing of Housing Properties	£45,000,000
			LIBERTY GAS GROUP LIMITED TOTAL	£809,347		



	Supplier	Principal activity of supplier	Directorates spending with this supplier	Value of spend in Q2	Contract name / purchase order detail	Lifetime contract value
11	MILDREN CONSTRUCTION LTD	Civil engineering and building contractors	Regeneration	£439,614	Construction of a lorry park at Tipner (W4), Portsmouth	£439,614
			Capital schemes	£196,017	A2047 Cycle Improvements - Fratton Road, Kingston Road and London Road	£467,283
			MILDREN CONSTRUCTION LTD TOTAL			
12	GRANNAG LTD	Special purpose vehicle to provide Portsmouth City Council with a serviced school under an operating agreement.	Children Families and Education	£540,764	Maintain PFI Miltoncross School	£65,000,000
			GRANNAG LTD TOTAL	£540,764		
13	FELTHAM CONSTRUCTION LIMITED	Building contractors	Capital schemes	£515,992	Design & Construction of Residential Developments - Land adj Kingsclere Avenue, Havant	£7,015,261
			FELTHAM CONSTRUCTION LIMITED TOTAL	£515,992		
14	CIVICA UK LTD	The supply of IT services and software	Corporate Services	£483,378	Microsoft Enterprise Agreement 2017	£1,074,342
			Culture Leisure and Regulatory Services	£26,500	Annual license and support	£26,500
			CIVICA UK LTD TOTAL	£509,878		
15	HAVANT BOROUGH COUNCIL	General (overall) public service activities	Regeneration	£177,859	Annual partnership fees	£177,859
			Regeneration	£10,013	Topographical survey of St James Hospital and Milton Campus	£10,013
			Capital schemes	£320,340	Eastern Solent Coastal Partnership fees	£320,340
			HAVANT BOROUGH COUNCIL TOTAL	£508,212		



	Supplier	Principal activity of supplier	Directorates spending with this supplier	Value of spend in Q2	Contract name / purchase order detail	Lifetime contract value
16	SEVACARE (UK) LTD	The provision of home care services	Adult Services	£460,100	EXTRA CARE SCHEMES - CARE PROVISION (Portsmouth)	£13,163,520
			Adult Services	£43,644	Domiciliary care	£43,644
			Housing Neighbourhood and Building Services	£3,554	St John's Court Night Care	£3,554
			SEVACARE (UK) LTD TOTAL	£507,298		
17	D M HABENS (THE BUILDER) LTD	General builders	Capital schemes	£131,798	Fire Safety - Wecock Farm Site 1	£144,619
			Culture Leisure and Regulatory Services	£105,542	Mountbatten Centre - Balcony Works	£96,228
			Housing Neighbourhood and Building Services	£91,133	Decoration Works - Reigate House	£197,763
			Housing Neighbourhood and Building Services	£79,390	External and Internal Repairs & Redecorations - 75 Eastfield Road	£81,461
			Capital schemes	£27,870	Springfield School Expansion	£474,451
			Housing Neighbourhood and Building Services	£11,497	Milverton House - Block Refurbishment	£438,495
			Capital schemes	£111	External and internal decorations and refurbishment - Tangier's Rd Children's Home	£443,070
			D M HABENS (THE BUILDER) LTD TOTAL	£447,340		
18	ATKINS LTD	Consultancy services	Regeneration	£235,465	Professional Support Partnership Framework - Transport & Environment, Planning and Major Projects	£6,000,000
			Capital schemes	£186,174	Professional Support Partnership Framework - Transport & Environment, Planning and Major Projects	£6,000,000
			ATKINS LTD TOTAL	£235,465		
19	CAMBIAN GROUP	A group engaged to provide of specialist behavioural health services for children.	Children Families and Education	£302,071	Out of city SEND placements	£302,071
			Children Families and Education	£114,215	Independent Fostering Agency - South Central	£12,000,000
			CAMBIAN GROUP TOTAL	£416,285		

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Portsmouth
CITY COUNCIL

	Supplier	Principal activity of supplier	Directorates spending with this supplier	Value of spend in Q2	Contract name / purchase order detail	Lifetime contract value
20	BAM CONSTRUCTION LTD	Design and construct contracting and traditional building and the provision of services in the united kingdom	Capital schemes	£376,078	Design & Construction Work - Dunsbury Park Plot 3	£6,500,000
			BAM CONSTRUCTION LTD TOTAL	£376,078		

Section 6: suppliers paid over £100,000 in Q2 by directorate

The tables show those suppliers who have been paid over £100,000 in Q2 2019/20 by directorate. They are arranged in descending order of value by directorate.

The spend with these suppliers represents **89%** of the total spend in Q2.

The **64** suppliers below represent **10%** of the total number of suppliers paid in Q2 (611).

	Q2 spend with supplier	% of directorate Q2 spend
Adult Services		
HAMPSHIRE COUNTY COUNCIL	£716,793	16%
SEVACARE (UK) LTD	£503,745	11%
MILLBROOK HEALTHCARE	£300,155	7%
NHS PORTSMOUTH CCG	£222,562	5%
AFFINITY TRUST LTD	£215,561	5%
RICHMOND FELLOWSHIP	£164,491	4%
AGINCARE UK	£111,785	3%
THE SOCIETY OF ST JAMES	£107,401	2%
Children Families and Education		
GRANNAG LIMITED	£540,764	9%
CAMBIAN GROUP LTD	£416,285	7%
KEYWORK CENTRAL LTD T/A STREET SUPPORT	£355,040	6%
ISS FACILITY SERVICES EDUCATION	£296,941	5%
HAMPSHIRE COUNTY COUNCIL	£291,520	5%
THE SERENDIPITY CENTRE LTD	£244,060	4%
THE MULBERRY BUSH ORGANISATION LTD	£212,862	4%
PETES AIRLINK LIMITED	£178,059	3%
KEYS GROUP LIMITED	£172,048	3%
SOLENT NHS TRUST	£172,025	3%
HIGHBURY COLLEGE	£159,953	3%
ST EDWARDS SCHOOL	£156,218	3%
BLUE SKY FOSTERING	£133,304	2%
AQUA CARS LIMITED	£125,531	2%
CAPITA BUSINESS SERVICES LIMITED	£108,067	2%
SOUTHERN DOMESTIC ABUSE SERVICE	£104,430	2%
BRAMLEY CARE LTD T/A APPLE ORCHARD	£103,738	2%
Corporate Services		
COMENSURA LTD	£869,770	41%
CIVICA UK LTD	£483,378	23%
Culture Leisure and Regulatory services		
VICTORIOUS FESTIVALS LTD	£292,500	15%
VESPASIAN SECURITY LTD	£206,017	10%
D M HABENS (THE BUILDER) LTD	£105,542	5%
ISS FACILITY SERVICES LANDSCAPING	£103,673	5%
Finance		
ENSIGN HIGHWAYS LTD	£6,597,015	95%

ORACLE CORPORATION UK LTD	£253,671	4%
Housing Neighbourhood and Building Services		
MOUNTJOY LIMITED	£3,629,781	33%
COMSERV (UK) LIMITED	£2,233,804	20%
CANADA LIFE INVESTMENTS	£1,103,595	10%
BIFFA MUNICIPAL LTD	£917,490	8%
LIBERTY GAS GROUP LIMITED	£809,347	7%
THE SALVATION ARMY	£304,430	3%
TWO SAINTS LTD	£253,416	2%
D M HABENS (THE BUILDER) LTD	£182,019	2%
CORRIGENDA LIMITED T/A CHURCHES	£172,549	2%
THE SOCIETY OF ST JAMES	£124,612	1%
E C ROBERTS CENTRE	£109,707	1%
SSE CONTRACTING LTD	£100,156	1%
Portsmouth International Port		
CARLISLE SECURITY SERVICES LTD	£186,151	18%
SCOUR PROTECTION LTD	£168,018	16%
Public Health		
SOLENT NHS TRUST	£1,801,026	64%
THE SOCIETY OF ST JAMES	£768,845	27%
PORTSMOUTH HOSPITALS NHS TRUST	£153,282	5%
Regeneration		
MILDREN CONSTRUCTION LTD	£439,614	24%
ATKINS LIMITED	£235,465	13%
HAVANT BOROUGH COUNCIL	£187,872	10%
FIRST	£162,913	9%
Capital schemes		
ENSIGN HIGHWAYS LTD	£645,789	9%
FELTHAM CONSTRUCTION LIMITED	£515,992	7%
BAM CONSTRUCTION LTD	£376,078	5%
WESTCOAST LIMITED	£348,517	5%
W STIRLAND LTD	£343,766	5%
HAVANT BOROUGH COUNCIL	£320,340	4%
KNIGHTS BROWN CONSTRUCTION LTD	£265,843	4%
NATURAL ENTERPRISE LTD	£250,000	3%
MOUNTJOY LIMITED	£234,319	3%
ENGIE REGENERATION (APOLLO) LTD	£215,134	3%
MILDREN CONSTRUCTION LTD	£196,017	3%
ATKINS LIMITED	£186,174	3%
THE SALTERNS ACADEMY TRUST T/A ADMIRAL LORD NELSON SCHOOL	£178,250	2%
SOLAR VOLTAICS LTD	£165,931	2%
D M HABENS (THE BUILDER) LTD	£159,779	2%
360 VISION TECHNOLOGY LTD	£148,640	2%
MG SECURITY SERVICES LIMITED	£129,960	2%
OLM SYSTEMS LTD	£125,000	2%
COLAS LTD	£120,642	2%
WAINGAP CONTRACTS LIMITED	£118,912	2%

SSE CONTRACTING LTD	£115,363	2%
BALFOUR BEATTY GROUP	£105,092	1%
COMSERV (UK) LIMITED	£103,339	1%

Section 7: 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				
Dec 2015	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
Dec 2016	699	50	202	24	2	49	110	190	72
Sept 2017	709	58	174	27	2	36	112	191	109
Dec 2017	737	60	168	30	4	37	117	209	112
Jun 2018	766	43	190	26	5	43	120	227	112
Sept 2018	821	43	230	25	5	39	129	231	119
Mar 2019	894	48	253	25	3	54	105	282	124
Jun 2019	884	41	238	25	4	42	92	304	138

Section 7 notes

Key	
• <u>Gold:</u>	Outstanding performance
• <u>Green:</u>	Performing to standard
• <u>Amber:</u>	Some areas of improvement required
• <u>Red:</u>	Failing to perform
• <u>Expired KPI:</u>	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
• <u>KPI never scored:</u>	a schedule is in place, but there have been no KPI scores for the contract
• <u>KPI not yet due:</u>	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)
• <u>No KPI scheduled:</u>	no KPI instances have been scheduled.

KPIs are typically not scheduled for the following reasons: temporary accommodation; overarching framework agreements; not subject to procurement regulations; concessions; registration, subscription and membership fees; leases; locally commissioned services; grants; single supplier markets; and shared services.

Any contracts without KPI schedules for reasons other than those above will be investigated and addressed as necessary.

There are 4 contracts where the supplier is performing to an unsatisfactory level and remedial action is taking place (red KPI score), and 25 contracts which require improvement in performance (amber KPI score).

Reports from contract managers on those contracts with a red and amber KPI score are provided in **appendix 4** (exempt).

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Section 8: Supplier performance monitoring



Contracts which have **never had a KPI score**:

Directorate	KPIs never scored			
	Total number of contracts (Q2)	Number of contracts with no KPI score (Q2)	% of contracts with no KPI score (Q2)	Annual contract value of un-scored contracts (Q2)
Adult Services	179	11	6%	£5,576,470
Children Families and Education	76	10	13%	£2,317,602
Corporate Services	193	20	10%	£479,877
Culture Leisure and Regulatory Services	82	15	18%	£458,405
Executive	1	0	0%	£0
Finance	41	3	7%	£2,541,935
Housing Neighbourhood and Building Services	183	19	10%	£6,204,518
Portsmouth International Port	47	0	0%	£0
Public Health	15	1	7%	£25,000
Regeneration	67	13	19%	£691,088
TOTAL	884	92	10%	£18,294,895

Contracts which have not had a KPI score in 12 months:

Directorate	KPIs not scored for 12 months			
	Total number of contracts (Q2)	Number of contracts with no KPI score (Q2)	% of contracts with no KPI score (Q2)	Annual contract value of un-scored contracts (Q2)
Adult Services	179	10	6%	£4,918,397
Children Families and Education	76	6	8%	£3,125,046
Corporate Services	193	7	4%	£2,579,326
Culture Leisure and Regulatory Services	82	3	4%	£149,186
Executive	1	0	0%	£0
Finance	41	1	2%	£25,000,000
Housing Neighbourhood and Building Services	183	5	3%	£3,108,600
Portsmouth International Port	47	1	2%	£12,000
Public Health	15	0	0%	£0
Regeneration	67	9	13%	£601,233
TOTAL	884	42	5%	£39,493,788

.....
Signed by (Director)

Appendices:

Appendix 1: Non-conformance

Appendix 2: Waivers

Appendix 3: Payments under waiver

Appendix 4: Contract performance issues (exempt)

Appendix 5: Minutes from the strategic contract management board (23/04/2019) (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 1 to be read in conjunction with section 1 of the report

Procurement management information

26 July 2019

Non conformance

Reports from managers on non-conforming spend for the month of April 2019 are provided below.

Reports on low level spend (less than £5,000) have not been requested by the procurement manager and so do not appear below.

1. Adult Services

99% conformance

£29,236 non-conforming spend

2. Children Families and Education

72% conformance

£691,237 non-conforming spend

2.1. Residential education provision - £491,571

- **Cambian Group Ltd - £181,155**
- **Barford Children's Services Ltd - £5,040**
- **Keys Group Ltd - £88,514**
- **Bramley Care t/a Apple Orchard - £103,738**
- **Forevercare - £29,028**
- **Hamilton House (Brighton) Ltd - £35,635**
- **St Andrew's Healthcare Ltd - £15,173**
- **The Serendipity Centre - £33,288**

These are all contracts with specialist providers of residential and education provision. All involve special educational needs and disability (SEND) young people, and referrals are sent out to those specialist providers. Although there is a Children's Residential framework being sent up not all providers will join the framework and also there are parental wishes to take into account as they have a say over which provision they want their child to go to. Procurement officers are conducting a benchmarking exercise with other councils to explore other options in this area.

2.2. SEND High Needs/ Element 3 Top-Up Funding - £72,942

- **Hampshire County Council - £61,536**
- **OLA Schools - £11,406**

This relates to Portsmouth SEND pupils who attend schools outside Portsmouth. Top-up funding is the funding required over and above the core or place funding an institution receives, to enable a pupil or student with high needs to participate in education and learning. This is paid by the local authority which places the pupil or student and should mainly reflect the

Appendix 1 **to be read in conjunction with section 1 of the report**

Procurement management information

26 July 2019

additional support costs an institution incurs relating to the individual pupil or student's needs. Top-up funding can also reflect costs that relate to the facilities required to support a pupil's or student's education and training needs (either for individuals or on offer to all), and can take into account expected place occupancy levels and other factors. This funding is allocated by local authorities to institutions from their high needs budgets and is sometimes known as element 3 (E3). Top-up funding is paid from the high needs budget of the local authority in which the pupil or student is resident or to which they belong. If the cost of providing for a pupil with high needs is more than allocated through the core or place funding, the local authority will allocate the institution this additional top-up funding to enable a pupil or student with high needs to participate in education and learning.

The E3 funding is given to the LA by the DfE on an annual basis and this is then managed by the LA on behalf of the DfE. If a young person is assessed as having extra support needs that will cost more than £6,000, the Local Authority (LA) must provide 'top-up funding' to cover the rest of the cost. Top-up funding rates are for local authorities to agree with schools and academies and should reflect both the needs of the individual and the cost of meeting those needs, there is no cap to top-up funding per young person.

No matter what school these students go to, PCC are required to pay the top up funding over the first £6,000. Sometime these schools are outside of area. The reason that students attend schools outside of Portsmouth is in some cases due to parental preference, in other cases where the children are LAC (looked after child) and are attending the nearest school to their placement, and in some cases the PCC SEND team have placed the student out of the city due to their needs.

For out of area schools based in Hampshire and the IOW the council in which the school is based requests payment rather than the schools directly. This is because Hampshire and IOW offer an SLA to schools to undertake this work and then make payment to the schools.

2.3. Residential semi-independent placements (post 16) - £59,300

- **Fairways Care (UK) Ltd - £52,791**
- **Sakura Care Ltd - £6,509**

This relates to residential semi-independent provisions for post 16 and encourage young people to develop independence skills. As in all cases searches for vacancies were carried out with providers to see who had suitable placements and vacancies. Individual contracts were signed by a director. There is a Post 16 Semi Independent framework being developed and this provider has been asked to register their interest and tender for the framework so ensure future compliance.

2.4. Durham County Council - £27,860

This relates to a placement in a secure unit following the court granting a secure order. We have to apply through a central hub for secure accommodation and have to wait for our young person to be accepted by the

Appendix 1 to be read in conjunction with section 1 of the report

Procurement management information

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unit and then a placement offered. An individual contract is then drawn up and signed by the director.

2.5. Book Trust - £17,181

Pupil premium-letterbox packs for 2018-19 for 128 looked after children. There was a discount price if ordered before 31st December.

2.6. Keyword Central Ltd t/a Street Support - £10,336

Individual contracts are in place for each young person, all of whom are unaccompanied minors. Street Support offers semi-independent housing accommodation in shared provision for 16+. Once reaching 16-17 most of our unaccompanied minors are moved from fostering placements to Street Support. There is limited similar type of accommodation within the Portsmouth area which is also more expensive.

2.7. Brighton and Hove City Council - £9,000

This was for intra-agency adoption fees. Standard fees are payable when children are placed for adoption outside the city.

3. Corporate Services

100% conformance

£850 non-conforming spend

4. Culture Leisure and Regulatory Services

97% conformance

£19,508 non-conforming spend

4.1. Mountjoy Ltd - £5,000

Following the refurbishment works undertaken by BH Live and contracted with Mountjoy after a tendered procurement, an element of works had been missed by the external consultants and not included as part of the contract works. As the council were paying for the works indirectly and Mountjoy were still on site undertaking their final snags and handover it was deemed appropriate for a direct award to expedite the works, to comply with the existing working arrangements on site and to fit in with the daily workings of the MBC.

Any future works managed by Housing Neighbourhood and Building Services will be procured under the Mountjoy maintenance contract or via In-tend accordingly.

4.2. Portsmouth Golf Centre - £7,377

Due to historical changes in the way Great Salterns Golf Course is managed, the lease to Portsmouth Golf Centre does not include some essential services for the running of the golf course (which were previously managed in-house). No other supplier could deliver these services (eg marshalling, collecting green fees). A waiver will be completed for this expenditure.

Appendix 1 to be read in conjunction with section 1 of the report

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5. Finance

100% conformance

£550 non-conforming spend

6. Housing Neighbourhood and Building Services

99% conformance

£19,696 non-conforming spend

6.1. Alma Road Hostel - £10,901

Housing Options are experiencing higher than expected levels of demand and all the local crisis provision for Bed and Breakfast accommodation for individuals/families pending a homeless decision is at capacity. The Authority has a provision to supply accommodation until a decision has been made to allow a discharge of their duty to the individuals concerned. Alma Road Hostel is based in Southampton and is providing additional support to meet the capacity issues within the city.

7. Portsmouth international port

100% conformance

8. Public health

100% conformance

9. Regeneration

96% conformance

£37.078-conforming spend

10. Capital schemes

99% conformance

£10,952 non-conforming spend

Appendix 2

Procurement management information
26 July 2019

Details of waivers approved in Q2 2019/20

To be read in conjunction with section 2 of the report

Directorate	Title	Supplier	Contract value	Contract start date	Contract expiry date	Reference number	Reason for waiver	Waiver authoriser
Adult Services	Solent NHS Smartcard Support	Solent NHS Trust (formerly Solent Healthcare)	£31,000	01/04/19	31/03/22	C00004642	Direct award	Director
Children Families and Education	Provision of Accommodation & Support Services	Keywork Central Ltd t/a Street Support	£595,088	01/02/19	31/01/21	C00004580	Direct award	Procurement manager
Children Families and Education	Early Intervention Youth Support	Motiv8 South Limited	£88,016	04/02/19	31/03/20	C00004585	Direct award	Director
Children Families and Education	PAMS 4.0 Training 2019	CSWP Ltd	£7,331	01/04/19	30/09/19	C00004594	Direct award	Director
Children Families and Education	KS1 and KS2 Assessment and Moderation	Solent Academies Trust	£21,000	01/09/19	31/08/20	C00004652	Direct award	Director
Children Families and Education	Child and adolescent mental health services (CAHMS) for looked after children	Solent NHS Trust (formerly Solent Healthcare)	£996,324	01/10/19	30/09/23	C00004662	Direct award	Gateway Board
Corporate Services	Policy Hub 2019 - 2020	Mitratech Hitec (Laboratories) Ltd	£3,180	01/04/19	30/03/20	C00004582	Direct award	Director
Corporate Services	OCN Understanding the needs of individual with profound & multiple learning disabilities	Disability Learning	£6,000	01/05/19	30/04/20	C00004599	Direct award	Director
Corporate Services	Pluralsight Online Application Development Resource & Training Site	Pluralsight	£1,800	28/02/19	28/02/22	C00004638	Direct award	Director
Corporate Services	Supporting and managing mental health in the workplace training	Solent Mind	£6,313	01/07/19	30/06/20	C00004682	Direct award	Director
Culture Leisure and Regulatory Services	Social Enterprise	Portsmouth Diocesan Council for Social Responsibility	£46,622	10/12/18	09/12/19	C00004598	Direct award	Director
Culture Leisure and Regulatory Services	Refurbishment Central Library Toilets	ICE Electrical Contractors Ltd	£23,094	07/05/19	07/07/19	C00004605	Direct award	Director
Culture Leisure and Regulatory Services	Consultancy Services - Lumps Fort Beach Huts	RBA Architects Limited	£5,865	08/11/18	09/06/19	C00004606	Direct award	Director
Culture Leisure and Regulatory Services	Grounds Maintenance Equipment Supply (Aebi TT211)	hollies engineering	£52,250	08/05/19	31/05/19	C00004627	Not obtaining 3 bids	Director
Culture Leisure and Regulatory Services	D-Day 75 - Event Structures - Etherlive	Etherlive Ltd	£54,533	03/06/19	02/07/19	C00004653	Direct award	Director
Culture Leisure and Regulatory Services	D-Day 75 - Event Structures - Portable toilets	Loos For Do's	£38,304	02/06/19	02/07/19	C00004654	Direct award	Director
Culture Leisure and Regulatory Services	D-Day 75 - Event Structures - Security & Stewarding	Select Security & Stewarding Limited	£13,904	04/06/19	03/07/19	C00004655	Direct award	Director
Culture Leisure and Regulatory Services	D-Day 75 - Event Structures - On Site Safety Support	Tiger Tea Safety	£8,365	05/06/19	04/07/19	C00004656	Direct award	Director
Culture Leisure and Regulatory Services	D-Day 75 - Event Structures - Temporary Electrical Power Supply	The Powerline Entertainments Ltd	£55,323	30/05/19	01/07/19	C00004657	Direct award	Director
Culture Leisure and Regulatory Services	D-Day 75 - Event Structures - Marquees	John M. Carter Ltd.	£12,868	05/06/19	04/07/19	C00004658	Direct award	Director
Culture Leisure and Regulatory Services	D-Day 75 - Event Structures - Large Screen Supplier	Lightmania Displays Ltd	£57,672	03/06/19	02/07/19	C00004668	Direct award	Director
Culture Leisure and Regulatory Services	D-Day 75 - Event Structures - Temporary Fencing	Entertee Hire Services Ltd	£5,299	02/06/19	01/07/19	C00004669	Direct award	Director
Culture Leisure and Regulatory Services	D-Day 75 - Event Structures - Bus Services	XELABUS LTD	£56,500	05/06/19	04/07/19	C00004671	Direct award	Director
Culture Leisure and Regulatory Services	D-Day 75 - Event Structures - Plant & machinery	Ashtead Plant Hire Co Ltd	£6,750	20/05/19	14/07/19	C00004672	Direct award	Director
Culture Leisure and Regulatory Services	In-house grounds maintenance operations - mechanic	Brighstone Landscaping Ltd	£25,000	01/06/19	31/05/20	C00004675	Direct award	Director
Culture Leisure and Regulatory Services	D-Day 75 - Event Structures - Décor	csm live	£58,773	31/05/19	11/07/19	C00004676	Direct award	Director
Culture Leisure and Regulatory Services	D-Day 75 - Event Structures - Trackway	Generator Power Limited T/A Trackway Solutions	£7,600	05/06/19	04/07/19	C00004677	Direct award	Director
Finance	Extended Support for Oracle Data Integrator (contract 10412523 and 10537947)	Oracle Corporation UK Ltd	£360	01/01/19	31/12/19	C00004584	Direct award	Director
Finance	Additional On call support service for Oracle EBS HCM	GAJULA SOFTWARE SOLUTIONS PVT LTD	£19,500	13/03/19	12/03/20	C00004644	Direct award	Director
Housing Neighbourhood and Building Services	Product Support Programme for CCTV Command and Control System 2019	i-COMPLY Limited	£28,250	30/11/18	30/11/23	C00004578	Direct award	Director
Housing Neighbourhood and Building Services	XProtect Licenses	The Alarming Company Limited	£55,644	02/04/19	02/04/22	C00004586	Not obtaining 3 bids	Director
Housing Neighbourhood and Building Services	Spring Expansion Works - Cliffdale	Red's Builders Limited	£14,058	08/04/19	18/04/20	C00004588	Not obtaining 3 bids	Director
Housing Neighbourhood and Building Services	Kingston Recreation Ground - New public toilets and kiosk facility	IsoSpaces	£71,805	15/04/19	19/04/20	C00004593	Direct award	Director
Housing Neighbourhood and Building Services	Hybrid Camera Refresh	360 Vision Technology Limited	£150,000	18/04/19	17/04/20	C00004602	Direct award	Procurement manager
Housing Neighbourhood and Building Services	Nomad Airtime Agreement	Rapid Vision Systems Ltd	£70,000	01/03/19	01/03/29	C00004623	Direct award	Director
Housing Neighbourhood and Building Services	Fire Door Surveys - Ladywood and Handsworth House	GERDA SECURITY PRODUCTS LIMITED	£14,825	09/05/19	30/06/19	C00004631	Direct award	Director
Housing Neighbourhood and Building Services	Water Safety - Authorising Engineer	WATER HYGIENE CENTRE	£7,625	01/04/19	31/03/20	C00004635	Direct award	Director
Housing Neighbourhood and Building Services	Design and Construction of a 5 Bed DPU House at Bredenbury Crescent	PMC Construction & Development Services Ltd	£343,172	20/05/19	29/11/20	C00004650	Direct award	Procurement manager
Housing Neighbourhood and Building Services	Block Security at Leamington and Horatia House	MG Security Services Ltd	£168,384	13/03/19	04/07/19	C00004679	Insufficient time	Procurement manager
Portsmouth International Port	Pilots PPE Coats	Seasafe Systems Ltd	£11,228	04/04/19	31/03/28	C00004600	Single source	Director
Portsmouth International Port	Cruise Luggage Trolleys - Portsmouth International Port	Handle-IT Ltd	£10,758	08/05/19	31/05/19	C00004629	Direct award	Director
Portsmouth International Port	Supply of Standby Berthing Services for Portsmouth International Port 2019/20	Southern Maritime Services Limited	£122,000	01/08/19	31/05/20	C00004664	Direct award	Director
Portsmouth International Port	Mobile Matrix Sign	Kelly Bros Solar Signs	£18,800	01/07/19	31/07/19	C00004681	Direct award	Director

Appendix 2

Procurement management information

26 July 2019

Details of waivers approved in Q2 2019/20

To be read in conjunction with section 2 of the report

Directorate	Title	Supplier	Contract value	Contract start date	Contract expiry date	Reference number	Reason for waiver	Waiver authoriser
Public Health	Pharm Outcomes License	Pinnacle Health Partnership LLP	£39,726	01/04/15	31/03/20	C00004592	Direct award	Director
Public Health	Local Healthwatch	Help & Care	£111,940	01/05/19	31/03/20	C00004625	Emergency	Procurement manager
Public Health	Children of alcohol dependent parents in City of Portsmouth - Society of St James	The Society of St James	£482,900	01/01/19	31/03/21	C00004683	Direct award	Gateway Board
Public Health	Children of alcohol dependent parents in City of Portsmouth - University of Southampton	University of Southampton	£2,000	01/01/19	31/03/21	C00004684	Direct award	Director
Regeneration	Southsea Coastal Scheme - Legal Support	CMS Cameron McKenna Nabarro Olswang LLP	£17,500	30/10/18	01/08/19	C00004574	Direct award	Director
Regeneration	Architectural concept design - Brewery House site, Hambrook Street, Portsmouth	Re-Format LLP	£10,500	01/04/19	28/06/19	C00004575	Direct award	Director
Regeneration	Architectural concept design - Records Office site, Museum Road, Portsmouth	Re-Format LLP	£12,500	01/04/19	28/06/19	C00004576	Not obtaining 3 bids	Director
Regeneration	Body Cameras 2019	Edesix Ltd	£40,519	22/03/19	21/03/20	C00004583	Direct award	Director
Regeneration	Solent Transport Partnership Contribution	Hampshire County Council	£40,000	01/04/19	31/03/20	C00004595	Direct award	Procurement manager
Regeneration	Long Curtain Moat Blockwork Repairs - Old Portsmouth	Suttle Projects Ltd	£9,488	29/04/19	10/05/20	C00004601	Not obtaining 3 bids	Director
Regeneration	Community Learning Programme 2018-2021	Highbury College	£20,000	01/08/18	31/07/19	C00004611	Not obtaining 3 bids	Director
Regeneration	Prince 2 Training	The Knowledge Academy Ltd	£9,600	04/04/19	03/04/20	C00004617	Direct award	Director
Regeneration	Ecological Survey and Assessment	ECOSA Ltd	£6,715	01/04/19	30/10/19	C00004622	Direct award	Director
Regeneration	Traffic signal modelling software	JCT Consultancy	£2,070	19/01/19	18/01/24	C00004639	Direct award	Director
Regeneration	Interim Design Contract - Southsea Coastal Scheme	Ove Arup & Partners Ltd	£60,000	18/03/19	17/09/19	C00004643	Direct award	Director
Regeneration	Development of Local Walking and Cycling Infrastructure Plan (LCWIP)	WSP UK Limited	£39,936	23/11/18	01/11/19	C00004660	Direct award	Director
Regeneration	e-Reception Book	MediaBase Direct Limited	£29,700	01/07/19	30/06/29	C00004686	Direct award	Director
Regeneration	PTV Vissim - Single Licence	PTV UK Limited	£6,400	18/06/19	17/06/20	C00004687	Direct award	Director
Regeneration	Metric Meter upgrade - Park & Ride Tipner	Metric Group	£17,200	01/01/19	31/12/19	C00004691	Direct award	Director

Q2 spend with HIGH VALUE (>£100,000) contracts with waiver

Adult Services			
C00004050	Provision of Care - Harry Sotnick House	Hampshire County Council	£568,632
C00003645	Supported Living in Seven Properties	Voyage 1 Limited	£62,121
C00003337	Temporary Staff - Adult Social Care	Staff 2000 Limited	£15,695
C00004024	Continuing Care Packages	Solent NHS Trust (formerly Solent Healthcare)	£7,095
Children Families and Education			
C00001457	Children's Centre Database and Management Information System, estart	Capita Business Services Limited	£108,067
C00003809	Child and Adolescent Mental Health Services	Solent NHS Trust (formerly Solent Healthcare)	£62,252
C00002903	Advice/Support Services for Outdoor Education	Hampshire County Council	£20,000
C00003498	Disclosure and Barring Service Checks	Disclosure & Barring Service	£14,629
C00003913	Portsmouth Parent Voice	Portsmouth Disability Forum (PDF)	£14,000
C00002076	Family Nurse Partnership Programme	Solent NHS Trust (formerly Solent Healthcare)	£5,666
C00003438	Out of Area Home to School Transport	Multiple Suppliers	£2,628
C00003600	Adoption Support Fund Provision	Multiple Suppliers	£1,093
Corporate Services			
C00003906	Microsoft Enterprise Agreement 2017	Civica UK Ltd	£483,378
C00002284	Website Hosting 2014	Timico Ltd	£4,861
Culture Leisure and Regulatory Services			
C00003251	Pathologist Fees - Coroner's Office	Multiple Suppliers	£82,635
C00003173	Mortuary Costs Portsmouth - Coroner's Office	Portsmouth Hospitals NHS Trust	£80,834
C00003372	Retail Purchasing 2016 - 2019 - Culture	Multiple Suppliers	£21,871
C00003498	Disclosure and Barring Service Checks	Disclosure & Barring Service	£5,774
C00004489	Pyramids Leisure Centre Fire Alarm Replacement	Detect Fire & Security Ltd	£5,449
Housing Neighbourhood and Building Services			
C00001718	Core Homeless Services -	The Salvation Army	£110,130
C00003514	Fire and Intruder Alarm Servicing, Maintenance and Monitoring	Solent Sound Systems Ltd	£20,367
Portsmouth International Port			
C00004345	Replacement of Core, SAN and Edge Switches - Port	PAV i.t. services ltd	£26,038
C00004253	Management of all Shipping and Ancillary Services for the Camber Quay, Old Portsm	Ken Brown Boats Ltd	£5,900
Public Health			
C00003045	Provision of 0-5 services (Health Visitors)	Solent NHS Trust (formerly Solent Healthcare)	£889,749
C00003685	School Nursing - early help and prevention services	Solent NHS Trust (formerly Solent Healthcare)	£143,048
C00001121	Alcohol Specialist Nurse Service	Portsmouth Hospitals NHS Trust	£76,407
C00003826	Out of Area Sexual Health Services	Multiple Suppliers	£8,107
Capital schemes			
C00003089	Provision of Desktop Hardware	XMA Limited	£232,254
C00003823	Traffic Management Centre	Siemens Mobility Limited	£49,382
C00004252	Installation Of New Public Address Facility - Civic Offices	Stanley Security Solutions	£11,502
C00003372	Retail Purchasing 2016 - 2019 - Culture	Multiple Suppliers	£5,699

Appendix 3

To be read in conjunction with section 3 of the report

Procurement management information
27 July 2019**Q3 spend with MEDIUM VALUE (£5,000 to £100,000) contracts with waiver**

Adult Services		
C00004372	Medical Supplies - HSH	Blueleaf Ltd incorporating Oiicare £11,190
C00003914	Speech and Language Therapy (SALT)	Solent NHS Trust (formerly Solent Healthcare) £8,055
C00004599	OCN Understanding the needs of individual with profound & multiple learning disabil	Disability Learning £2,700
C00004393	Clinical Waste Removal from Nursing Home - HSH	SRCL £2,592
C00003639	Brain Injury Information and Support Service	Headway Portsmouth and South East Hampshire £2,000
C00003640	Adult Mental Health Advocacy Support Services	HAVANT AND EAST HANTS MIND £1,860
C00004062	OLM support for Oracle 31/05/2018-30/05/2019	OLM Systems £1,607
Children Families and Education		
C00003991	Dynamite Group and Young Insepctors Project	Portsmouth Disability Forum (PDF) £14,000
C00004585	Early Intervention Youth Support	Motiv8 South Limited £11,738
C00004147	Up2U Staffing Costs	Southern Domestic Abuse Service £8,250
C00004196	Trauma-Informed Model of Care Project	Tavistock and Portman NHS Foundation Trust £7,541
C00004420	Educational Psychology Services	Bridges for Learning Ltd £7,500
C00004419	Teach Portsmouth Website Rebuild	Nick Vine £6,400
C00004453	Secure Schools Environment (SSE)	Taylor Made Computer Solutions Limited £4,249
C00003599	Provision of SACRE Services	Hampshire Inspection and Advisory Services £1,806
C00003914	Speech and Language Therapy (SALT)	Solent NHS Trust (formerly Solent Healthcare) £1,750
C00002930	Room Hire PSCB Training	PAFG £780
Corporate Services		
C00004411	Gartner Executive Programme	Gartner £52,800
C00003977	Capacity Building and Support for the Voluntary and Community Sector	Citizens Advice Portsmouth £10,514
C00004302	Revenues and Benefits remote processing framework 2018 - 2020	Northgate Public Services (UK) Limited £9,954
C00004430	Oracle ZFS Remedial work	Oracle Corporation UK Limited £9,607
C00004556	Complaints management system	Respond Group Limited £9,500
C00003727	South East Employers Membership and E-PayCheck	South East Employers £9,480
C00003593	iManage and Street Name and Numbering 2017 - 2020	Aligned Assets £9,978
C00003899	Secure Offsite Media Storage 2018	ServerHouse Ltd £4,455
C00004054	Health Check and Penetration Testing	SureCloud £3,500
C00003046	Employee Assistance Programme RM932	Right Corecare Limited t/a Workplace Wellness £1,978
C00004259	Application Packaging	Algiz technology Limited £350
C00003933	Legal debt recovery services: Insolvency Proceedings and Charging Order enforcement	Wilkin Chapman LLP £142
Culture Leisure and Regulatory Services		
C00004653	D-Day 75 - Event Structures - Etherlive	Etherlive Ltd £27,267
C00004460	Path works - Milton Allotments	Barhill Plant Ltd £19,362
C00004566	Redecoration - Bandstand	T. Coleborn & Son Limited £15,300
C00003344	Regulatory Service IDOX Uniform	IDOX Software Ltd £9,929
C00003149	Asbestos Analysis - Coroner's Office	Occupational and Environmental Analytical Diagnostic Services Ltd £8,000
C00004508	D Day 75 Music project	Bournemouth Symphony Orchestra £8,000
C00004020	Supply of music streaming and downloads	Library Ideas, LLC £7,905
C00004323	Leisure Facilities Strategy - further work to progress recommendation	STRATEGIC LEISURE LIMITED £7,250
C00003175	Staffing Support Grant - Fratton Community Centre	Fratton Community Association £5,500
C00004150	Young Peoples Engagement - The D-Day Story	Unloc £4,170
C00003236	Transportation of Bodies - Portsmouth & South East (Petersfield)	Dignity Funerals T/A Carrells Funeral Service £2,208
C00003150	Mortuary Costs Southampton - Coroner's Office	Southampton University Hospital £2,000
C00004570	Southsea Water Feature Maintenance	Fountains Direct Ltd £1,238
C00003238	Transportation of Bodies - Portsmouth & South East (Portsmouth)	Barrells Funeral Directors £792
C00004525	Norsonics	Campbell Associates £528
Finance		
C00003555	Licence Support Renewal (10537947) 2017 - 2018	Oracle Corporation UK Ltd £71,483
C00003622	Education Budget Software	Access UK Ltd £10,450
C00003128	CIPFA - Training and Exams	CIPFA Business Ltd. £3,725
Housing Neighbourhood and Building Services		
C00004578	Product Support Programme for CCTV Command and Control System 2019	i-COMPLY Limited £5,650
C00004635	Water Safety - Authorising Engineer	WATER HYGIENE CENTRE £1,906
Portsmouth international port		
C00004390	Replacement of Portmaster Freight Software System	Hogia Logistics Systems AB £28,140
C00004455	Cladding the underside of the car immigration Canopy - Port	SGC Projects Ltd £26,835
C00004458	Resurfacing works - Linkspan 3	Thortech Bridges & Marine Ltd £25,941
C00004507	Anode Supply 2019 - Portsmouth International Port	Impalloy Limited £24,242
C00004545	Office 365 Subscription - Port	Business Technology Partners Limited £17,952
C00004629	Cruise Luggage Trolleys - Portsmouth International Port	Handle-IT Ltd £10,758
C00004512	AJQ Emergency Fender Repairs - Port	ML UK LTD £10,604
C00003620	Software Support Services for in-house Databases	Business Technology Partners Limited £8,000
C00004032	Terminal Building Departures Signage	Eclipse Digital Media Limited £5,335
Regeneration		
C00003344	Regulatory Service IDOX Uniform	IDOX Software Ltd £43,624
C00003203	Replacement handheld equipment and associated items	Spur Information Solutions Ltd £27,629
C00004583	Body Cameras 2019	Edesix Ltd £22,520
C00004468	Air Quality Local Plan	SYSTRA Ltd £12,000
C00004601	Long Curtain Moat Blockwork Repairs - Old Portsmouth	Suttle Projects Ltd £9,488
C00004239	North Portsea Island - Ecological Enhancements Formliner Design	University of Glasgow £8,716
C00004617	Prince 2 Training	The Knowledge Academy Ltd £8,000
C00004026	Football Capture / Analysis	SPRINGBOARD RESEARCH LTD £2,484
C00004100	Workplace green fleet/driving	Blue Lamp Trust £1,280
C00003075	Adult Functional Skills Qualifications - The Learning Place	Northern Council for Further Education (NCFE) £858
C00004351	Inspection and Replacement of Lifebuoys in Portsmouth 2018/19	Colas Limited £759
C00003461	Provision of Analyse Local Services	Inform CPI £592

Appendix 3

To be read in conjunction with section 3 of the report

Procurement management information
27 July 2019

Capital schemes			
C00004234	Analogue Cameras with Hybrid Technology - Replacement	360 Vision Technology Limited	£148,640
C00004563	Design, Supply & Installation of Wecock Farm Solar PV - 73kW	Solar Voltaics Ltd	£73,788
C00003689	SystemOne Community Module 2015 - 2020	The Phoenix Partnership	£70,866
C00004586	XProtect Licenses	The Alarming Company Limited	£55,644
C00004627	Grounds Maintenance Equipment Supply (Aebi TT211)	hollies engineering	£52,250
C00004643	Interim Design Contract - Southsea Coastal Scheme	Ove Arup & Partners Ltd	£43,751
C00004527	Pumphouse Works - Southsea Splash Pool	Fountains Direct Ltd	£43,421
C00004191	Temporary Staff - IT (Keystream)	Keystream Healthcare Resources Limited	£38,843
C00004568	Food Waste Trial	Mattiussi Environmental Ltd	£37,475
C00004491	Grounds Maintenance Equipment Supply (John Deere Gators)	Farol Ltd	£23,800
C00004509	Sprung Floor - Gymnastics Centre	Gymnova UK Ltd	£23,000
C00004492	Leamington and Horatia House Removals	Multiple Suppliers	£22,827
C00004461	Outdoor Fitness Equipment	KOMPAN Limited	£22,401
C00004309	Small Architecture 2018-19	Small Architecture	£17,640
C00004588	Spring Expansion Works - Cliffdale	Red's Builders Limited	£15,243
C00004565	TCF Traffic Surveys	Nationwide Data Collection	£11,950
C00004427	PCSA 5 Bed DPU House at Bredenbury Crescent	PMC Construction & Development Services Ltd	£10,995
C00004556	Complaints management system	Respond Group Limited	£10,650
C00004510	Fitness Equipment - Mountbatten Centre	Les Mills Fitness UK Ltd	£9,174
C00004445	Copnor Primary School M&E Consultancy	Cooper Homewood	£8,825
C00004213	Southsea Strategic Planning Support	Paris Smith LLP	£4,888
C00004264	Consultancy Mechanical Design Services - Portsmouth Academy Expansion	Salvis Energy Services Ltd	£2,000
C00004487	Sustainability and Energy Statements, SAP10 Modelling and TM59 Overheating Analy	SRE Limited	£750
C00003428	DNO - Various PV Projects	Scottish and Southern Energy	£300
C00004401	Energy Performance Certificates for West Sussex County Council	Bierce Technical Services Ltd	£200

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