



**Draft
Statement
Of
Accounts
2019/20**

The City Council's draft Statement of Accounts for 2019/20 is currently unaudited and may be subject to change

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Date 30/7/2020

Councillor Leo Madden
Chair of the Governance and
Audit and Standards Committee

Date

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Narrative Statement

Financial Year Ended 31st March 2020

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, and 75% of the population. The city continues to be the most densely populated area in the UK outside London, with an estimated population of 215,000 residing within 15.5 square miles. Portsmouth is ranked 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 tends to be the most deprived ward in the city across all of the various domains. 22% of all children in the city are living in poverty (which is above the England average) and in some areas this rate is twice the national average (Charles Dickens). An example of the city's low household incomes, is that the percentage of children in the city known to be eligible for, and claiming free school meals, is higher than the national average.

Portsmouth has a comparatively high proportion of young people aged 20-24 years compared to England, due to the city's University and colleges (11.4% of Portsmouth's total population compared with 6.2% nationally). In 2019, approximately 140,900 people aged 18-64 years are estimated to be resident in Portsmouth; and approximately 30,800 residents aged 65 years and over (of which approximately 4,400 residents are aged 85 years and over).

At the time of the 2011 Census, Portsmouth had a lower percentage of residents from Black, Asian and minority ethnic (BAME) communities (people identifying with an ethnicity other than White English/Welsh/Scottish/Northern Irish/British) compared to England (16% compared to 20%). However, 32,800 residents make Portsmouth a diverse multi-ethnic community. A larger proportion of BAME groups (except mixed) are of working age compared to the White British group. In the case of school-age children in the city, 20% are not of White British ethnicity. Over 100 languages are spoken by pupils attending Portsmouth schools.

There are approximately 88,000 dwellings in Portsmouth. Private stock accounts for nearly 81% of the dwellings in Portsmouth, with the remainder divided between the local authority (13%) and registered social landlords (6%). Nearly half of the private sector housing stock was built before 1919, which is more than twice the 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. 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). We know that local resident earnings are significantly lower than local workplace salaries, suggesting that many of the higher level jobs are filled by people commuting in to the city. It is expected that levels of unemployment may rise due to the impact of the COVID-19 pandemic on the local economy.

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. Consultation with residents suggests that affordability of public transport, especially bus fares, is a major issue. We also have limited road capacity due to the "island" nature of the city, and only three road routes off Portsea Island, although congestion 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 that in turn became 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. We operate a decision-making system of a Leader and Cabinet.

The Cabinet currently consists of the Leader of the Council and nine other Cabinet members. The Leader is elected by Full Council, and it is for the Leader to select the Cabinet. The Cabinet makes decisions on important matters that affect the City Council as a whole. Each of the Cabinet Members has responsibility for a portfolio of Council activities and in 2019/20 these were:

- Children and Families
- Education
- Community Safety
- Culture and City Development
- Environment and Climate Change
- Health, Wellbeing & Social Care
- Housing
- Resources
- Traffic & Transportation

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

The City Council's staff are managed by the Chief Executive, who is the Head of the Paid Service. The Chief Executive is supported by directors, each of whom deals with a broad portfolio of the functions of the authority. The current director team is:

- Director of Children's Services and Education (and statutory Director of Children's Services and a joint post with the Portsmouth Clinical Commissioning Group)
- Chief of Health and Care Portsmouth (shared post with the Portsmouth Clinical Commissioning Group)
- Director of Finance and Resources (statutory s151 officer)
- Director of Public Health (statutory post)
- Director of Culture, Leisure and Regulatory Services
- Director of Regeneration
- Director of Housing, Neighbourhoods and Building Services
- Director of Corporate Services
- Port Director

The role of Monitoring Officer is fulfilled by the City Solicitor.

Our context - our partners

The city has excellent partnership working with;

- other local authorities
- colleagues in health, including the Clinical Commissioning Group (CCG)
- the police
- probation services
- the fire and rescue service
- the University of Portsmouth
- the voluntary and community sector
- businesses

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. In 2019, these partnerships were 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.

There are other partnership arrangements around the city's regeneration efforts such as the Solent Local Economic Partnership (LEP), Solent Transport, the Partnership for South Hampshire (PfSH) and the business leaders group; Shaping the Future of Portsmouth.

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, Adopt South).

Partnerships with colleagues in the health sector have been developing strongly over time and we have recently agreed to strengthen links with the CCG, by moving to a model for shared 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, and took a significant step forward in 2019 with the development of the Health and Care Portsmouth model.

Our context - finances

Since 2011/12 the Council will have made £102m in savings (48% of controllable spend). Government funding reductions have been the driving force behind the need to make forecast savings of £7.5m over the current period 2020/21 to 2022/23. We expect that there may be a greater savings requirement in future as we address the financial implications arising from the pandemic.

Adults and Children's Social Care represent 53% of controllable spend, provide services to the most vulnerable, experience the greatest cost pressures and have historically received significant protection from savings - resulting in proportionally higher savings across other Council services. The Local Government Finance Settlement has provided substantial relief for the cost pressures in Adults and Children's Social Care in 2020/21 of £5.4m, but it is not clear if this is new money to the Local Government system in the longer term and remains a risk going forward.

The Council has a relatively low tax-base and a relatively low tax charge. That means that both the average Council Tax band is low and the amount of Council Tax charged to residents is also low compared with our statistical neighbours. By illustration, the Council receives circa £6.0m per annum less in Council Tax than the average Unitary Authority within its statistical neighbour group. By keeping the level of Council Tax down, a gap has emerged which if closed would reduce the savings requirement of the Council by the same sum. Council Tax currently represents 41% of the Council's non-specific funding, and as Government funding has reduced, this has become increasingly more important as a funding source for the Council.

In response to the considerable financial challenge, the City Council has followed a Medium Term Financial Strategy (for both revenue and capital) with an 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.

Medium Term Financial Strategy

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 - through income generation

Reduce the extent to which the population needs Council Services - through improving prosperity and managing demand

Increase the efficiency & effectiveness - by improving value for money across all services

Withdraw or offer minimal provision of low impact Services

What the Council does and why

We have been through a sustained period of challenge for local government. At a time of great pressure on public finances, we need to tackle huge need in the community, some key barriers to economic growth and continue to deliver the services that support a vibrant city.

In Portsmouth, we are rising to the challenge. We 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 sector, 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 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 sector 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.

The power of our shared arrangements has been demonstrated in the immediate response to the COVID-19 pandemic, where the HIVE have co-ordinated a range of support services to some of the most vulnerable people in the city, including those in the "shielded" group. Support has included the provision of food parcels, welfare calls and liaison with pharmacies to ensure people receive medicines.

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, with the city taking a lead role in commemorations for the 75th Anniversary of D-Day and the Battle of Normandy.

Portsmouth was the focus of national and international attention on Wednesday 5 June 2019, when Southsea Common hosted the UK's national commemorative event for D-Day 75. PCC also facilitated 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's contribution to the ongoing legacy of D-Day will continue in 2020, when the last surviving Landing Craft Tank in Europe - LCT 7074 - will come to a new purpose built location on Southsea seafront, in partnership with the National Museum of the Royal Navy.

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.

Portsmouth is also 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. This includes development of a Joint Venture with a developer to create the future vision, and in the meantime seeking to improve the commercial offer and customer experience through the Future High Streets Fund, improve the quality of the air and the environment, and create a sense of place.

The impact of the COVID-19 pandemic on the plans for the city will emerge in the coming months. There will be an impact on the finances of the City Council, and therefore our ability to take some schemes forward, and it may be that there are similar market conditions to those seen in 2008, although the indications are that the Government would like to support infrastructure and regeneration projects as part of the wider national recovery programme.

Make our city cleaner, safer and greener

In March 2019, the City Council took a unanimous decision to support a motion to declare a climate emergency for the city, which included pledges to develop an action plan for reducing the carbon footprint of the city. Work has progressed to take this forward, including the development of a PCC Climate Strategy, the convening of a Climate Action Board, and the development of a Greening Strategy.

The coastal nature of the city means that it is particularly vulnerable to some of the impacts of climate change, and for some time the authority has been working to develop the coastal defences. In 2019/20, we continued to take forward the North Portsea Flood Defence Scheme as part of a £58m Environment Agency funded project for the north of Portsea Island. Highly acclaimed public realm improvements have been a notable feature of this work which will protect circa 4,000 homes. Also working in partnership with the Environment Agency, the Southsea Flood Defence Scheme has obtained HM Treasury approval to commence the £120m refurbishment of flood defences at Southsea. Work will commence in September on this sensitive project which will both enhance the seafront, protect circa 10,000 homes and provide regeneration initiatives.

Like many cities across the country Portsmouth is facing a serious problem with air quality. Newly available monitoring data from last year shows the situation is continuing to get worse and we won't improve the situation as quickly as the government wants, so work is underway to address this situation. There were some short term improvements in air quality recorded during the lockdown, but it is uncertain if we will see any long term gains, particularly with public transport use discouraged in the short term.

We also published a new strategy to support residents to reduce their energy and water costs, including the "Switched On Portsmouth" website and in time we expect that this will also support improvements in energy usage in the city. Our Energy Services team won the Regional Council of the Year award at the 2019 Energy Efficiency awards, and were highly commended in a second category for work around mitigating fuel poverty and the provision of affordable energy for vulnerable residents. The team also achieved national recognition for the 'Solar Schools Program', delivered in partnership with West Sussex County Council, which provides 80 schools in the South East with 5 megawatts of clean energy and £158,000 of associated savings.

We also commenced a Food Waste trial for the city, collecting this waste separately to dispose of it in a more sustainable way. In February 2020, the Cabinet approved the extension of this trial until September 2021, and the addition of a further 9,000 homes to the city scheme. This commitment to responsible waste management was reinforced by the approval of a Capital Programme that included funding for an Anaerobic Digestive facility.

In 2020/21, we will be continuing to drive on an agenda of carbon reduction, and trying to build on some of the opportunities and learning from the COVID-19 pandemic, in terms of how people can be supported to walk or cycle around the city rather than driving; or how carbon reduction initiatives can play a part in the wider recovery process.

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 educational achievement for all our young children the very best it can be. This will give our children the best opportunities in life and in the longer term, reduce the need for our services. So, we want to raise education standards so our children and young people achieve their full potential. We know that despite children getting off to a really good start in their education, young people leaving school at 16 in Portsmouth are not achieving results at the same level as their peers in much of the country, and we know this needs to improve.

In Portsmouth, there are 50 primary schools, 10 secondary schools and four special schools in the city (including one multi-site provision). In addition there are two further education colleges, one maintained nursery school and a University Technical College (UTC), which 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 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 the 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.

In support of education in the city, we have completed a number of building schemes, including a new art and drama hall at Northern Parade Federated School, an extension at Cliffdale School and an intensive 66 day build project at the Lantern, a new facility to accommodate 14 pupils with significant physical and mental disabilities.

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 local authorities, and this is the case in Portsmouth, which also has a pressure from unaccompanied minors arriving in the city. Our numbers per 10,000 are higher than statistical neighbours, and in order to address this we are looking at some changes to our ways of working, for example, introducing the Mockingbird model for foster caring, and looking at a Family Safeguarding Approach.

The implications of the COVID-19 pandemic for children and families are not yet fully understood, but we know that some of our most vulnerable families will have suffered hardship, and that many children will be struggling with the disruption to their education, routines and with the lack of opportunities for play and exercise. Over the coming months, we will be doing a great deal of work with partners across the city to support schools to reopen and help children get back on track with their education, and also working to help families who have been struggling to get back on track.

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. An example of this is the purchase of the Lakeside North Harbour site, which means that PCC now own the only Grade A office stock in the city, and are able to support businesses and drive social value. We have also set up a crowdfunding platform to support microbusiness in the city.

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 continuing to roll out 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. We are also driving strengths-based working to ensure that we start to work with people from a basis of what they can do, rather than from a lens of things they can't do.

A key piece of work we have started in 2019/20 is the development of a collaborative city vision. We have been consulting widely with stakeholders in the city to understand what is important to them and how they want to see the city develop in the next few years. This process included an event at the Pyramids centre in March, attended by over 70 residents (broadly representative of the city) who generously gave their time to share their thoughts and ideas with us.

As the city starts to think about how it recovers from the huge shock of the COVID-19 pandemic, the continuing development of this work will be vital in shaping priorities and projects in the future. A wider consultation on developing themes is expected to take place in the summer.

The agenda set out above is extensive and challenging, particularly because need and demand continue to rise as resources reduce. The impact of the COVID-19 pandemic has created some new challenges. But the circumstances also gave us opportunities to think differently about some issues, and reinforced the importance of long held priorities. We need to continue our work to protect and support the most vulnerable in society, whilst at the same time capitalising on opportunities to deliver economic expansion and job creation.

Portsmouth is an extraordinary city and in our response to the extraordinary first half of 2020, we have shown ourselves to be a strong city. We need to continue working effectively and creatively, simplifying and sharing so that we can confront the unique set of challenges before us now, ensuring that no one is left behind, and 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.

Key issues relating to our performance in 2019/20 are:

Adult Social Care

Adult Social Care is an increasingly high profile area of local authority business. There has been for some time acknowledgement at national level that social care is under increasing pressure, for a variety of reasons, including increasing demand; and that the quality of the social care system is critical to ensuring that health services remain viable in the medium to long term. The experience of dealing with the pandemic has demonstrated the critical nature of the care sector, but also placed it under unprecedented pressure. Ensuring that the wider care sector in the city remains sustainable will be a key priority for the authority in 2020/21, but we have strong relationships with providers in the city, and this puts us in a good position to work together.

We also have excellent partnerships across the wider health system in the city, through the Health and Care Portsmouth arrangements. In 2019, a new IT system went live for the service. System1 enables NHS and social care professionals to view patient records and inform decision making and communication by knowing of each other's involvement. Feedback from GPs in the city demonstrates the positive impact of seeing social care involvement, as it enables informed risk decisions around conveyance and admission.

Additionally, the implementation of a shared record system to support the reduction in the need for multiple assessments and enable services to be brought together in the community. The success of the project has been made possible by full user involvement in planning and decision-making and partnership working with our local NHS colleagues.

Partnership working with Hampshire County Council colleagues transferred management of a Council owned Nursing home from a previous contractor to the County. The home has previously experienced an embargo on admissions and had 'requires improvement' ratings from the Care Quality Commission. Work with procurement, finance and project management teams across both councils enabled a smooth transition from one management to another and moved the home to a 'good' rating in under 18 months.

Working in conjunction with residents and families, the service was also able to re-provide residential care for people living in out-dated/unfit for purpose residential stock and enable people to move to a modern, purpose built residential care home. The out-dated stock has been demolished and will be repurposed to provide supported living/extra care for people living with dementia.

Working with the NHS provider trust and Portsmouth CCG, PCC was able to allocate the annual winter pressures grant, in conjunction with winter pressures funding from the NHS, and develop shared schemes that enabled people to be discharged from hospital more quickly and removed any blocks from capacity for care in the community.

Children's Services

In 2019/20, the local authority underwent two significant inspections of children's services. The first was a joint Ofsted/CQC inspection of services for children with special educational needs and disabilities, which looked at the local area arrangements (commissioned jointly with the CCG) to identify and support these children and their families, and ensure they achieve good outcomes. The inspection identified some areas for improvement, but recognised the strength of partnership working and co-production with families in the city, and highlighted a number of areas of good practice and provision.

The city continues to place a high priority on support for children with SEND and their families. The high-needs block continues to be well managed, and capital funds available to the authority have been directed to providing more places at specialist schools. Co-production activity continues to thrive, including the development of a neurodiversity pathway as a key output in 2019.

In the winter, a Joint Targeted Area Inspection of safeguarding took place with a focus on mental health. Again, the strength and depth of partnership in the city was recognised as a driver of good practice in the city and examples of good and excellent working were identified. These include the developing integration with the CCG, with the Director of Children's Services overseeing children's commissioning through the CCG.

In children's social care, considerable work has taken place to bring the service to a position of financial sustainability, through a combination of work to reduce the requirement for care placements, and to reduce the ongoing cost of placements that are required. This includes developing a wider Family Safeguarding Model to support families to stay together safely, and the Mockingbird model to support the stability and quality of foster placements. However, the city continues to deal with high levels of unaccompanied minors, and this - along with ongoing high numbers of children in care - means that we are seeing a rise in young people leaving care and needing support until they are 25.

Portsmouth continues to underperform as a city in terms of educational attainment, and associated indicators around attendance and exclusions are also less positive than we would like them to be. In order to attract the best teachers to the city, we launched the Teach Portsmouth campaign, including a new website to help people find out how to train to teach and find a job in Portsmouth. We had sought to address the ongoing challenge of poor attendance in some of our schools through 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. The campaign highlighted 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.

Unfortunately, the impact of this campaign will have been reduced because of the COVID-19 pandemic, and many children have now experienced very significant disruption to learning. For some children, particularly those for whom school is a safe haven, the implications will have been even more severe. We know that much of the 2020/21 academic year will be focused on helping children catch up and recover from the things they may have experienced, or anxieties that may have developed.

Public Health

There have been some significant achievements for the service in 2019/20.

Working with Public Health England, funds were secured and approval given to purchase two houses to provide support for people who are overcoming an alcohol dependency. This will provide accommodation where they can develop independent living skills before moving on to independence.

The Wellbeing Service received 3,033 referrals from primary and secondary care and individuals who wished to improve their health by quitting smoking, losing eight and reducing harmful alcohol consumption. In addition the service also worked in collaboration on the Long Term Condition Hub pilot and provided training around mental health and behaviour change to 481 local health care staff.

Despite many positive achievements in terms of project delivery, and outcomes for individuals, the city remains above national averages for rates of a number of conditions and harmful behaviours. In 2019, a process was started to refresh the existing Health and Wellbeing Strategy to focus on creating the conditions in the city to change some of these issues. This has been paused due to the need for public health resources to be directed to responding to the COVID-19 pandemic. In 2020, when the work is able to restart, there will be a key focus on tackling health inequalities, which has been demonstrated to be a fundamental issue for our society.

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, and has much to celebrate from 2019/20.

D-Day 75 was a significant event that was made possible by an impressive effort from many colleagues across the local authority and with many partner organisations. Hosting royalty, heads of state and heads of government on Southsea Common was a major showpiece for the city. The feedback that we received from visitors and from residents was a credit to the city. We saw a rise in visitors to the city, and hotel operators reported that many visitors had been inspired by seeing Portsmouth in a new light.

In 2019, the launch of Portsmouth Creates saw the beginning of a new strategic body for developing culture in the city, supported by Portsmouth City Council, Victorious Festival, the University of Portsmouth and the Arts Council. Their first project, the We Shine event, was due take place later in 2020.

PCC received development phase funding for a £2.8m project from the National Lottery Heritage Fund for Victoria Park, which will be an important project in what was opened in the late nineteenth century as 'the people's park'. 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. We are now working with the support of Sport England and supported by funding from Public Health to develop a strategic approach to facilities in the city that will ensure we have fit for purpose provision in the longer term. We are also continuing to engage with the Football Foundation and County FA to develop football facilities that improve the offer in the city.

Major exhibitions were held at Portsmouth Museum including the D-Day Veterans portraits with loans from the Royal Collection and work by local artist Karl Rudziak; and the Portsmouth Revisited exhibition included works from the Royal Collection and The Tate which have never been seen in Portsmouth before. The museum also hosted a touring exhibition of a rarely-seen Dodo skeleton.

Services providing a statutory function play an important role in keeping our residents safe. Regulatory services colleagues brought some high profile and important prosecutions to protect residents. Colleagues in regulatory services have also been heavily engaged on the Brexit agenda, along with 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.

The service faces a number of challenges. Much of our building portfolio from which we operate is either scheduled or listed, and we will continue to have deal with the implications of this in terms of maintenance. Finding sustainable uses for buildings will be a continuing focus, and the possibilities are highlighted in the Hotwalls studios which are now in their third year of operation. We are also aware that many of our residents and communities are either living in deprivation or with very limited disposable income.

The implications of the COVID-19 pandemic have been severe for the service, and for the cultural life of the city. Libraries, museums and other venues, such as sports facilities, have been closed. Scheduled events, such as Victorious Festival, have been cancelled. The implications have been significant in terms of opportunities for residents, the impact on the local economy and revenue for the authority. Teams such as Emergency Planning and Regulatory Services have been significantly engaged in the response to the pandemic. Much of 2020 will be focused on managing the recovery phase and addressing some of the implications.

Housing, Neighbourhood and Building Services

There were a number of achievements to celebrate in the wider directorate, reflecting the wide range of activities that are undertaken.

Building services have delivered a number of projects in the schools portfolio, as well as completing a revolutionary refurbishment of the 11-storey Wilmcote House blocks to provide thermally efficient homes. The team also supported an upgrade of lighting at Victoria Pier in Old Portsmouth, to improve energy efficiency and reduce light pollution; restored and redecorated Portsmouth Watersports Centre, ensured new facilities in Kingston Park were opened, delivered work at the Civic War Memorial space to create improved public realm, and delivered numerous other improvements to buildings and spaces to improve environments and reduce environmental impact.

Work continued to support some of the most vulnerable people in the city, through the provision of neighbourhood based support. Following a consultation period, the final homeless strategy was presented to Cabinet and approved this year. The strategy will allow us to approach homelessness in a strategic and planned way, doing the best we can to help those on the streets. In future, this approach will need to take account of actions undertaken to respond to the COVID-19 pandemic. The service also provided a holiday food and fun scheme through the adventure playgrounds, to help battle holiday hunger and ensure children are introduced to vegetables and how to cook healthily.

The Ian Gibson Court Care Team were shortlisted for the Housing Heroes Awards 2019, for Support and Care team of the year. The service received CQC validation, and feedback from residents, families and Adult Social Care services have praised the quality and responsiveness of care delivered.

The service also launched the Rent it Right leasing scheme, which provides private landlords with peace of mind and a stress free experience, so that landlords will lease properties with PCC, so that we can move people out of temporary accommodation and into sustainable homes.

Work continued to ensure that Portsmouth is as green and clean as possible. The flower bed at Lake Road was planted by the Buckland Green and Clean team to commemorate the 75th anniversary of D-Day, with flowers planted in the design and colours of the city crest. In 2019/20, the Green and Clean teams have planted 300,000 bulbs across estates in Portsmouth and Havant. The team also delivered a "Big Winter Project", planting 4,075 plants over 11 zones in front of housing along the Eastern Road. Fostering pride in the environment is critical and enforcement is used when necessary, In September, the enforcement team were successful in prosecuting a resident for failing to contain and control trade waste following fly tipping, and a fine was issued of over £2,000.

In terms of wider waste collection issues, the city continued to provide an efficient waste service and also began a food waste trial, which was subsequently extended, as the city looked to boost recycling rates.

Key challenges for the next year will focus on recovery from the COVID-19 pandemic, including finding a sustainable strategy for move-on accommodation for residents supported in hotels over the period of lockdown. There is also a financial pressure for housing services arising from the impact of the loss of rental income from Leamington and Horatia Houses, and a trend in rising social housing rent arrears. However, there will be other challenges including creating a viable development to progress the demolition of the two towers in Somerstown,

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.

A number of improvements have been delivered to improve infrastructure in the city, including the road network. Cycle improvements have been completed and a number of measures taken along the A2047 (London Road/Fratton Road/Kingston Road) to improve safety and roadcraft among drivers and cyclists, including the first Tiger crossing installed in the city. Cycle safety schemes have also been implemented at Gladys Avenue/ Northern Parade, and Copnor Road/New Road junctions. Phase one of the Department for Transport funded Safer Roads scheme has also been completed on Southampton Road. The city has also maintained its commitment to school safety by installing a number of new crossings at school sites, and implemented two speed reduction schemes on Greatham Street and Locksway Road.

We have completed a standard street lighting conversion to LED and adaptive lighting policy roll out that will reduce annual energy consumption by 496,116kWh - this translates into a reduction in CO2 emissions of 140,436kg, the equivalent of 28 filled hot air balloons.

A number of strategic regeneration projects have also progressed well, with a number of consultation and engagement exercises underway on some key sites, including the Tipner West development and the Records Office site.

The service also supports an Employment and Skills service, which has delivered work programmes including Bridge2Work, Well@Work and Work and Health to over 200 individuals, successfully supporting many into long term employment. The service has also supported individuals to seek health care and advice, including supporting 160 individuals to overcome health related barriers to work through weight management, smoking cessation and other addictive behaviour. The Enterprise Centres, have had 90.6% occupancy of available space, supporting 607 jobs in the city.

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.

The service is also involved in supporting Brexit preparations for the city, ensuring that any potential highway implications are understood and managed to minimise any potential impacts. The team ensured that an emergency lorry park was completed in readiness for any need. This will continue to be a challenge for the city to manage, alongside looking at how the recovery from the COVID pandemic can incorporate learning and opportunities for more sustainable living, including more active travel. The lorry park prepared for Brexit has performed a key role as a COVID testing site.

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 are successfully moving contact to digital channels, where it is appropriate to do so.

Collection of council tax and 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 continues to perform strongly.

Portsmouth City Council holds a Gold award in the Defence Employers Recognition scheme in acknowledgment of our work in support of the Armed Forces Covenant. Portsmouth was the first unitary authority in the south east to receive this accolade, and continues to work hard to support the forces and veterans community in the area.

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.

However, the financial risk to the authority arising from the COVID-19 pandemic is not inconsiderable. The additional costs incurred, coupled with the loss of income to the authority means that there will be a need to look at a range of options for shoring up the position of the authority's budget, including looking at the corporate contingency reserve, and potentially reducing the capital aspirations.

Portsmouth International Port

A number of schemes have taken place to improve the offer at the International Port. Significantly, the Port agreed a plan to become a zero carbon port, and have started to implement measures to move towards this. A detailed design has been completed for a new cruise terminal, which will provide a bespoke area for cruise passengers to embark/disembark and improve efficiencies for both cruise and ferry passengers. Berth 2 has also been extended to allow larger cruise vessels to dock. The existing berth was configured to allow ferries to dock but was ill suited to many cruise vessels. By reconfiguring and extending the berth, the Port is now able to accommodate a greater range of cruise vessels.

In 2020, there will be challenges for the Port to return to business as normal, given the impact of the pandemic on travel and operations. It is also likely that trading conditions will continue to be challenging for cruise operators in the short term and this will impact on the activity and revenue of the Port.

Overall, the picture of performance in the authority is broadly positive. The business of a 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 2019/20 - 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 of 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 & Resources (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 2020. 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 2019/20

No changes to accounting policy have been made in 2019/20.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is not a financial statement but a note to the accounts that aims to explain the relationship between net expenditure chargeable to General Fund and Housing Revenue Account (HRA) balances shown in the Movement in Reserves Statement (MIRS) and net expenditure on an International Financial Reporting Standards (IFRS) basis shown in the Comprehensive Income and Expenditure Statement (CIES). This is summarised in the table below.

	Revised Cash Limit £000	Actual Net Expenditure £000	Variance £000	Variance %
Children & Families	28,353	31,505	3,152	11.1
Community Safety	2,008	1,930	(78)	(3.9)
Culture & City Development	6,606	6,598	(8)	(0.1)
Education	5,490	5,995	505	9.2
Environment & Climate Change	12,561	12,484	(77)	(0.6)
Health, Wellbeing & Social Care	46,243	48,447	2,204	4.8
Housing General Fund	4,482	4,766	284	6.3
Leader	(21,832)	(22,149)	(317)	1.5
Licensing	(239)	(240)	(1)	0.4
Port	(7,353)	(7,476)	(123)	1.7
Resources	18,195	18,160	(35)	(0.2)
Traffic & Transportation	13,838	13,835	(3)	(0.0)
Portfolio Net Expenditure Charged to General Fund Balances	108,352	113,855	5,503	5.1
Non-portfolio - Housing Revenue Account (HRA)		(3,567)		
Non-portfolio - Other		27,078		
Net Cost of Services Charged to General Fund & HRA Balances		137,366		
Other Operating Income		(173)		
Financing & Investment Income & Expenditure		21,652		
Taxation & Non-specific Grant Income		(167,707)		
Surplus on Provision of Services Charged to General Fund & HRA Balances		(8,862)		
Adjustments for capital purposes including depreciation, impairment, gains & losses on disposal of assets, minimum revenue provision (MRP) for the repayment of debt, & capital expenditure charged to revenue		(2,092)		
Pension adjustments, ie. the extent to which the actuarial cost of providing pensions exceeds employers contributions to the pension fund		20,877		
Other differences including timing difference on Business rates		4,219		
Surplus Deficit on Provision of Services on an IFRS basis		14,142		

Overall portfolios overspent the revised cash limit by £5.5m. The most significant variances over £1m occurred in the Children & Families, the Health, Wellbeing & Social Care Portfolios. These variances are explained below.

Children & Families - £3.2m or 11.1% overspent

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

Health, Wellbeing & Social Care - £2.2m or 4.8% overspent

This overspend is primarily due to higher than anticipated client numbers in residential and nursing care as well as an increase in the average cost of domiciliary care packages.

Non Portfolio Other

Other non-portfolio expenditure includes a number of items of which the most significant are investment of £4.5m in Portico, provision for the repayment of debt of £4.9m and capital expenditure financed from revenue balances of £10.6m.

Financing & Investment Income and Expenditure

This consists of interest payable & similar charges of £26.8m and interest & investment income of £5.1m.

Taxation & Non-Specific Grant Income

This consists of income from Council Tax of £79.7m, non-ring fenced government grants of £24.3m, and retained non-domestic rates of £63.7m.

The CIES records the City Council's income and expenditure on an IFRS basis. To facilitate this, a number of adjustments are required. These adjustments relate to net comprehensive expenditure which decreases the City Council's net worth but not its General Fund and HRA balances, or are capital in nature and statute prevents the expenditure being debited to General Fund and HRA balances. These adjustments, which increase net comprehensive expenditure include depreciation and impairments of £31.6m, partly offset by capital grants and contributions of £27.2m and revaluation gains of £17.4m. In addition, the net comprehensive expenditure is further increased by £28.8m of pension adjustments. These are in respect of changes in the actuarial assumptions used to value the pension fund assets and liabilities.

Movement in Reserves Statement (MIRS)

The MIRS shown on page 39 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 £8.9m in 2019/20 (£13.9m in 2018/19). This is summarised in the table below.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Earmarked Housing Revenue Account Reserve	Total General Balances
	£m	£m	£m	£m	£m
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)
(Increase) / Decrease in 2019/20	0.4	(11.1)	1.5	0.3	(8.9)
Balance at 31 March 2020	(27.1)	(178.8)	(20.1)	(0.4)	(226.4)

Note: Brackets represent surpluses

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 £27.1m (£27.5m in 2018/19)

The City Council’s main General Fund Balance decreased in the year by £0.4m, representing the City Council’s overall performance on its General Fund activities. It is important to note however, that this decrease 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 2019	(4.5)	(23.0)	(27.5)
Contribution (to) / from Reserves	0.4	-	0.4
Balance carried forward as at 1st April 2020	(4.1)	(23.0)	(27.1)

Note: Brackets represent surpluses

After taking account of the deficit (or draw down from balances) of £0.4m for schools, the rest of the City Council's General Fund balances remained at £23.0m.

The City Council's Revised Budget for 2019/20 (excluding schools) estimated that the General Fund balance would remain at £23.0m. The ultimate aim is for in-year expenditure to match in-year income. The City Council's actual General Fund balance did remain at £23.0m 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 (HRA) General Reserve - Balance £20.1m (£21.6m in 2018/19)

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 £179.2m (£168.5m in 2018/19). The more significant earmarked reserves are described below.

Earmarked for Capital Purposes – Balance £41.6m (£36.2m in 2018/19)

This is a reserve that is maintained as a source of funding for the Capital Programme. When the City Council set its budget in February 2020, it resolved that any underspending for 2019/20 arising at the year-end outside of those made by Portfolios be transferred to capital resources in order to provide funding for known and potential future commitments in future years. As a consequence of this the reserve increased in the year by £5.4m as contributions from General Balances exceeded the amount of the reserve applied to finance capital. The balance on this reserve will be required to finance future capital expenditure.

Medium Term Resource Strategy Reserve – Balance £21.3m (£20.8m 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. £0.5m was added to the reserve in 2019/20. The current balance of £21.3m is largely committed to funding schemes previously approved by the City Council or future anticipated redundancy costs.

Private Finance Initiative – Balance £6.1m (£7.9m 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 £24.5m (£24.1m in 2018/19)

The City Deal capital scheme to regenerate Tipner 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 £0.4m in 2019/20 due to interest transferred into this reserve.

Highways Maintenance Reserve £9.3m (£9.0m in 2018/19)

This reserve is to fund the ongoing maintenance costs of improvements to the highways network. This reserve increased by £0.3m in 2019/20 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 £17.4m (£11.9m 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 £6.3m (£7.7m 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 £19.2m (£11.0m in 2018/19)

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 £22.2m in 2019/20. £14.0m of this sum was applied to fund HRA capital expenditure leaving an increase in the on this reserve balance of £8.2m.

Capital Receipts Reserve - Balance £17.5m (£15.8m in 2018/19)

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 £1.7m in 2019/20 as the amount received as usable capital receipts exceeded the amounts applied to finance capital expenditure or repay debt.

Capital Grants Unapplied - Balance £58.0m (£54.9m in 2018/19)

This reserve holds grants that may only be applied to fund capital expenditure. This reserve increased by £3.1m in 2019/20 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 2019/20 amounted to £255.9m (£121.5m in 2018/19). £154m was spent on acquiring commercial property (£31.6m in 2019/20) including Lakeside North Harbour Business Park. The only other major item of capital expenditure was major repairs to council dwellings upon which £15.9m was expended (£14.9m in 2018/19).

The City Council has £136.7m available to fund capital expenditure consisting of the General Fund Earmarked Reserve for Capital Purposes £41.6m, the HRA Capital Reserve £0.4m, the Major Repairs Reserve £19.2m, Capital Grants Unapplied £58.0m and the Capital Receipts Reserve £17.5m.

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

- Coastal flood defences £138m
- Tipner Regeneration £43m
- Major repairs to council dwellings £155m
- Replacement council homes £100m

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 total comprehensive income and expenditure 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 decreased by £7.9m from £202.3m in 2018/19 to £194.4m in 2019/20. This decrease was due to the deficit on the Housing Revenue Account (HRA) falling by £15.8m from £23.6m in 2018/19 to £7.8m in 2019/20 and net expenditure on other non-portfolio expenditure falling by £13.9m from £21.3m to £7.4m, partly offset by portfolio net expenditure increasing by £21.8m from £157.4m to £179.2m.

The reduction in the HRA deficit was primarily caused by a downward revaluation of Horatia and Leamington Houses in 2018/19 following the discovery of structural problems and the subsequent decanting of these buildings. 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.

The reduction in other non-portfolio expenditure was primarily due to an additional £12.8m being charged to pension past service costs following the McCloud judgement in 2018/19. In the McCloud judgement the Court of Appeal found that transitional protection arrangements put in place when the Firefighters' and Judges' pension schemes were reformed were age discriminatory. It would be reasonable to assume that this judgement will affect other public sector defined benefit pension schemes including the Local Government Pension Scheme.

Several portfolios had slightly increased net expenditure in 2019/20 compared to 2018/19.

Financing and Investment Income and Expenditure

Net expenditure on financing and investment activities has decreased by £3.5m from net expenditure of £19.0m in 2018/19 to a net expenditure of £15.5m in 2019/20. This consists of net interest charges of £30.4m (£31.7m in 2018/19), the surplus on trading undertakings and operations of £6.0m (£3.4m in 2018/19) and the surplus from investment properties of £9.0m (£9.3m in 2018/19).

Taxation and Non-Specific Grant Income

Taxation and Non-Specific Grant Income fell by £9.3m from £204.2m in 2018/19 to £194.9m in 2019/20. Retained non-domestic rates income decreased by £19.2m in 2019/20 due to the Government reducing the proportion of non-domestic rates retained by the Solent Non-Domestic Rates pool from 100% to 75%. This was partly offset by income from Council Tax increasing by £3.3m and non-ring fenced government grants increasing by £7.3m.

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 deteriorated by £77.7m from a net income of £41.0m in 2018/19 to a net expenditure of £36.7m in 2019/20.

Revaluation Reserve

On the Balance Sheet, gains amounting to £6.3m arising from the revaluation of non-current assets were posted to the Revaluation Reserve in 2019/20 (£22.6m of revaluation gains were posted to the Revaluation Reserve in 2018/19). 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 2020 was £427.4m which is very significant when compared to the City Council's net worth of £847.1m. The estimated net pension liability was £377.8m at 31 March 2019, but increased by £49.6m in 2019/20 primarily because of a reduction in the estimated fair value of pension fund assets of £48.9 from £770.5m in 2018/19 to £721.6m in 2019/20 reflecting unfavourable investment returns over the year.

Other Long Term Liabilities

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

- Long Term Borrowing - £661.2m (£580.5m in 2018/19). Long term borrowing has increased because £90m of new borrowing was undertaken, but only £8.6m of maturing debt was repaid. The new borrowing was necessary to fund the acquisition of Lakeside North Harbour Business Park.
- Other Long Term Liabilities includes service concessions (including Private Finance Initiative schemes) and debt transferred from Hampshire County Council following local government reorganisation - £85.1m (£89.9m in 2018/19).

The City Council's total long term borrowings are therefore £746.3m (£670.4m in 2018/19). To put this into context, the City Council's long term assets are valued at £1,803.8m (£1,693.4m in 2018/19).

Long Term Assets

The value of the City Council's long term assets has increased by £98.0m from, £1,693.4m at 31 March 2019 to £1,791.4m at 31 March 2020. This increase primarily related to property, plant and equipment which increased by £154.7m largely reflecting the purchase of Lakeside North Harbour Business Park. This was partly offset by a decrease of £66.0m in long term investments. This was because the Council had less surplus cash to invest following the purchase of North Harbour Business Park.

Short Term Debtors

The value of short term debtors has decreased slightly by £2.3m from £54.8m at 31 March 2019 to £52.5m at 31 March 2020. Impairment allowances for bad debts increased by £0.9m.

Short Term Creditors

The value of short term creditors increased by £7.5m from £54.9m at 31 March 2019 to £62.4m at 31 March 2020. £4.3m of the increase is Non-Domestic Rate receipts payable to the Government. In 2018/19 the Solent Non-Domestic Rate Pool retained 100% of Non-Domestic Rate growth. In 2019/20 the Solent Non-Domestic Rate Pool only retained 75% of Non-Domestic Rate Growth. In addition the Solent Non-Domestic Rate Pool which was administered by Portsmouth City Council closed on 31st March 2020. Upon closure £5.6m of Non-Domestic Rate income was due to the other participating Council's.

Net Worth

The City Council's overall net worth decreased by £36.7m in 2019/20 from £871.3m at 31 March 2019 to £834.6m at 31 March 2020 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 £15.7m (£35.8m in 2018/19) from the Council's operating activities.

There was an outflow of cash of £100.7m from investing activities in 2019/20. In 2018/19 this was an outflow of £48.5m. The increased outflow of cash from investing activities was a result of purchasing Lakeside North Harbour Business Park.

There was an inflow of cash of £114.9m from financing activities in 2019/20. In 2018/19 this was an inflow of £17.1m. The increased cash inflow from financing activities in 2019/20 was a result of borrowing £120m to fund an early payment of employer's pension contributions of £51.7m to the Hampshire Pension Fund on 1st April 2020 in return for a discount, and capital expenditure including the purchase of Lakeside North Harbour Business Park.

In 2019/20 there was an overall increase in the City Council's cash and cash equivalents of £29.8m from £26.6m as at 31 March 2019 to £56.4m as at 31 March 2020. This was a consequence of creating the liquidity required to pay the Hampshire Pension Fund £51.7m on 1st April 2020.

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 2020 it was anticipated that there would be a £0.6m surplus on Council Tax and a £1.2m surplus on Business Rates, i.e. the fund would have a total surplus of £1.9m. The Budget for 2019/20 was prepared on this basis i.e. that there would be a withdrawal of this surplus of £1.9m during 2020/21.

Council Tax

There was an unplanned decrease in the Collection Fund balance relating to Council Tax of £0.2m (i.e. the budgeted surplus of £0.6m less the actual surplus of £0.4m). The decline in the outturn of £0.2m is mostly attributable to an increase in the provision for bad debts as a result of the COVID-19 epidemic.

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.

75% Business Rate Retention Pilot

The City Council became a 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.

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

- 49% retained by Portsmouth City Council
- 1% retained by Hampshire Fire and Rescue Authority
- 25% pooled with the Isle of Wight and Southampton City Councils
- 25% to the Government

The 75% Business Rate Retention Pilot ended on 31st March 2020.

Business Rates

The unplanned increase in the balance relating to Business Rates was £0.7m (i.e. the actual surplus of £1.9m less the budgeted surplus of £1.2m). The improvement on outturn of £0.7m is attributable to a lower than anticipated appeals provisions being required. 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 £10.2m in 2019/20. This represents a major improvement compared with 2018/19 (£26.4m deficit) of £16.2m.

The reduction in the HRA deficit was primarily caused by a downward revaluation of Horatia and Leamington Houses in 2018/19 following the discovery of structural problems and the subsequent decanting of these buildings.

Whilst the HRA made a £10.2m 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 £10.2m deficit to £1.5m. This £1.5m decrease in HRA General Balances represents the excess of expenditure over income in 2019/20.

The £1.5m deficit on the HRA after statutory adjustments compares to a revised estimate for a deficit of £0.9m. Therefore the HRA overspent by £0.6m in 2019/20.

Impact of COVID-19

The COVID-19 pandemic will have a significant financial impact on the Council, its scale is uncertain but has the potential to be substantial and de-stabilise the Council's financial resilience. Some Government funding has been announced to fund additional Council costs and losses, but the extent to which this will mitigate the financial impact also remains uncertain.

It is currently thought that COVID-19 will result in additional expenditure (particularly in social care) of £12m; planned budget savings of £3m possibly not being achieved; and lost income (particularly from port dues, parking, commercial rents, and local taxation) of £17m. The Council has so far been awarded government grants of £14m, leaving a potential shortfall of £18m, although this is still uncertain. Options available to the Council include:

- The 2020/21 budget included a corporate contingency provision of £10.3m. Commitments against the corporate contingency provision could be reviewed with a view to removing those that are not necessary for service or economic recovery.
- The Medium Term Resource Strategy Reserve has a balance of £21.3m and some of this could be used to make up the shortfall. However, this would reduce the City Council's capacity to fund future spend to save schemes to facilitate efficiencies.
- Reviewing the capital programme with a view to placing any schemes funded from non-ring fenced funding on hold unless they are business critical or necessary for service or economic recovery. The City Council's Earmarked Reserve for Capital Purposes has a balance of £41.6m, some of which could be released for other purposes following a review of the capital programme.

The Council has been operating in a business critical setting, concentrating on providing critical and essential services. This is likely to have delayed the delivery of efficiency savings and transformation plans.

The economic recession following the COVID-19 pandemic also has the potential to bring about material changes to the value of the City Council's assets and liabilities. This is particularly likely to lead to a reduction in the value of the City Council's housing stock, land and investment properties although the extent of the likely downward revaluations is not currently known. The value of debtor balances will fall if further provision against bad debts is required. The pension liability will increase if the value of pension fund assets is reduced by the recession.

The City Council's focus on providing business critical and essential services, together with social distancing measures, may cause slippage in the capital programme, although some capital schemes to improve staff connectivity whilst working from home have been accelerated. If there is overall slippage in the capital programme, this could result in the City Council having more cash and consequently investments and investment income in the short term. However, this might be outweighed by additional net expenditure on revenue budgets.

Some Government grants including those to mitigate the effects of measures to control COVID-19 on the economy have been paid in advance. The Council also borrowed £60m to finance future capital expenditure in the first quarter of 2020/21. This should ensure that the Council has sufficient cash to last well into 2020/21. In the event that the Council did run short of cash it would be able to borrow as its debt at 30th June 2020 of £794.5m is well within its authorised limit for external debt for 2020/21 of £882.9m.

Conclusion

In 2019/20 the City Council's general reserves (excluding schools) remained at £23m with the City Council's income matching its expenditure. This is in line with the City Council's revised budget.

The surplus on the Collection Fund in respect of Council Tax of £0.4m is £0.2m less than the anticipated surplus of £0.6m reflected within the budget. The Collection Fund made an unplanned surplus in respect of Business Rates of £0.7m although it is not currently known how much of this will accrue to Portsmouth under the pooling arrangement. As the Council's actual deficit 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.

Although the effects of COVID-19 poses a challenge to the City Council's financial resilience, the City Council entered the crisis in a strong financial position and has some scope to be flexible and adapt to get through the crisis.



David Williams

Chief Executive



Chris Ward

Director of Finance and Resources (Section 151 Officer)

Statement of Responsibilities

The Authority's responsibilities

The Authority is required to:

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

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

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

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

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

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2020.

Signed



Chris Ward

Director of Finance and Resources (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 (page 41).

2018/19 (Restated)	Net Expenditure chargeable to the General Fund and HRA	Other Movements	Adjusted Net Expenditure chargeable to the General Fund and HRA	Adjustments between Accounting & Funding Basis (Note 7)	Net (Income) or Expenditure in the Comprehensive Income & Expenditure Statement
	£000	£000	£000	£000	£000
Portfolios:					
Children & Families	32,394	-	32,394	1,569	33,963
Community Safety	1,932	-	1,932	256	2,188
Culture & City Development	4,609	-	4,609	4,195	8,804
Education	3,639	-	3,639	12,418	16,057
Environment & Climate Change	11,708	-	11,708	1,867	13,575
Governance & Audit & Standards	-	-	-	-	-
Health, Wellbeing & Social Care	40,985	-	40,985	452	41,437
Housing	5,006	113	5,119	3,022	8,141
Leader	(15,687)	11,901	(3,786)	467	(3,319)
Licensing	(198)	-	(198)	48	(150)
Planning, Regeneration & Economic Development	-	-	-	-	-
Port	(7,229)	210	(7,019)	3,590	(3,429)
Resources	16,743	-	16,743	3,636	20,379
Traffic & Transportation	14,856	-	14,856	4,925	19,781
	108,758	12,224	120,982	36,445	157,427
Non-portfolio - HRA	(1,600)	-	(1,600)	25,193	23,593
Non-portfolio - Other	34,555	-	34,555	(13,246)	21,309
Net Cost of Services	141,713	12,224	153,937	48,392	202,329
Other Income & Expenditure Not Charged to Services but is Chargeable to the General Fund/HRA:					
Other Operating Expenditure	(1,220)	-	(1,220)	1,828	608
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)
	(155,657)	(12,224)	(167,881)	(16,786)	(184,667)
(Surplus)/Deficit on Provision of Services	(13,944)	-	(13,944)	31,606	17,662

Note 1 - The other movements column includes investment property and trading income reported internally in Portfolios, which is required by the Code to be included in Financing and Investment Income and Expenditure.

Note 2 - The 2018/19 figures have been restated due to a re-organisation of the City Council's portfolios (see Note 5).

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

2018/19	General Fund and Earmarked Reserves	HRA Reserves	Total
	£000	£000	£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)

2019/20	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	31,505	-	31,505	2,134	33,639
Community Safety	1,930	-	1,930	375	2,305
Culture & City Development	6,598	-	6,598	4,738	11,336
Education	5,995	-	5,995	12,068	18,063
Environment & Climate Change	12,484	-	12,484	1,677	14,161
Health, Wellbeing & Social Care	48,447	-	48,447	4,187	52,634
Housing	4,766	150	4,916	2,226	7,142
Leader	(22,149)	14,345	(7,804)	7,937	133
Licensing	(240)	-	(240)	67	(173)
Port	(7,476)	204	(7,272)	4,865	(2,407)
Resources	18,160	-	18,160	5,025	23,185
Traffic & Transportation	13,835	-	13,835	5,391	19,226
	113,855	14,699	128,554	50,690	179,244
Non-portfolio - HRA	(3,567)	-	(3,567)	11,335	7,768
Non-portfolio - Other	27,078	-	27,078	(19,724)	7,354
Net Cost of Services	137,366	14,699	152,065	42,301	194,366
Other Income & Expenditure Not Charged to Services but is Chargeable to the General Fund/HRA:					
Other Operating Expenditure	(173)	-	(173)	(653)	(826)
Financing & Investment Income & Expenditure	21,652	(14,699)	6,953	8,515	15,468
Taxation & Non-specific Grant Income & Expenditure	(167,707)	-	(167,707)	(27,159)	(194,866)
	(146,228)	(14,699)	(160,927)	(19,297)	(180,224)
(Surplus)/Deficit on Provision of Services	(8,862)	-	(8,862)	23,004	14,142

Note 1 - The other movements column includes investment property and trading income reported internally in Portfolios, which is required by the Code to be included in Financing & Investment Income & Expenditure.

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

2019/20	General Fund and Earmarked Reserves	HRA Reserves	Total
	£000	£000	£000
Opening balances at 1st April	(195,235)	(22,340)	(217,575)
Plus net surplus on in year balance	(10,704)	1,842	(8,862)
Closing balances at 31st March	(205,939)	(20,498)	(226,437)

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 Reserve line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the City Council.

	General Fund Balance (See note A below) £000	Earmarked General Fund Reserves £000	Housing Revenue Account Balance £000	Housing Revenue Account Capital Reserve £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserve £000
Balance at 31 March 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	(8,732)	-	26,395	-	-	-	-	17,663	-	17,663
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	(58,711)	(58,711)
Total Comprehensive Expenditure and Income	(8,732)	-	26,395	-	-	-	-	17,663	(58,711)	(41,048)
Adjustments between accounting basis & funding basis under regulations (see note 9)	(9,106)	-	(22,501)	-	(9,170)	(2,387)	(1,741)	(44,904)	44,904	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(17,838)	-	3,894	-	(9,170)	(2,387)	(1,741)	(27,241)	(13,807)	(41,048)
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)	(13,807)	(41,048)
Balance at 31 March 2019 carried forward	(27,537)	(167,699)	(21,580)	(763)	(11,010)	(15,808)	(54,898)	(299,294)	(572,004)	(871,298)
Movement in reserves during 2019/20										
Deficit or (Surplus) on the provision of services	3,902	-	10,240	-	-	-	-	14,142	-	14,142
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	22,552	22,552
Total Comprehensive Expenditure and Income	3,902	-	10,240	-	-	-	-	14,142	22,552	36,694
Adjustments between accounting basis & funding basis under regulations (see note 9)	(14,605)	-	(8,396)	-	(8,165)	(1,649)	(3,105)	(35,920)	35,920	(0)
Net Increase / Decrease before Transfers to Earmarked Reserves	(10,703)	-	1,844	-	(8,165)	(1,649)	(3,105)	(21,778)	58,472	36,694
Transfers (to) / from Earmarked Reserves (See Note 10)	11,126	(11,126)	(357)	357	-	-	-	-	-	-
Increase / Decrease in Year	423	(11,126)	1,487	357	(8,165)	(1,649)	(3,105)	(21,778)	58,472	36,694
Balance at 31 March 2020 carried forward	(27,114)	(178,825)	(20,093)	(406)	(19,175)	(17,457)	(58,002)	(321,072)	(513,532)	(834,604)

Note A - £4.1m of the General Fund Balance at 31st March 2020 (£4.5m at 31st March 2019) represents school’s balances which can only be spent by schools under devolved budgetary arrangements.

Comprehensive Income & Expenditure Statement

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

2018/19 (Restated)				2019/20		
Gross Expenditure	Gross Income	Net Expenditure	Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
38,697	(4,735)	33,962	Children & Families	41,738	(8,099)	33,639
3,175	(988)	2,187	Community Safety	3,952	(1,647)	2,305
17,346	(8,541)	8,805	Culture & City Development	20,948	(9,612)	11,336
106,155	(90,098)	16,057	Education	111,600	(93,537)	18,063
14,593	(1,018)	13,575	Environment & Climate Change	15,467	(1,306)	14,161
93,196	(51,759)	41,437	Health, Wellbeing & Social Care	101,846	(49,212)	52,634
16,799	(8,658)	8,141	Housing	16,516	(9,374)	7,142
(1,557)	(1,762)	(3,319)	Leader	1,953	(1,820)	133
706	(857)	(151)	Licensing	723	(896)	(173)
12,945	(16,372)	(3,427)	Port	14,045	(16,452)	(2,407)
127,843	(107,464)	20,379	Resources	116,681	(93,496)	23,185
31,717	(11,936)	19,781	Traffic & Transportation	35,939	(16,713)	19,226
461,615	(304,188)	157,427		481,408	(302,164)	179,244
104,083	(80,490)	23,593	Non-portfolio - HRA	90,972	(83,204)	7,768
27,808	(6,499)	21,309	Non-portfolio - Other	21,392	(14,038)	7,354
593,506	(391,177)	202,329	Cost of Services	593,772	(399,406)	194,366
3,457	(2,849)	608	Other Operating Expenditure	2,195	(3,022)	(827)
42,414	(23,460)	18,954	Financing & Investment Income & Expenditure	46,163	(30,694)	15,469
0	(204,229)	(204,229)	Taxation & Non-specific Grant Income & Expenditure	-	(194,866)	(194,866)
639,377	(621,715)	17,662	(Surplus)/Deficit on Provision of Services	642,130	(627,988)	14,142
<i>Items that will not be reclassified to the (Surplus)/Deficit on Provision of Services</i>						
		(22,612)	(Surplus)/Deficit on Revaluation of PPE Assets			(6,286)
		(36,099)	Remeasurement of Net Defined Benefit Liability			28,773
		0	Surplus or Deficit from Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income			65
		(58,711)	Other Comprehensive Income and Expenditure			22,552
		(41,049)	Total Comprehensive Income and Expenditure			36,694

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 2019/20 (the Code). The Comprehensive Income and Expenditure Statement presents the costs of services in a manner that is based on how management reports to Councillors. The Expenditure and Funding analysis (and associated notes) reconcile the amounts reported to management as chargeable to the general fund under statute with the amounts presented in the Comprehensive Income and Expenditure Statement under proper accounting practices.

Note 2 - For more information on the restated 2018/19 figures see prior period adjustment note at Note 5.

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the City Council. The net assets of the City Council (assets less liabilities) are matched by the reserves held by the City Council. Reserves are reported in two categories. The first category of reserves are usable reserves, 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 2019 £000	Notes	31 March 2020 £000
1,284,679 Property, Plant & Equipment	12	1,439,376
74,959 Heritage Assets	15	75,279
182,167 Investment Property	16	187,906
1,066 Intangible Assets		3,732
123,107 Long Term Investments		57,071
27,388 Long Term Debtors	19	27,989
1,693,366 Long Term Assets		1,791,352
275,113 Short Term Investments		288,948
394 Inventories		465
54,752 Short Term Debtors	20	52,509
26,620 Cash & Cash Equivalents	21	56,438
356,879 Current Assets		398,360
(13,125) Short Term Borrowing		(44,536)
(54,907) Short Term Creditors	22	(62,390)
(3,643) Other Short Term Liabilities		(5,095)
(39,954) Capital Grant Receipts in Advance	33	(55,257)
(5,206) Provisions	23	(2,663)
(116,835) Current Liabilities		(169,941)
(89,901) Other Long Term Liabilities	24	(85,128)
(12,536) Provisions	23	(9,843)
(580,525) Long Term Borrowing		(661,206)
(377,796) Pension Liability	39	(427,445)
(1,354) Capital Grant Receipts in Advance	33	(1,546)
(1,062,112) Long Term Liabilities		(1,185,168)
871,298 Net Assets		834,604
(299,294) Usable Reserves		(321,072)
(572,004) Unusable Reserves	25	(513,532)
(871,298)		(834,604)

Chris Ward



Director of Finance and Resources (Section 151 Officer)

Cash Flow Statement

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

2018/19 £000	Notes	2019/20 £000
(17,662) Net surplus or (deficit) on the provision of services		(14,142)
Adjustment to surplus or deficit on the provision of services for noncash 99,266 movements	26a	90,165
Adjust for items included in the net surplus or deficit on the provision of (45,844) services that are investing and financing activities	26a	(60,342)
35,760 Net Cash flows from operating activities		15,681
(48,471) Net Cash flows from Investing Activities	26b	(100,749)
17,098 Net Cash flows from Financing Activities	26b	114,886
4,387 Net increase or decrease in cash and cash equivalents		29,818
22,233 Cash and cash equivalents at the beginning of the reporting period		26,620
26,620 Cash and cash equivalents at the end of the reporting period	21	56,438

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 2019/20 financial year and its financial position at 31 March 2020.

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.

Going Concern

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

The Council has carried out a detailed assessment of the likely impact of COVID-19 on its financial position and performance during 2020/21 and beyond. This included consideration of the following:-

- Loss of income on a service by service basis, due to temporary closures, reduction in demand, and increased collection losses.
- Additional expenditure on a service by service basis, e.g. provision of new and expanded services in response to the crisis (such as additional costs relating to temporary accommodation for the homeless), and additional costs associated with changes to working practices (such as personal; protective equipment).
- The impact on the Council's capital programme, e.g. delays caused by government restrictions, and whether there is a need to rephase work for other reasons.
- The impact on the Council's subsidiaries and joint ventures.
- The impact of all of the above on the Council's cash flow and treasury management, including availability of liquid cash (as at 14th July 2020 the Council had around £294m in cash and on-demand/short notice deposits), impact on investment returns, and availability of external borrowing if required.
- The estimated overall impact on the Council's General Fund and Housing Revenue Account reserves.

This review has highlighted that COVID-19 poses a significant financial challenge for the Council, as it will for all local authorities.

The net total impact of COVID-19 on the General Reserves is currently estimated to be a reduction of £18m, the vast majority of which is expected to crystallise within 2020/21.

By way of context, the General Fund balance (excluding school balances) as at 31 March 2020 was £27.1m. The Council's prudent minimum balance on the General Fund is £8.0m. In addition, the Council has Earmarked General Fund Reserves of £178.8m.

It is therefore noted that there is significant headroom within the General Fund to absorb the estimated financial impact of COVID-19 in the short to medium-term. Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

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 2019/20 Code of Practice on Local Authority Accounting:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

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 2020 was £128.8m (£125.7m at 31 March 2019). The City Council also provides its Waste Disposal service through Project Integra which is a partnership with Hampshire County Council and Southampton City Council. The three Councils are deemed to control services which have been outsourced by Project Integra and to control the value of the assets at the end of the agreements. The accounting policies for PFI schemes and similar contracts have been applied to these arrangements and the assets, including Portsmouth City Council's share of the waste disposal assets, (valued at £11.6m as at 31 March 2020 (£12.5m at 31 March 2019)) 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 About the Future and Other Sources of Estimated Uncertainty

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<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 valuers.</p>	<p>The Council has financial instrument liabilities with a fair value of £1,284.8m and financial instrument assets of £420.2m. Lakeside North Harbour Business Park was valued at £138.0m at 31st March 2020, and the investment property portfolio was valued at £183.2m.</p> <p>The City Council uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties. The significant unobservable inputs used in the measurement of fair value include; management assumptions regarding rent growth, vacancy levels and discount rates (adjusted for regional variations). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.</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. COVID-19 may affect future returns on pension fund assets, although it is not yet clear what the extent of this will be. A firm of consulting actuaries is engaged to provide the City Council with expert advice about the assumptions to be applied.</p>	<p>The City Council's net pension liability is £427m. 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 £16.8m, of which £3.9m (23%) was beyond 60 days past its due date. COVID-19 and its detrimental effect on the economy may cause collection rates to deteriorate in future.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.9m to set aside as an allowance for sundry debtors alone.</p>
Non Domestic Rates	<p>In 2019/20 the City Council is in a business rate pool with the Isle of Wight and Southampton City Councils which retained 75% 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 £10.9m in 2019/20.</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
<p>Inseparable Service Concessions Including Private Finance Initiative (PFI) Schemes</p>	<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 £26.6m in 2019/20 for highways maintenance and £7.5m waste disposal. These arrangements gave rise to estimated liabilities at 31 March 2020 of £42.8m for highways maintenance and £5.2m 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>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Valuation of Land and Buildings</p>	<p>The outbreak of COVID-19 declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets.</p> <p>Market activity is being impacted in many sectors. As at the valuation date, the valuers have been able to attach less weight to previous market experience for comparison purposes to inform their opinions of value.</p> <p>Valuations have therefore been reported on the basis of "material valuation uncertainty". Consequently, less certainty - and a higher degree of caution - should be attached - to the valuation of investment properties</p>	<p>This will particularly affect major assets whose value is largely driven by market value including Lakeside North Harbour Business Park (£138.0m), the investment property portfolio (£183.2m), and the Council's dwelling stock (£620.3m).</p> <p>The inclusion of the "material valuation uncertainty" declaration does not mean that the valuations cannot be relied upon, but rather that in the current extraordinary circumstances, less certainty can be attached to the valuations than would otherwise be the case.</p> <p>If the COVID-19 crisis is prolonged, then the crisis will significantly affect the value of these assets over the next 12 months.</p>

5. Prior Period Adjustments

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

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

In May 2019, the City Council's members decided to change the portfolio structure of the City Council both in terms of which portfolios would continue going forward, and which activities/services would be included in each of the respective portfolios. The combined affect of this change; is that two portfolios were discontinued (Governance & Audit & Standards, and Planning, Regeneration & Economic Development), one portfolio was split into two (Environment and Community Safety), and a number of other service responsibilities were moved between the remaining portolios. These changes mean that under the new portfolio structure most portfolio income and expenditure lines for 2018/19 change, some materially and many others significantly.

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

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

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

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

(a) Expenditure & Funding Analysis Restatement:

	Original Net Expenditure chargeable to the General Fund and HRA £000	Revised Net Expenditure chargeable to the General Fund and HRA £000	Movement Net Expenditure chargeable to the General Fund and HRA £000	Original Other Movements £000	Revised Other Movements £000	Movement Other Movements £000	Original Adjusted Net Expenditure chargeable to the General Fund and HRA £000	Revised Adjusted Net Expenditure chargeable to the General Fund and HRA £000	Movement Adjusted Net Expenditure chargeable to the General Fund and HRA £000	Original Adjustments between Accounting & Funding Basis (Note 7) £000	Revised Adjustments between Accounting & Funding Basis (Note 7) £000	Movement Adjustments between Accounting & Funding Basis (Note 7) £000	Original Net (Income) or Expenditure in the Comprehensive Income & Expenditure Statement £000	Revised Net (Income) or Expenditure in the Comprehensive Income & Expenditure Statement £000	Movement Net (Income) or Expenditure in the Comprehensive Income & Expenditure Statement £000
Children & Families	32,415	32,394	(21)	-	-	-	32,415	32,394	(21)	1,735	1,569	(166)	34,150	33,963	(187)
Community Safety	-	1,932	1,932	-	-	-	-	1,932	1,932	-	256	256	-	2,188	2,188
Culture & City Development	4,034	4,609	575	-	-	-	4,034	4,609	575	3,950	4,196	246	7,984	8,805	821
Education	3,419	3,639	220	-	-	-	3,419	3,639	220	12,137	12,418	281	15,556	16,057	501
Environment & Climate Change	13,639	11,708	(1,931)	-	-	-	13,639	11,708	(1,931)	2,123	1,867	(256)	15,762	13,575	(2,187)
Governance & Audit & Standards	328	-	(328)	-	-	-	328	-	(328)	62	-	(62)	380	-	(380)
Health, Wellbeing & Social Care	40,985	40,985	-	-	-	-	40,985	40,985	-	451	452	1	41,437	41,437	-
Housing	2,672	5,006	2,334	113	113	-	2,785	5,119	2,334	911	3,022	2,111	3,696	8,141	4,445
Leadership	154	(15,687)	(15,841)	-	-	-	154	(3,786)	(3,940)	13	466	453	167	(3,320)	(3,487)
Licensing	(198)	(198)	-	-	-	-	(198)	(198)	-	48	48	-	(150)	(150)	-
Planning, Regeneration & Economic Development	(13,933)	-	13,933	11,901	-	(11,901)	(2,032)	-	2,032	777	-	(777)	(1,255)	-	1,255
Port	(7,228)	(7,229)	(1)	210	210	-	(7,018)	(7,019)	(1)	3,590	3,590	-	(3,428)	(3,428)	-
Resources	18,483	16,743	(1,740)	-	-	-	18,483	16,743	(1,740)	5,772	3,636	(2,136)	24,255	20,379	(3,876)
Traffic & Transportation	14,138	14,856	718	-	-	-	14,138	14,856	718	4,875	4,924	49	19,013	19,780	767
	108,908	108,958	(50)	12,224	12,224	-	121,132	120,982	(150)	36,444	36,444	-	157,577	157,427	(150)
Non-portfolio - HRA	(1,600)	(1,600)	-	-	-	-	(1,600)	(1,600)	-	25,193	25,193	-	23,593	23,593	-
Non-portfolio - Other	34,555	34,555	-	-	-	-	34,555	34,555	-	(13,246)	(13,246)	-	21,309	21,309	-
Net Cost of Services	141,863	141,713	(150)	12,224	12,374	150	154,087	154,087	-	48,391	48,391	-	202,479	202,329	(150)
Other Income & Expenditure Not Charged to Services but is Chargeable to the General	-1370	-1220	150	0	0	0	-1370	-1220	150	1828	1828	0	468	608	150
Other Operating Expenditure															

(b) Comprehensive Income & Expenditure Statement Restatement:

	Original		Revised		Movement		Original		Revised		Movement	
	Gross Expenditure £000	Gross Expenditure £000	Gross Expenditure £000	Gross Expenditure £000	Gross Income £000	Gross Income £000	Gross Income £000	Gross Income £000	Net Expenditure £000	Net Expenditure £000	Net Expenditure £000	Net Expenditure £000
Children & Families	38,941	38,698	(243)	(4,791)	(4,735)	56	34,150	33,963	(187)			
Community Safety	-	3,176	3,176	(988)	(988)	(988)	-	2,188	2,188			
Culture & City Development	11,668	17,346	5,678	(3,684)	(8,541)	(4,857)	7,984	8,805	821			
Education	104,381	106,155	1,774	(88,825)	(90,098)	(1,273)	15,556	16,057	501			
Environment & Climate Change	17,768	14,593	(3,175)	(2,006)	(1,018)	988	15,762	13,575	(2,187)			
Governance & Audit & Standards	1,007	-	(1,007)	(617)	-	617	390	-	(390)			
Health, Wellbeing & Social Care	93,196	93,196	-	(51,759)	(51,759)	-	41,437	41,437	-			
Housing	9,928	16,799	6,871	(6,232)	(8,658)	(2,426)	3,696	8,141	4,445			
Leader	192	(1,558)	(1,750)	(26)	(1,762)	(1,736)	166	(3,320)	(3,486)			
Licensing	706	707	1	(857)	(857)	-	(151)	(150)	1			
Planning, Regeneration & Economic Development	4,043	-	(4,043)	(5,298)	-	5,298	(1,255)	-	1,255			
Port	12,945	12,944	(1)	(16,372)	(16,372)	-	(3,427)	(3,428)	(1)			
Resources	135,890	127,843	(8,047)	(111,635)	(107,464)	4,171	24,255	20,379	(3,876)			
Traffic & Transportation	30,950	31,716	766	(11,936)	(11,936)	-	19,014	19,780	766			
	461,615	461,615	-	(304,038)	(304,188)	(150)	157,577	157,427	(150)			
Non-Portfolio - HRA	104,083	104,083	-	(80,490)	(80,490)	-	23,593	23,593	-			
Non-Portfolio - Other	27,808	27,808	-	(6,499)	(6,499)	-	21,309	21,309	-			
Cost of Services	593,506	593,506	-	(391,027)	(391,027)	-	202,479	202,329	(150)			
Other Income & Expenditure Not Charged to Services but is Chargeable to the General Fund/HRA:												
Other Operating Expenditure	3,457	3,457	-	2,999	2,849	150	458	608	150			

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

	Original Adjustments for Capital Purposes		Revised Adjustments for Capital Purposes		Movement Adjustments for Capital Purposes		Original Net Changes for Pension Adjustments		Revised Net Changes for Pension Adjustments		Movement Net Changes for Pension Adjustments		Original Other Differences		Revised Other Differences		Movement Other Differences		Original Total Adjustments		Revised Total Adjustments		Movement Total Adjustments	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Children & Families	292	292			1,521	1,347	(174)						(78)	(70)	8				1,735	1,569			(166)	
Community Safety		33	33		457	235	235						(6)	(12)	(12)				3,950	256			256	
Culture & City Development	3,499	3,498	(1)		2,969	718	261						(388)	(20)	(14)				12,137	4,196			246	
Education	9,557	9,583	26		2,954	3,238	269						(16)	(403)	(14)				2,123	12,418			281	
Environment & Climate Change	1,845	1,813	(32)		56	59	(235)						(4)	(5)	11				62	1,867			(256)	
Governance & Audit & Standards	10		(10)		1,852								(113)	(112)	1				451	452			1	
Health, Wellbeing & Social Care	(1,288)	(1,288)			178	414	236						(20)	(26)	(6)				911	3,022			2,111	
Housing	753	2,634	1,881		8	137	129						(1)	2	3				13	466			453	
Leader	6	327	321		45								(1)	(1)					48	48				
Licensing	4				420		(420)						(13)		13				777				(777)	
Planning, Regeneration & Economic Development	370		(370)		400								(21)	(21)					3,590	3,590				
Port	3,211	3,211			2,553	400							(100)	(95)	5				5,772	3,636			(2,136)	
Resources	3,319	1,471	(1,848)		509	2,260	(293)						(14)	(13)	1				4,875	4,924			49	
Traffic & Transportation	4,380	4,380			11,262	11,262							(776)	(776)					36,444	36,444				
	25,958	25,958			857	857							(346)	(346)					25,193	25,193				
Non-portfolio - HRA	24,682	24,682			6,118	6,118							(3,120)	(3,120)					(13,246)	(13,246)				
Non-portfolio - Other	(16,244)	(16,244)			18,237	18,237							(4,242)	(4,242)					48,391	48,391				
Net Cost of Services	34,396	34,396			9,762	9,762							1,813	1,813					(16,785)	(16,785)				
Other Income & Expenditure from the Funding Anal	(28,360)	(28,360)			27,999	27,999							(2,429)	(2,429)					31,606	31,606				
Difference between GF/HRA (surplus)/deficit and CIES (surplus)/deficit	6,036	6,036			27,999	27,999							(2,429)	(2,429)					31,606	31,606				

(d) Note 7 (b) - Segmental Income Restatement

	Original	Revised	Movement
	Income from	Income from	Income from
	Services	Services	Services
	£000	£000	£000
Children and Families	(729)	(678)	51
Community Safety	-	(494)	(494)
Culture & City Development	(6,437)	(8,233)	(1,796)
Education	(3,425)	(7,096)	(3,671)
Environment & Climate Change	(1,464)	(969)	495
Governance & Audit & Standards	(617)	-	617
Health, Wellbeing & Social Care	(27,096)	(27,096)	-
Housing	(2,059)	(4,485)	(2,426)
Leader	(21)	(17,673)	(17,652)
Licensing	(857)	(857)	-
Planning, Regeneration & Economic Development	(20,555)	-	20,555
Port	(16,581)	(16,581)	-
Resources	(13,714)	(9,543)	4,171
Traffic & Transportation	(11,506)	(11,506)	-
	(105,061)	(105,211)	(150)
Non-Portfolio:			
Housing Revenue Account	(80,489)	(80,489)	-
Other	(135)	(135)	-
	(185,685)	(185,835)	(150)

Note - The £150k shown has come from Miscellaneous Income & Expenditure in the Other Operating Expenditure line of the CIES.

6. Events after the Reporting Period

The effects of the COVID-19 pandemic on the future operations of the City Council are uncertain, but have the potential to be substantial. These include the value of the City Council's assets, particularly its investment properties and housing stock, and its net pension liability. In 2020/21 the City Council has experienced additional expenditure, particularly on social care; lost income, particularly port dues, parking charges, commercial rents and local taxation. The Government has given the Council some grants to mitigate these expenses and lost income.

The Statement of Accounts was authorised for issue by the Director of Finance & Resources (Section 151 Officer) on 30th July 2020. 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 2020, 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				
2018/19 (Restated)	Adjustments for Capital Purposes (1)	Net Changes for Pension Adjustments (2)	Other Differences (3)	Total Adjustments
	£000	£000	£000	£000
Portfolios:				
Children & Families	292	1,347	(70)	1,569
Community Safety	33	235	(12)	256
Culture & City Development	3,498	718	(21)	4,195
Education	9,582	3,238	(403)	12,417
Environment & Climate Change	1,813	59	(5)	1,867
Governance & Audit & Standards	0	0	0	0
Health Wellbeing & Social Care	(1,288)	1,852	(112)	452
Housing	2,635	414	(27)	3,022
Leader	327	137	3	467
Licensing	4	45	(1)	48
Planning, Regeneration & Economic Development	0	0	0	0
Port	3,211	400	(21)	3,590
Resources	1,471	2,260	(95)	3,636
Traffic & Transportation	4,380	557	(12)	4,925
	25,958	11,262	(776)	36,444
Non-portfolio - HRA	24,682	857	(346)	25,193
Non-portfolio - Other	(16,244)	6,118	(3,120)	(13,246)
Net Cost of Services	34,396	18,237	(4,242)	48,391
Other Income & Expenditure from the Funding Analysis	(28,360)	9,762	1,813	(16,785)
Difference between GF/HRA (surplus)/deficit and CIES (surplus)/deficit	6,036	27,999	(2,429)	31,606

Adjustments from GF/HRA to arrive at CIES amounts				
2019/20	Adjustments for Capital Purposes (1)	Net Changes for Pension Adjustments (2)	Other Differences (3)	Total Adjustments
	£000	£000	£000	£000
Portfolios:				
Children & Families	58	2,048	28	2,134
Community Safety	36	335	4	375
Culture & City Development	3,719	1,004	15	4,738
Education	7,230	4,717	121	12,068
Environment & Climate Change	1,583	89	5	1,677
Health, Wellbeing & Social Care	1,365	2,797	25	4,187
Housing	1,559	648	19	2,226
Leader	7,694	244	(1)	7,937
Licensing	4	65	(2)	67
Port	4,201	687	(23)	4,865
Resources	1,383	3,597	45	5,025
Traffic & Transportation	4,530	859	2	5,391
	33,362	17,090	238	50,690
Non-portfolio - HRA	8,757	1,687	891	11,335
Non-portfolio - Other	(15,200)	(6,687)	2,163	(19,724)
Net Cost of Services	26,919	12,090	3,292	42,301
Other Income & Expenditure from the Funding Analysis	(29,011)	8,787	927	(19,297)
Difference between GF/HRA (surplus)/deficit and CIES (surplus)/deficit	(2,092)	20,877	4,219	23,004

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:

2018/19 (Restated)		2019/20
Income from Services £000		Income from Services £000
	Portfolios:	
(678)	Children and Families	(1,544)
(494)	Community Safety	(834)
(8,232)	Culture & City Development	(9,307)
(7,096)	Education	(7,004)
(969)	Environment & Climate Change	(1,225)
(27,096)	Health, Wellbeing & Social Care	(23,545)
(4,485)	Housing	(5,079)
(17,673)	Leader	(25,566)
(857)	Licensing	(896)
(16,581)	Port	(16,608)
(9,543)	Resources	(10,093)
(11,506)	Traffic & Transportation	(12,401)
(105,210)		(114,102)
(80,489)	Housing Revenue Account	(83,203)
(135)	Other	(99)
(185,834)		(197,404)

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

8. Expenditure and Income Analysed by Nature

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

	2018/19	2019/20
	£000	£000
<u>Expenditure</u>		
Employee benefits expenses	205,595	206,717
Other services expenses	333,936	339,801
Depreciation, amortisation, impairment, revaluations	64,047	56,001
Interest payments	28,154	27,456
Precepts and levies	41	83
Payments to Housing Capital Receipts Pool	927	927
Loss on the disposal of assets	2,181	1,225
Investment property expenditure and decreases in fair value	1,878	2,440
Trading expenses	2,618	7,480
Total expenditure	<u>639,377</u>	<u>642,130</u>
<u>Income</u>		
Fees, charges and other service income	(169,063)	(172,515)
Surplus on associates and joint ventures	(150)	(150)
Interest and investment income	(6,180)	(5,803)
Income from council tax and non-domestic rates	(159,360)	(143,455)
Government grants and contributions	(267,519)	(278,369)
Gain on disposal of assets	(2,164)	(2,805)
Investment property income and increases in fair value	(11,222)	(11,437)
Trading income	(6,057)	(13,454)
Total Income	<u>(621,715)</u>	<u>(627,988)</u>
Surplus or Deficit on the Provision of Services	<u>17,662</u>	<u>14,142</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.

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.

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)	(25,459)	(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)	(27,669)	(27,969)	(22,002)		(10,439)
- Other Adjustments to Revenue Resources	3,110	345			
Total Adjustment to Revenue Resources	(50,018)	(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	(9,106)	(22,501)	(9,170)	(2,387)	(1,741)

2019/20	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)	(17,671)	(3,205)			
- 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)	(34,301)	(13,329)	(22,195)		(25,151)
- Other Adjustments to Revenue Resources	(2,275)				
Total Adjustment to Revenue Resources	(54,247)	(16,535)	(22,195)	-	(25,151)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	71	7,019		(7,090)	
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(928)			927	
Capital grants and contributions unapplied credited to the CIES	25,507	1,652			(27,159)
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	4,892			657	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	10,229	358			
Total Adjustments between Revenue and Capital Resources	39,770	9,029	-	(5,506)	(27,159)
Adjustments to Capital Resources					
Use of Major Repairs Reserve to finance capital expenditure			14,030		
Application of capital receipts to finance capital expenditure				4,799	
Application of capital grants to finance capital expenditure					49,205
Application of City Deal Grant to finance capital expenditure					
Other adjustments to capital resources	(129)	(923)		(942)	
Total Adjustments to Capital Resources	(129)	(923)	14,030	3,857	49,205
Total Adjustments	(14,606)	(8,428)	(8,165)	(1,649)	(3,105)

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 2019/20. 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 01-Apr 2018 £000	Transfers (to) / from 2018/19 £000	Balance at 31 March 2019 £000	Transfers (to) / from 2019/20 £000	Balance at 31 March 2020 £000
General Fund					
Earmarked for Capital Purposes	(38,769)	2,538	(36,231)	(5,401)	(41,632)
Medium Term Resource Strategy Reserve	(17,512)	(3,285)	(20,797)	(539)	(21,336)
Private Finance Initiative Reserve	(9,669)	1,786	(7,883)	1,736	(6,147)
City Deal Reserves	(23,625)	(512)	(24,137)	(429)	(24,566)
Highways Maintenance Reserve	(7,926)	(1,100)	(9,026)	(294)	(9,320)
Investment Reserve	(7,891)	(3,990)	(11,881)	(5,519)	(17,400)
Portfolio Reserves	(9,486)	1,750	(7,736)	1,486	(6,250)
Other	(38,434)	(11,575)	(50,009)	(2,164)	(52,173)
	(153,312)	(14,387)	(167,699)	(11,124)	(178,824)
Housing Revenue Account Capital Reserve	(1,119)	356	(763)	357	(406)
Total	(154,431)	(14,031)	(168,462)	(10,767)	(179,230)

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 2019/20 and previous years to be carried forward into 2020/21.

11. Notes to the Comprehensive Income & Expenditure Statement

(a) Other Operating Expenditure

(Restated) 2018/19 £000		2019/20 £000
17	(Gain)/Loss on the disposal of Non-Current Assets	(1,580)
591	Miscellaneous Operating Income and Expenditure	753
608		(827)

(b) Financing & Investment Income and Expenditure

2018/19 £000			2019/20 £000
25,402	Interest payable and similar charges		26,785
(3,427)	Interest & investment income		(5,133)
9,762	Net pension interest on defined benefit (asset)/liability	39	8,787
(3,439)	(Surplus)/deficit on trading undertakings & other operations		(5,974)
(9,344)	Income, expenditure and changes in the fair value of investment properties	16	(8,996)
18,954			15,469

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

2018/19 £000			2019/20 £000
(76,374)	Income from council tax	33	(79,711)
(16,964)	Non Ring Fenced government grants	33	(24,252)
(27,904)	Capital grants & contributions	33	(27,159)
(82,987)	Retained non-domestic rates	33	(63,744)
(204,229)			(194,866)

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

Movements on Balances: Comparative Movements in 2018/19

	PPE							Total	Other Asset Categories	Combined Total
	Council Dwellings and Buildings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Other Land & Buildings - Surplus	Assets Under Construction			
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1st April 2018	671,838	321,655	64,407	245,459	2,416	2,083	95,327	1,403,185	246,060	1,649,245
Opening adjustment #	(39,565)	(20,660)	1,441	(1,908)	424	(291)	-	(60,559)	(4,728)	(65,287)
Revised as at 1st April 2018	632,273	300,995	65,848	243,551	2,840	1,792	95,327	1,342,626	241,332	1,583,958
Additions	998	1,071	476	-	-	-	76,308	78,853	29,194	108,047
Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve	(40,116)	269	(5,031)	(4,624)	34	(121)	-	(49,589)	(260)	(49,849)
Disposals	(3,049)	(2,401)	-	-	-	-	-	(5,450)	-	(5,450)
Reclassifications from Assets Under Construction	36,795	18,765	3,130	29,678	-	-	(89,236)	(868)	868	-
Reclassifications between categories	-	9,566	-	67	141	-	-	9,774	(9,774)	-
At 31st March 2019	626,901	328,265	64,423	268,672	3,015	1,671	82,399	1,375,346	261,360	1,636,706
Accumulated Depreciation and Impairment										
At 1st April 2018	(39,565)	(33,706)	(32,361)	(48,529)	380	(307)	-	(154,068)	(7,119)	(161,203)
Opening adjustment #	39,565	20,660	(1,441)	1,908	(424)	291	-	60,559	4,728	65,287
Revised as at 1st April 2018	-	(13,046)	(33,802)	(46,621)	(44)	(16)	-	(93,529)	(2,387)	(95,916)
Depreciation Charge in Year	(21,325)	(10,088)	(3,770)	(5,699)	(8)	(17)	-	(41,507)	(809)	(42,316)
Depreciation written out on revaluation	21,819	12,843	5,556	3,750	41	33	-	44,042	29	44,071
Impairment losses/(reversals) to SDPS and/or Revaluation Reserve	-	-	-	-	-	-	-	-	-	-
Disposals	106	220	-	-	-	-	-	326	-	326
Reclassifications from Assets Under Construction	-	-	-	-	-	-	-	-	-	-
Reclassifications between categories	-	7	-	(7)	-	-	-	-	-	-
At 31st March 2019	(10,064)	(32,016)	(32,016)	(48,577)	(11)	-	-	(90,668)	(3,167)	(93,835)
Net Book Value										
At 1st April 2018	632,273	287,949	32,046	196,930	2,796	1,776	95,327	1,249,097	238,945	1,488,042
At 31st March 2019	626,901	318,201	32,407	220,095	3,004	1,671	82,399	1,284,678	258,193	1,542,871

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

Movements in 2019/20

	PPE							Total £000	Other 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	Other Land & Buildings - Surplus £000	Assets Under Construction £000			
Cost or Valuation										
At 1st April 2019	626,901	328,265	64,423	268,672	3,015	1,671	82,399	1,375,346	261,360	1,636,706
Additions	4,743	142,056	642	-	-	-	63,772	211,213	11,492	222,705
Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve	(26,706)	(8,675)	(41)	(264)	63	(3)	-	(35,626)	531	(35,095)
Disposals	(4,368)	(1,307)	-	(24)	-	-	-	(5,699)	0	(5,699)
Reclassifications from Assets Under Construction	19,748	9,657	174	8,852	142	-	(41,932)	(3,359)	3,359	-
Reclassifications between categories	-	5,255	(354)	835	(3)	352	-	6,085	(6,085)	-
At 31st March 2020	620,318	475,251	64,844	278,071	3,217	2,020	104,239	1,547,960	270,657	1,818,617
Accumulated Depreciation and Impairment										
At 1st April 2019	-	(10,064)	(32,016)	(48,577)	(11)	-	-	(90,668)	(3,167)	(93,835)
Depreciation Charge in Year	(22,195)	(12,031)	(4,114)	(6,505)	(10)	-	-	(44,855)	(572)	(45,427)
Depreciation written out on revaluation	22,040	4,637	-	-	-	-	-	26,677	-	26,677
Impairment losses/(reversals) to SDPS and/or Revaluation Reserve	-	-	-	-	-	-	-	-	-	-
Disposals	155	82	-	24	-	-	-	261	-	261
Reclassifications from Assets Under Construction	-	-	-	-	-	-	-	-	-	-
Reclassifications between categories	-	-	40	(40)	-	-	-	-	-	-
At 31st March 2020	-	(17,376)	(36,090)	(55,098)	(21)	-	-	(108,585)	(3,739)	(112,324)
Net Book Value										
At 1st April 2019	626,901	318,201	32,407	220,095	3,004	1,671	82,399	1,284,678	258,193	1,542,871
At 31st March 2020	620,318	457,875	28,754	222,973	3,196	2,020	104,239	1,439,375	266,918	1,706,293

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