

Tangible non-current assets have been valued as follows:

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

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

A five year rolling programme of revaluations is undertaken for all assets except council dwellings, which are revalued annually. All valuations have been carried out by Royal Institute of Chartered Surveyors (RICS) qualified staff from the City Council's Property and Housing Service in accordance with the practice statements and guidance notes contained in the RICS manual of Appraisal and Valuation 5th Edition 2003 (as amended). The assets are valued as at 31 March 2020.

The beacon principle has been used to value the HRA council housing stock. A sample property "the Beacon" is selected from a group of properties that are of similar design, age, type or construction and a detailed valuation carried out. The valuation is then applied to all properties in that group. The basis of valuation is Existing Use Value for Social Housing (EUV-SH). EUV-SH uses the vacant possession value of the dwelling as a starting point, on the assumption that each property is to be used as residential accommodation that will be occupied by a secure tenant. This figure is then amended by a regional adjustment factor of 33% to reflect the fact that sitting tenants enjoy lower than open market rents and rights, including Right to Buy. HRA non-dwelling properties use the existing use value (EUV) method of valuation for non-specialist operational properties, and depreciated replacement cost (DRC) for specialist operational properties. In 2019/20 £4.7m of revaluations down were charged to the Surplus/Deficit on the Provision of Services (in 2018/19 the equivalent figure was £17.8m down).

At 31 March 2020, The Harbour School with a net book value of £7.616m had applied to become an Academy in early 2020/2021.

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

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Investment Property £000	Held for Sale £000	Assets under Construction £000	Total £000
2019/20	620,318	212,881	-	-	-	2,020	187,906	-	-	1,023,125
2018/19	-	140,306	5,887	-	-	-	-	-	-	146,194
2017/18	-	57,049	-	-	-	-	-	-	-	57,049
2016/17	-	46,525	-	-	-	-	-	-	-	46,525
2015/16	-	1,114	-	-	-	-	-	-	-	1,114
Valued at Historic Cost	-	-	22,866	222,973	3,196	-	-	-	104,239	353,274
	620,318	457,875	28,754	222,973	3,196	2,020	187,906	-	104,239	1,627,281

Depreciation

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

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

a) Council Dwellings

Based on useful lives calculated on a componentised basis.

b) Buildings

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

c) Vehicles, Plant & Machinery

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

d) IT Equipment

Five years.

e) Infrastructure assets

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

14. Significant commitments for future capital expenditure

a) Future Approved Capital Programme

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

Capital Programme	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Later £000
Children & Families	993	548	-	-	-	-
Community Safety	50	-	-	-	-	-
Culture & City Development	7,457	2,239	3,850	-	-	172
Education	11,154	4,641	2,123	-	-	-
Environment & Climate Change	30,667	62,216	25,014	25,436	26,473	5,282
Health, Wellbeing & Social Care	6,390	2,856	3,210	-	-	-
Leader	98,597	25,082	20,206	-	-	-
Commercial Port	13,082	8,206	2,930	-	-	-
Resources	19,138	5,107	853	550	475	2,268
Traffic & Transport	16,861	7,285	4,008	5,935	5,935	14,041
Housing Portfolio (HIP)	72,550	59,512	53,621	56,160	51,015	31,268
Total Capital Programme	276,939	177,692	115,815	88,081	83,898	53,031

b) Contractual Commitments

At the 31 March 2020, the City Council had entered into a number of contracts for the construction or enhancement of property plant & equipment in 2020/21 and in future years. The significant capital contracts identified as at 31 March 2020:

Capital Contracts	£000
Coastal Defence Scheme: Eastern Road and Kendall's Wharf	11,944
Local Full Fibre Network (LFFN)	3,200
Construction of flats on the former Southsea Community Centre site	1,424
Hampshire Community Bank	1,250

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

15. Heritage Assets

	Heritage Assets 2018-19 £000	Heritage Assets 2019-20 £000
Cost or Valuation as at 1st April 2019	75,322	75,820
Opening Adjustment(s)		(845)
Revised Cost or Valuation as at 1st April 2019		74,975
Additions / Donations	-	-
Revaluation increases/(decreases) to CIES and/or Revaluation Reserve	164	326
Disposals	(103)	-
Reclassifications	437	-
At 31st March	<u>75,820</u>	<u>75,301</u>
Depreciation and Impairment as at 1st April 2019	(990)	(861)
Opening Adjustment(s)		845
Revised Depreciation and Impairment as at 1st April 2019		(16)
Depreciation Charge in Year:	(3)	(6)
Depreciation written out on revaluation:	29	-
Impairment losses/(reversals) to CIES and/or Revaluation Reserve	-	-
Disposals	103	-
Reclassifications	-	-
At 31st March	<u>(861)</u>	<u>(22)</u>
Net Book Value		
Museum Collections	15,434	15,434
Historic Buildings	40,802	41,429
Archives	11,843	11,843
Others	6,253	6,253
At 1st April	<u>74,332</u>	<u>74,959</u>
Net Book Value		
Museum Collections	15,434	15,810
Historic Buildings	41,429	41,423
Archives	11,843	11,843
Others	6,253	6,203
At 31st March	<u>74,959</u>	<u>75,279</u>

a) Historic Buildings

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

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

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

b) Museum Collection

The City Council has six museums, namely the D Day Story, Portsmouth Museum, Southsea Castle, Charles Dickens Birthplace, Eastney Beam Engine House and Cumberland House. The museum collections are valued at £15.8m.

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

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

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

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

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

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

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

c) Archives

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

16. Investment Properties

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

Investment Properties	2018/19	2019/20
	£000	£000
Gross Income from Investment Property	(10,825)	(11,164)
Gross Expenditure relating to Investment Property	1097	2,440
Net Income from Investment Property	<u>(9,728)</u>	<u>(8,724)</u>

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

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

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

	2018/19 £000	2019/20 £000
Cost or Valuation		
Balance at 01/04/2019	163,848	182,167
Opening Adjustments	(716)	-
Revised Balance at 01/04/2019	163,132	182,167
Additions - Purchases	29,194	11,290
Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve	(385)	333
Disposals	-	-
Reclassifications from Investment Property Assets under Construction	-	201
Reclassifications from/(to) other asset categories	(9,774)	(6,085)
Balance at 31/03/2020	182,167	187,906
Depreciation and Impairment		
Balance at 01/04/2019	(716)	-
Opening Adjustments	716	-
Revised Balance at 01/04/2019	-	-
Depreciation Charge in Year	-	-
Depreciation written out on revaluation	-	-
Impairment losses/(reversals) to SDPS and/or Revaluation Reserve	-	-
Disposals	-	-
Reclassifications	-	-
Balance at 31/03/2020	-	-
Net Book Value at start of year	163,132	182,167
Net Book Value at end of year	182,167	187,906

	2018/19 £000	2019/20 £000
Reconciliation with CIES		
Net income from Investment Property	(9,728)	(8,724)
Revaluation increases/(decreases) to SDPS and/or Revaluation Reserve	385	(333)
	(9,343)	(9,057)
Less Revaluation increases/(decreases) through Revaluation Reserve	(1)	61
Entry in CIES	(9,344)	(8,996)

Fair Value Hierarchy

Details of the City Council's investment properties and information about the fair value hierarchy as at 31 March 2020 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2020 £000
Commercial Properties	-	180,836	-	180,836
Other Investment Properties	-	7,070	-	7,070
Total	-	187,906	-	187,906

Transfers between Levels of the Fair Value Hierarchy

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

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

Significant Observable Inputs - Level 2

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

Highest and Best Use of Investment Properties

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

Additions to Investment Properties

There was one Investment Property purchased during 2019/20 at a cost of £11m.

Changes in Valuation Techniques

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

17. Financial Instruments

a) Financial Instrument Balances

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

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

	Long-Term		Current		Total
	31 March	31 March	31 March	31 March	31 March
	2019	2020	2019	2020	2020
	£000	£000	£000	£000	£000
Financial Assets					
Amortised Cost - Investments	90,080	22,794	275,113	288,946	311,740
Amortised Cost - Debtors	27,388	27,989	42,502	35,865	63,854
Amortised Cost - Cash Equivalents			25,693	55,951	55,951
Total financial assets carried at amortised cost	117,468	50,783	343,309	380,762	431,545
Fair value through profit and loss - Investments	25,221	25,221			25,221
Fair value through other comprehensive income - Designated equity instruments	7,806	9,056			9,056
Total Financial Assets	150,495	85,060	343,309	380,762	465,822
Financial Liabilities					
Amortised Cost - Borrowings	(657,197)	(733,104)	(16,768)	(49,631)	(782,735)
Amortised Cost - Creditors			(49,185)	(52,931)	(52,931)
Total Financial Liabilities	(657,197)	(733,104)	(65,953)	(102,562)	(835,666)

At 31 March 2018 the Council held equity shares in MMD (Shipping Services) Limited (now known as Portico), Hampshire Community Bnk, Victory Energy Supply Ltd, and the UK Municipal Bonds Agency Plc. These were held as available for sale financial assets. Under the Code of Practice for Local Authority Accounting the Council has opted to irrevocably reclassify these instruments on 1 April 2018 as measured at fair value through other comprehensive income (FVOCI) on the basis that:

- These investments fall into the fair value through profit and loss class of assets because contractual terms do not give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
- The investments are equity instruments
- The investments are not held for trading

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

Description	Nominal £000	Fair Value £000	Change in fair value during 2019/20 £000
Portico (formerly MMD (Shipping Services) Ltd	2,027	5,056	56
Hampshire Community Bnk	3,750	3,750	-
Victory Energy Supply Limited	100	100	-
UK Municipal Bonds Agency Plc	150	150	-

The above investments are held to meet service objectives of the City Council and none of the above investments paid a dividend in 2019/20.

b) Financial Instruments Gains / Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2018/19		2019/20	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Net (gains) / losses on:				
Financial assets measured at fair value through profit or loss	(221)		519	
Investments in equity instruments designated at fair value through other comprehensive income		-		65
Financial assets measured at amortised cost	3,681		2,048	
Total net gains / losses	3,460	-	2,567	-
Financial assets measured at amortised cost	(5,749)		(5,120)	
Financial assets measured at fair value through profit or loss	(440)		(165)	
Total Interest Revenue	(6,188)	-	(5,285)	-
Interest Expense	25,399	-	26,920	-

c) Fair Value of Assets Carried at Fair Value

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

Financial Assets measured at Fair Value				
Recurring fair value measurements	Input level in fair value hierachy	Valuation technique used to measure fair value	As at 31/3/19 £000	As at 31/3/20 £000
Fair Value through Profit and Loss				
Financial instruments classed as fair value through profit and loss	Level 2 (Other significant observable inputs)	Professionally valued by custodian	25,221	9,702
Fair Value through Other Comprehensive Income				
Equity shareholding in Portico Ltd	Level 2 (Other significant observable inputs)	Net Worth	5,056	5,112
Equity shareholding in Hampshire Community Bnk Ltd	Level 2 (Other significant observable inputs)	Purchase price of shares	2,500	3,750
Equity shareholding in Victory Energy Supply Ltd	Level 2 (Other significant observable inputs)	Purchase price of shares	100	100
Equity shareholding in UK Municpal Bonds Agency Plc	Level 2 (Other significant observable inputs)	Purchase price of shares	150	150
Total			7,806	9,112

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

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

Financial Liabilities Held at Amortised Cost	31 March 2019		31 March 2020	
	Carrying	Fair value	Carrying	Fair value
	amount		amount	
	£000	£000	£000	£000
Borrowing	(607,383)	(842,526)	(705,741)	(1,124,070)
Service Concessions and Finance Lease	(66,151)	(102,321)	(62,376)	(93,194)
Other Creditors	(49,616)	(49,616)	(67,549)	(67,549)
Total	(723,150)	(994,463)	(835,666)	(1,284,813)

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

Financial Assets Held at Amortised Cost	31 March 2019		31 March 2020	
	Carrying	Fair value	Carrying	Fair value
	amount		amount	
	£000	£000	£000	£000
Investments	391,391	379,941	385,829	385,829
Debtors	69,890	89,603	45,715	44,410
Total	461,281	469,544	431,544	430,239

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

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

31 March 2019				
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
<i>Recurring fair value measurements using:</i>				
Financial liabilities				
<i>Financial liabilities held at amortised cost:</i>				
Borrowing	-	(842,526)	-	(842,526)
Service Concessions and Finance Lease Liabilities	-	(102,321)	-	(102,321)
Other creditors	-	(49,616)	-	(49,616)
Total	-	(994,463)	-	(994,463)
Financial Assets				
<i>Financial assets held at amortised cost:</i>				
Investments	-	379,941	-	379,941
Debtors	-	89,603	-	89,603
Total	-	469,544	-	469,544

31 March 2020				
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<i>Recurring fair value measurements using:</i>	£000	£000	£000	£000
Financial liabilities				
<i>Financial liabilities held at amortised cost:</i>				
Borrowing	-	(1,124,070)	-	(1,124,070)
Service Concessions and Finance Lease Liabilities	-	(93,194)	-	(93,194)
Other creditors	-	(67,549)	-	(67,549)
Total	-	(1,284,813)	-	(1,284,813)
Financial Assets				
<i>Financial assets held at amortised cost:</i>				
Investments	-	385,829	-	385,829
Debtors	-	44,410	-	44,410
Total	-	430,239	-	430,239

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

£1,025.5m of the fair value of borrowing at 31 March 2020 (£779.7m at 31 March 2019) represents loans from the Public Works Loans Board (PWLB). The fair value of PWLB loans of £1,025m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB redemption interest rates. The difference between the carrying amount and the fair value measures the additional interest that the City Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the City Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. A supplementary measure of the fair value as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £588.9m would be valued at £811.2m. But, if the City Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge, based on the redemption interest rates, for early redemption of £436.6m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £1,025.5m.

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

Financial Assets	Financial Liabilities
<ul style="list-style-type: none"> - no early repayment or impairment is recognised - estimated ranges of interest rates at 31 March 2020 of 0.70% to 2.61% for loans receivable, based on new lending rates for equivalent loans at that date - the fair value of trade and other receivables is taken to be invested at the billed amount 	<ul style="list-style-type: none"> - no early repayment is recognised - estimated ranges of interest rates at 31 March 2020 of 0.27% to 2.63% for loans payable based on new lending rates for equivalent loans at that date

18. Risks arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the City Council
- Liquidity risk – the possibility that the City Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the City Council as a result of movements in interest rates and market levels

The City Council's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the City Council in the Annual Treasury Management Strategy.

Credit Risk

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

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

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

The City Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed in general, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the City Council's deposits, but there was no evidence at the 31 March 2020 that this was likely to crystallise.

The following analysis summarises the City Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and un-collectability, adjusted to reflect current market conditions. The COVID-19 pandemic is likely to have increased the City Council's exposure to credit risk, although the extent of this currently unclear. Council tax and non-domestic rates are excluded from the table below, as they are not financial instruments. This is because they are statutory debts and do not arise from contracts. In addition the City Council's treasury management investments and finance lease debtors are also excluded as there is no experience of default by these debtors, they are in a financially strong position, and the probability of them defaulting is thought to be extremely low.

	Amount at 31 March 2020 (Net of bad debt provision)	Historical Experience of Default	Historical Experience Adjusted for Market Conditions at 31 March 2020	Estimated Maximum Exposure to Default & Uncollectability at 31 March 2020	Estimated Maximum Exposure to Default & Uncollectability at 31 March 2019
	£000 A	% B	% C	£000 (A x C)	£000
Advances to commercial companies	8,306	0.0	10.0	831	323
Customers	38,414	2.5	10.8	4,156	1,306
Housing rents	138	0.2	1.0	1	1
Housing loans	4,898	0.0	0.0	0	0
				4,988	1,630

The City Council does not generally allow credit for customers. However, there is a balance of £7.6m that is past its due date for payment. This can be analysed by age as follows:

	£000
Less than three months	3,999
Three to six months	435
Six months to one year	957
More than one year	2,237
	7,628

Liquidity Risk

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

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

A further £67.9m of the Council's borrowing is through an arrangement which takes the legal form of leases but is in substance borrowing. Under this arrangement the Council leased the site of the Wightlink Ferry Terminal to Canada Life in return for a lump sum premium. The Council then leased the site back from Canada Life in return for a rent which is linked to the retail price index (RPI).

At 31st March 2020 the Council had £30m of temporary borrowing from other local authorities. This was necessary to fund the payment of employer's pension contributions in advance in order to obtain a discount. This borrowing has now been repaid.

The remainder of the City Council's borrowing consists of fixed rate PWLB debt. These loans have a weighted average remaining term of 29 years. In real terms the value of the debt will be substantially eroded through the remainder of its term by inflation. The PWLB also allows debt to be rescheduled prior to maturity although this may necessitate paying a premium to the PWLB.

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

	31 March 2019	31 March 2020
	£000	£000
Within 1 year	9,000	40,190
Between 1 and 2 years	8,995	9,646
Between 2 and 5 years	25,349	28,614
More than 5 years	546,177	608,465
	589,521	686,915

Market Risk - Interest Rate Risk

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

- Borrowings at variable rates – no impact apart from the LOBO loan that is subject to an interest rate review by the lender in March 2021.
- Borrowings at fixed rates – the fair value of the borrowings will fall.
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
- Investments at fixed rates – the fair value of investments will fall. Where fixed rate investments have short maturities, the effect will be similar to that for variable rate investments, as the replacement investments will generate more income to the Comprehensive Income and Expenditure Statement.

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

The City Council has a number of strategies for managing interest rate risk. In particular, the City Council aims to manage its investment maturity profile to ensure that no single month exposes the City Council to a substantial re-investment requirement when interest rates may be relatively low.

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

According to this assessment strategy, at 31 March 2020, if interest rates had been 0.5% higher with all other variables held constant, the financial effect would be an increase in investment income of £1.7m. The impact of a 0.5% fall in interest rates would have been a reduction in investment income of £1.7m.

19. Long-term Debtors

2018/19 £000		2019/20 £000
12,799	Finance Lease Debtors	11,743
5,831	* Portico Shipping Limited	7,503
8,758	* Other	8,743
27,388		27,989

* These figures are restated. In 2018/19 Portico Shipping Limited was a long term debtor with a value of £5,831,000 and was included under "Other". In 2019/20 Portico Shipping Limited was a long term debtor with a value of £7,503,000. As this value is above the City Council's preparer materiality of £7,000,000, Portico Shipping Limited is now shown separately.

20. Short-term Debtors

2018/19 £000	Outstanding Debtors at 31st March (Net of Bad Debt Provision)	2019/20 £000
-	Council Tax debtor (between preceptor/billing authority)	485
1,024	NNDR (debtor for prior overpayments due back from MHCLG)	68
11,851	Council Tax receivable from taxpayers	13,975
5,004	Non domestic rates receivable from taxpayers	3,921
23,637	Trade debtors	25,043
11,395	Government Departments	6,066
8,837	Housing Benefits	7,814
2,244	Housing Rents	4,307
8,535	Other debtors	9,293
5,713	Prepayments & accrued income	5,911
(23,488)	Provision for bad debts	(24,374)
54,752		52,509

21. Cash and Cash Equivalents

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

31 March 2019	31 March 2020
£000	£000
927 Cash held by the Authority	487
(4,177) Bank current accounts	(1,959)
29,870 Investments in money market funds and instant access deposit accounts	57,910
26,620	56,438

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

22. Short-term Creditors

2018/19	Outstanding Creditors at 31st March	2019/20
£000		£000
(24,250) Trade Creditors		(18,565)
(1) Council Tax creditor (between preceptor/billing authority)		-
(156) NDR retained income creditor (between preceptor/billing authority)		(160)
(333) NDR taxpayer receipts not yet paid to Government		(4,608)
(744) Council Tax refundable to taxpayers		(769)
(1,370) Non domestic rates refundable to taxpayers		(938)
(3,196) Government Departments		(2,952)
(5,917) Other creditors		(13,761)
(18,940) Receipts in Advance		(20,637)
(54,907)		(62,390)

23. Provisions

	Short Term £000	Long Term £000	Total £000
Balance at 31 March 2018	(3,116)	(5,630)	(8,746)
Additional provisions made in 2018/19	(3,144)	(6,906)	(10,051)
Amounts used in 2018/19	1,054	-	1,054
Balance at 31 March 2019	(5,206)	(12,536)	(17,742)
Additional provisions made in 2019/20	(2,212)	(7)	(2,219)
Provisions not required & written back	313	0	313
Amounts used in 2019/20	4,442	2,699	7,141
Balance at 31 March 2019	(2,663)	(9,843)	(12,507)

Provision for Appeals by Non Domestic Rate Payers - £10.9m (£13.2m in 2018/19)

In 2018/19 the City Council was in a non-domestic rate pool which retained 99% of the non-domestic rates that it collected. In 2019/20 the City Council was in a non-domestic rate pool which retained 74% of the non-domestic rates that it collected. The amount of non-domestic rates collected is affected by appeals against the rateable values of non-domestic properties.

24. Other Long-term liabilities

2018/19 £000	2019/20 £000
(13,067) Assets transferred from Hampshire County Council	(13,229)
(61,507) Service Concessions (including PFIs)	(56,281)
(6,900) Lease holder contributions	(7,226)
(8,427) Other	(8,392)
(89,901)	(85,128)

25. Unusable Reserves

31 March 2019	31 March 2020
£000	£000
(152,392) Revaluation Reserve	(155,319)
(2,792) Financial Instruments Revaluation Reserve	(2,730)
(783,320) Capital Adjustment Account	(774,930)
4,412 Financial Instruments Adjustment Account	4,220
377,796 Pensions Reserve	427,445
(4,224) Collection Fund Adjustment Account	(2,102)
1,663 Accumulating Compensated Absences Adjustment Account	1,974
(13,146) Deferred Capital Receipts	(12,090)
(572,003) Total Unusable Reserves	(513,532)

Revaluation Reserve

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

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

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

2018/19	2019/20	
£000	£000	£000
(132,143) Balance at 1 April	(152,392)	
(22,611) Revaluations	(6,287)	
2,281 Difference between fair value depreciation and historic cost depreciation	3,360	
80 Accumulated gains on assets sold or scrapped	0	
2,362 Amount written off the Capital Adjustment Account		3,360
(152,392) Balance at 31 March	(155,319)	

Capital Adjustment Account

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation and impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The CAA is credited with the amounts set aside by the City Council as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the City Council. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the usable reserves side of all the transactions posted to the CAA, apart from those involving the Revaluation Reserve.

Capital Adjustment Account				
2018/19 Restated			2019/20	
£000	£000		£000	£000
	(801,191)	Balance at 1 April		(783,320)
		Reversal of items relating to capital expenditure		
70,320		- Charges for depreciation, amortisation, revaluations up/down in CIES and impairment of non current assets	60,391	
12,246		- Revenue expenditure funded from capital under statute	29,421	
5,044		- (Gain) / loss on disposal	5,439	
2,113		Loan Repayments	942	
	89,723			96,193
	(2,281)	Adjusting amounts written out of Revaluation Reserve		(3,360)
	(713,749)	Net written out amount of the cost of non current		(690,487)
		Capital financing applied in the year:		
(4,021)		- Use of Capital Receipts Reserve to finance new capital expenditure	(4,799)	
(12,832)		- Use of Major Repairs Reserve to finance new capital expenditure	(14,030)	
(36,598)		- Application of grants and contributions to finance new capital expenditure	(49,205)	
(4,219)		- Statutory provision for the financing of capital investment charges against the General Fund and HRA balances	(4,892)	
(512)		- Capital receipts set aside for the repayment of debt	(657)	
(11,774)		- Capital expenditure charged against the General Fund and HRA balances	(10,587)	
	(69,956)			(84,170)
		Movements in the market value of investment		
		385 properties debited or credited to the Comprehensive Income and Expenditure Statement		(273)
	<u>(783,320)</u>	Balance at 31 March		<u>(774,930)</u>

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits in accordance with statutory provisions. The City Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed, as the City Council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve as outlined below therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the City Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2018/19	2019/20
£000	£000
385,896 Balance at 1 April	377,796
(49,906) Return on plan assets	68,543
13,807 Actuarial (gains) and losses on pensions assets and liabilities	(39,770)
51,112 Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	47,561
(23,113) Employer's pensions contributions and direct payments to pensioners payable in the year	(26,685)
<u>377,796 Balance at 31 March</u>	<u>427,445</u>

Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the City Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement takes place, amounts are transferred to the Capital Receipts Reserve.

Part of the rental income from finance leases is used to write down the long term debtor. Legislation requires all the income relating to finance leases predating IFRS to be credited to revenue. Therefore when operating leases were reclassified as finance leases a deferred capital receipt was established at the same time as the long term debtor. The deferred capital receipt is released through the Movement in Reserves Statement as the long term debtor is written down.

2018/19 £000	2019/20 £000
(13,275) Balance at 1 April	(13,146)
29 Transfer to Capital Receipts Reserve upon receipt of cash	3
Transfer to Comprehensive Income and Expenditure	
100 Statement to mitigate the effect of leases being reclassified under IFRS	1,053
<u>(13,146) Balance at 31 March</u>	<u>(12,090)</u>

26. Notes to the Cash Flow Statement

(a) Operating Activities

The cash flows for operating activities include the following items:

2018/19 £000	2019/20 £000
6,233 Interest received	6,683
(25,414) Interest paid	(26,499)

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

2018/19	2019/20
£000	£000
42,194 Depreciation	45,270
28,863 Impairment and downward valuations	14,310
- Amortisation	156
- Increase/(decrease) in impairment for bad debts	-
(22,771) Increase/(decrease) in creditors	7,769
(120) (Increase)/decrease in debtors	3,793
(96) (Increase)/decrease in inventories	(71)
27,999 Movement in pension liability	20,876
5,124 Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	5,439
18,074 Other non-cash items charged to the net surplus or deficit on the provision of services	(7,377)
99,267	90,165

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

2018/19	2019/20
£000	£000
(5,034) Proceeds from sale of property, plant and equipment, investment property and intangible assets.	(7,019)
(40,810) Any other items for which the cash effects are investing or financing cash flows	(53,323)
(45,844)	(60,342)

(b) Investing & Financing Activities

2018/19 £000	Investing Activities	2019/20 £000
(106,067)	Purchases of property, plant and equipment, investment property and intangible assets	(219,998)
(1,012,710)	Purchase of short-term and long-term investments	(1,135,829)
(1,276)	Other payments for investing activities	(2,638)
5,034	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,019
1,014,317	Proceeds from short-term and long-term investments	1,182,211
52,231	Other receipts from investing activities	68,486
(48,471)	Net cash flows from investing activities	(100,749)

2018/19 £000	Financing Activities	2019/20 £000
36,613	Cash receipts of short and long term borrowing	150,825
(3,184)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(3,773)
(8,025)	Repayments of short and long term borrowing	(39,020)
(8,306)	Other payments for financing activities	6,854
17,098	Net cash flows from financing activities	114,886

(c) Reconciliation of Liabilities Arising from Financing Activities

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

	2019/20	Financing	Non-cash Changes			2019/20
	01-Apr	Cashflows	Acquisition	Changes in	Other Non-	31-Mar
	£000	£000	£000	Fair Value	cash	£000
Long Term						
- Borrowings	(585,077)	(84,805)	-	-	8,677	(661,205)
- Lease Liabilities	(869)	-	-	-	-	(869)
- On Balance Sheet PFI Liabilities	(61,507)	5,225	-	-	1	(56,281)
- Other	(27,525)	-	-	-	(453)	(27,978)
	<u>(674,978)</u>	<u>(79,580)</u>	-	-	<u>8,225</u>	<u>(746,333)</u>
Short Term						
- Borrowings	(8,573)	(27,000)	-	-	(8,963)	(44,536)
- Lease Liabilities	-	-	-	-	-	-
- On Balance Sheet PFI Liabilities	(3,643)	(1,452)	-	-	-	(5,095)
- Other	-	-	-	-	-	-
	<u>(12,216)</u>	<u>(28,452)</u>	-	-	<u>(8,963)</u>	<u>(49,631)</u>
Total Liabilities from Financing Activities	(687,194)	(108,032)	-	-	(738)	(795,964)

Note 1 - The other non-cash changes include an interest accrual adjustment and an 18/19 correction for the split between short and long term liabilities.

Note 2 - The net cash flows from financing activities additionally includes £6.9 (£8.3m 18/19) of collection fund entries which do not form part of the liabilities on the balance sheet.

27. Agency Services

The City Council has no significant agency arrangements and therefore no significant agency expenditure, except under its statutory responsibilities to collect Council Tax and Business Rates on behalf of the Ministry of Housing, Communities and Local Government, Hampshire Police & Crime Commissioner and Hampshire Fire & Rescue Authority.

28. Pooled Budgets and Joint Arrangements

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

(a) Health & Care Portsmouth Commissioning (formerly Integrated Commissioning Unit)

The City Council is the host partner in this pooled budget arrangement with Portsmouth CCG, under a section 75 agreement from 2013/14 for three years; which was subsequently extended three times from April 2016 to March 2021. The purpose of the arrangement is to commission a range of health and social care services for vulnerable people.

	2018/19		2019/20	
	£000	£000	£000	£000
Gross Income				
Portsmouth City Council	(369)		(337)	
Portsmouth CCG	(353)		(316)	
		(722)		(653)
Expenditure		702		653
(Surplus)/Deficit*		(20)		-
Council's share of the surplus		(10)		-

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

(b) Continuing Health Care (CHC)

The City Council is host partner in this pooled budget arrangement with Portsmouth CCG under a section 75 agreement extended from September 2015. The purpose of the arrangement is to provide ongoing healthcare to those assessed as having a primary need arising from a disability, accident or illness.

	2018/19		2019/20	
	£000	£000	£000	£000
Gross Income				
Portsmouth City Council	(41,289)		(47,356)	
Portsmouth CCG ¹	(17,489)		(17,819)	
		(58,778)		(65,175)
Expenditure		58,720		65,175
(Surplus)/Deficit²		(58)		-
Council's share of the surplus		-		-

¹ Note - Contribution in 2019/20 includes £277k released from balance of receipts in advance.

² Note - The surplus was carried forward in accordance with the section 75 agreement by the CCG.

(c) Early Help and Prevention Services (EHPS)

The City Council is a partner in a joint working arrangement hosted by Solent NHS Trust under a section 75 agreement that was agreed in November 2019. The purpose of the arrangement is to deliver integrated care services to those aged 0 to 19 years old.

	2018/19		2019/20	
	£000	£000	£000	£000
Gross Income				
Portsmouth City Council	-		(4,090)	
Portsmouth CCG	-		-	
		-		(4,090)
Expenditure		-		4,044
(Surplus)/Deficit*		-		(46)
Council's share of the surplus		-		(46)

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

29. Members' allowances

The total amount of members' allowances paid in 2019/20 was £0.6m (£0.6m in 2018/19). Detailed information on members' allowances is available from the Director of Finance & Information Technology (Section 151 Officer), Civic Offices, Guildhall Square, Portsmouth, PO1 2AR.

30. Officers' remuneration

a) Remuneration over £50,000

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

2018/19 Number of employees		2019/20 Number of employees
70	£50,000 to £54,999	68
37	£55,000 to £59,999	55
33	£60,000 to £64,999	28
23	£65,000 to £69,999	22
11	£70,000 to £74,999	15
5	£75,000 to £79,999	14
3	£80,000 to £84,999	2
5	£85,000 to £89,999	2
2	£90,000 to £94,999	2
-	£95,000 to £99,999	1
1	£100,000 to £104,999	1
-	£105,000 to £109,999	1
1	£110,000 to £114,999	-
-	£115,000 to £119,999	1
4	£120,000 to £124,999	-
2	£125,000 to £129,999	2
-	£130,000 to £134,999	1
-	£135,000 to £139,999	1
-	£140,000 to £144,999	-
-	£145,000 to £149,999	-
-	£150,000 to £154,999	-
-	£155,000 to £159,999	-
-	£160,000 to £164,999	-
-	£165,00 to £169,999	-
-	£170,000 to £174,999	-
-	£175,000 to £179,999	-
1	£180,000 to £184,999	-
-	£185,000 to £189,999	1
<u>198</u>		<u>217</u>

b) Senior Officer Emoluments

The following tables set out the remuneration paid to Senior Officers; whose salary in 2018/19 and 2019/20 was either more than £150,000 or the officer is:

- a statutory chief officer, or;
- reports directly to the Chief Executive, or;
- accountable to the City Council itself or any of the City Council's committees or sub-committees.

2018/19	Salary & Allowances	Bonuses, Expenses, Compensation for loss of office, Benefits in Kind	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
Post Title	£	£	£	£	£
David Williams - Chief Executive (Head of Paid Service) (Note 1)	184,916	-	184,916	27,922	212,838
Deputy Chief Executive and City Solicitor (Monitoring Officer) (Note 1)	129,862	-	129,862	19,609	149,471
Director of Adult Social Care	This post is shared with Portsmouth Clinical Commissioning Group (CCG), with Portsmouth City Council being responsible for 50% of the employee's costs. For 2018/19 this cost was £70,000 (including salary and pension costs).				
Director of Children Services & Education	124,860	-	124,860	18,854	143,714
Director of Finance & Information Technology (s151 Officer) (Note 1 & 2)	123,581	-	123,581	18,661	142,242
Director of Public Health (Statutory Role)	This post is shared with Southampton City Council, with Portsmouth City Council being responsible for 50% of the employee's costs. For 2018/19 this cost was £65,346 (including salary and pension costs).				
Director of the Port	113,862	-	113,862	17,193	131,055
Solent Local Enterprise Partnership Chief Executive	124,860	-	124,860	18,854	143,714
Director of Community & Communications	88,339	-	88,339	13,639	101,978
Director of Culture & City Development	85,099	-	85,099	12,884	97,983
Director of Human Resources, Legal & Procurement	85,327	-	85,327	12,884	98,211
Director of Housing, Neighbourhood & Building Services (Note 1)	90,767	-	90,767	14,459	105,226
Director of Regeneration	127,221	-	127,221	19,210	146,431

Note 1: From October 2016, the City Council entered into a shared management arrangement with Gosport Borough Council. This arrangement involves sharing City Council senior officers with Gosport Borough Council, for which the City Council receives payment.

Note 2: From April 2016, the Director of Finance & Resources took on the additional role of providing Chief Finance Officer and Section 151 Officer services to Isle of Wight Council. They continue to be formally employed by the City Council, with the Isle of Wight Council paying for this service.

2019/20	Salary & Allowances	Bonuses, Expenses, Compensation for loss of office, Benefits in Kind	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
Post Title	£	£	£	£	£
David Williams - Chief Executive (Head of Paid Service) (Note 1)	188,014	-	188,014	30,270	218,284
Deputy Chief Executive and City Solicitor (Monitoring Officer) (until May 2019) (Note 1)	19,753	73,672	93,425	0	93,425
City Solicitor (Monitoring Officer) (from May 2019) (Note 1)	77,894	-	77,894	12,541	90,435
Chief of Health & Care Portsmouth (Adult Social Care Management)	This post is shared with Portsmouth Clinical Commissioning Group (CCG), with Portsmouth City Council being responsible for 50% of the employee's costs. For 2019/20 this cost was £70,000 (including salary and pension costs).				
Director of Children Services & Education	127,357	-	127,357	20,505	147,862
Director of Finance & Revenues (s151 Officer) (Notes 1 & 2)	139,000	-	139,000	22,379	161,379
Director of Public Health (Statutory Role) (until November 2019)	This post was shared with Southampton City Council, with Portsmouth City Council being responsible for 50% of the employee's costs. For 2019/20 this cost was £57,411 (including salary and pension costs).				
Director of Public Health (Statutory Role) (from January 2020)	22,603	-	22,603	3,639	26,242
Port Director	116,139	-	116,139	18,698	134,837
Solent Local Enterprise Partnership Chief Executive	134,857	-	134,857	21,712	156,569
Director of Community & Communication (until May 2019)	20,555	45,945	66,500	2,538	69,038
Director of Corporate Services (from September 2019)	53,027	-	53,027	8,537	61,564
Director of Culture & Regulatory Services	106,790	-	106,790	17,230	124,020
Director of Housing, Neighbourhood & Building Services (Note 1)	91,818	-	91,818	16,037	107,855
Director of Regeneration	129,765	-	129,765	20,892	150,657

Note 1: From October 2016, the City Council entered into a shared management arrangement with Gosport Borough Council. This arrangement involves sharing City Council senior officers with Gosport Borough Council, for which the City Council receives payment.

Note 2: From April 2016, the Director of Finance & Resources took on the additional role of providing Chief Finance Officer and Section 151 Officer services to Isle of Wight Council. They continue to be formally employed by the City Council, with the Isle of Wight Council paying for this service.

Note 3: During 2019/20 there has been regrading of a number of the senior officers to reflect the changes in their responsibilities.

c) Exit Packages

The numbers of exit packages committed during 2019/20, including the total cost per band and total cost of the compulsory and other redundancies, are set out in the table below:

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band (£)	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	£0-£20,000	15	20	21	6	36	26	£179,397
£20,001 - £40,000	1	4	2	1	3	5	£89,520	£133,900
£40,001 - £60,000	-	-	4	1	4	1	£217,170	£46,231
£60,001 - £80,000	-	-	1	-	1	-	£69,889	£0
£80,001 - £100,000	1	-	1	-	2	-	£172,555	£0
£100,001 - £150,000	-	1	1	2	1	3	£143,845	£348,340
£150,001 - £200,000	-	-	-	-	-	-	£0	£0
£200,001 - £250,000	-	-	-	1	-	1	£0	£213,938
Total	17	25	30	11	47	36	£872,376	£874,369

The total cost of £874,369 in the table above is included in the City Council's Comprehensive Income and Expenditure Statement for 2019/20.

31. External Audit Costs

This note discloses the fees paid to our appointed auditors EY (Ernst and Young LLP) for work carried out in 2019/20.

2018/19 £000	2019/20 £000
115 External Audit Services	115
- Certification of grant claims & returns	-
- Statutory inspection	-
- Other	-
115 Total paid to EY	115

No other non-statutory services were provided by EY.

Note: This disclosure does not include any additional fees charged by EY in respect of prior year audits, or any external audit work undertaken by firms other than our appointed auditor EY.

32. Dedicated Schools Grant

The City Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education. The Dedicated Schools Grant (DSG) is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services on a city-wide basis provided by the City Council. It also provides for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

	2018/19			2019/20		
	Central Exp £000	Schools Budget £000	Total £000	Central Exp £000	Schools Budget £000	Total £000
Final DSG for current year before academy recoupment	2,105	145,566	147,671	1,737	150,523	152,260
Academy figure recouped for current year	-	(77,013)	(77,013)	-	(82,070)	(82,070)
Total DSG after Academy recoupment for current year	2,105	68,553	70,658	1,737	68,453	70,190
Brought forward from prior year	4,687	-	4,687	5,201	(1,921)	3,280
Carry forward to next year agreed in advance	-	-	-	-	-	-
Agreed initial budgeted distribution in current year	6,792	68,553	75,345	6,938	66,532	73,470
In year adjustments	-	17	17	-	22	22
Final budget distribution for current year	6,792	68,570	75,362	6,938	66,554	73,492
Less actual central expenditure	(1,591)	-	(1,591)	(1,424)	-	(1,424)
Less Actual ISB deployed to schools	-	(70,490)	(70,490)	-	(68,953)	(68,953)
Plus Local authority contribution for current year	-	-	-	-	-	-
Carry forward to next year	5,201	(1,920)	3,281	5,514	(2,399)	3,115

33. Taxation and Grant Income

The City Council credited the following tax, grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

	2018/19	2019/20
	£000	£000
Credited to Services		
Rent Allowance Subsidy	(55,020)	(45,308)
HRA Rent Rebates Subsidy	(42,269)	(37,162)
Public Health Grant	(17,719)	(17,251)
Dedicated Schools Grant	(72,082)	(70,377)
Other grants	(25,121)	(31,710)
	<u>(212,211)</u>	<u>(201,808)</u>
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	-	-
Retained Non Domestic Rates	(100,917)	(66,289)
Retained Non Domestic Rates (Top Up Grant)/Tariff	17,932	2,545
PFI Grant	(11,521)	(11,521)
Other Grants	(5,443)	(12,731)
Income from Council Tax	(76,374)	(79,711)
Capital Grants and Contributions	(27,906)	(27,159)
	<u>(204,229)</u>	<u>(194,866)</u>

The City Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year-end are as follows:

	2018/19	2019/20
	£000	£000
Capital Grants Receipts in Advance		
Government Grants	(39,790)	(55,192)
Other Grants & Contributions	(1,518)	(1,610)
	<u>(41,308)</u>	<u>(56,802)</u>

Revenue grants receipts in advance for 2019/20 were £11.1m (2018/19 £6.3m).

34. Related parties

The City Council is required to disclose material transactions with related parties, being defined as bodies or individuals that have the potential to control or influence the City Council, or to be influenced or controlled by the City Council. Disclosure of these transactions allows readers to assess the extent to which the City Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's behaviour or actions.

Central Government

Central Government has effective control over the general operations of the City Council. It is responsible for providing the statutory framework, within which the City Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the City Council concludes with other parties.

Members

Members of the City Council have direct control over the City Council's financial and operating policies. The City Council paid £0.72m to organisations where members had been appointed by the City Council to hold positions on the governing body.

During 2019/20 £317,568 was paid to companies in which members had an interest consisting of £308,348 paid to Portsmouth College and £9,220 paid to Unloc Learning Limited for schools youth forums.

Details of these interests are available for inspection, by appointment, by contacting the City Solicitor (Monitoring Officer) on 023 9283 4041.

Governing Bodies of Maintained Schools

In accordance with the requirements of the Code of Practice, these "single entity" financial statements include all income, expenditure, assets and liabilities of the City Council's maintained schools. Whilst the City Council has responsibility for distributing funding to its maintained schools under the Funding Framework (based on the legislative provisions in the School Standards and Framework Act 1998), the responsibility for spending this budget is delegated to the governing body of the school concerned. The City Council is therefore restricted in the extent to which it controls the income, expenditure, assets and liabilities included in its financial statements which relate to its maintained schools. At the reporting date, the City Council operated 16 maintained schools (excluding nurseries). Non-current assets with a net book value of £39.3m were recognised in relation to these schools.

Officers

Officers are bound by the City Council's Code of Conduct which seeks to prevent related parties exerting undue influence over the City Council. Senior officers are required to declare any transactions with the City Council. During 2019/20 £1,540 was paid to Hampshire Chamber of Commerce. No further transactions have been disclosed.

Other public bodies

The City Council appoints two members to the Portchester Crematorium Joint Committee, has 25% of the voting rights on the Joint Committee and receives 25% of the dividends. The other three investors are Fareham, Havant and Gosport Borough councils. The City Council received a dividend of £150,000 in 2019/20 (£150,000 in 2018/19).

The Director of Finance and Resources is also the Section 151 Officer for the Isle of Wight Council and Gosport Borough Council as well as Portsmouth City Council. At the end of 2019/20 £5.0m of City Council funds were lent to the Borough of Gosport. This loan was repaid in full on 5th May 2020. During the year, the Treasury Manager lent City Council funds to several other local authorities.

The following amounts were (received) or paid to other related public sector bodies:

	£
Gosport Borough Council	(2,642)
Isle of Wight Council	82,503
NHS Portsmouth Clinical Commissioning Group	1,875,532
Southampton City Council	421,672

Payments were made to the Isle of Wight Council for adoption services and special education.

Payments were made to the NHS Portsmouth Clinical Commissioning Group in respect of staff costs and mental health reablement support services within the city.

Payments to Southampton City Council include telephone monitoring services for vulnerable people, civil contingencies shared services and public health services.

Joint working arrangements

In 2016/17 the City Council entered into the following joint working agreements:

- A shared Public Health Director with Southampton City Council
- A shared Director of Adult Services with Portsmouth Clinical Commissioning Group

The City Council has also entered into an arrangement with the Isle of Wight Council for a shared Chief Financial Officer and Section 151 Officer.

These directors will influence spending decisions at each authority however governance arrangements and their independent, professional status ensure the relationships are not compromised.

Also in 2016/17, shared senior management support was agreed between the City Council and Gosport Borough Council. The arrangement included the sharing of the Chief Executive, City Solicitor (Monitoring Officer) and Director of Finance roles from 1 October 2016 in addition to the sharing of a number of third tier roles.

Entities Controlled or Significantly Influenced by the City Council

Portsmouth City Council trades extensively with its subsidiary companies, Portico Shipping Limited and Victory Energy Supply. The City Council appoints directors to its subsidiary companies and HCB Holdings Ltd. The Director of Finance and Resources is a director of all of these companies. For information on the nature of these entities and transactions in the year relating to them, please refer to Note 35.

In December 2010, Portsmouth City Council created an independent not for profit organisation called the Portsmouth Cultural Trust to take over the running of the Portsmouth Guildhall. As part of the Partnering and Funding Agreement between Portsmouth City Council and the Portsmouth Cultural Trust, an annual revenue contribution has been paid to the Portsmouth Cultural Trust to assist in the operational management of the Portsmouth Guildhall. Two councillors currently reside on the board of trustees as Portsmouth City Council representatives. A meeting is held between both parties every quarter to review the financial performance of the Portsmouth Cultural Trust in which Portsmouth City Council provide advice and guidance in a supporting capacity as required.

35. Other Companies

Portico Shipping Limited (formerly MMD (Shipping Services) Limited)

The City Council acquired all of Portico's issued share capital and voting rights in February 2008. The company's principal activity is stevedoring. It is engaged in the provision of shipping, warehousing and associated services and distribution of produce.

The Council invested a further £4.5m in Portico in 2019/20.

The City Council owns 100% of the shares in Portico which are carried in the City Council's balance sheet under long term investments at their net worth of £5.1m.

The City Council also has £0.6m lodged with Lloyds Bank to secure banking facilities for Portico. These funds may not be returned if Portico defaults on its obligations to Lloyds Bank.

Nine loans with an outstanding balance of £8.3m have been advanced to Portico by the City Council. These loans carry interest between 3.14% and 4.81% per annum and mature by 2032.

The City Council's exposure to losses arising from its ownership of Portico is limited to £14.0m, i.e. the value of its shares in the company, the funds lodged with Lloyds Bank and the outstanding capital loans advanced to Portico.

The City Council generated £3.0m of income from Portico during 2019/20 (£4.1m in 2018/19); primarily from lease rentals and harbour dues.

A copy of the company's accounts can be obtained from the company's offices at Flathouse Quay, Portsmouth, Hampshire, PO2 7SP.

The expenditure and income of the Portico Shipping Limited is as follows:

2018/19	2019/20
£000	£000
15,433 Gross Expenditure	15,652
(15,453) Gross Income	(15,709)
(20) Net (Income) / Loss	(57)

Portico does not provide any of the Council's statutory services and the Council has not passed control of any tangible assets to Portico. As the net expenditure and income of Portico is not significant in comparison with the rest of the group consisting of the City Council it is felt that group accounts would not add to users' understanding of the financial affairs of the City Council or its group.

Hampshire Community Bnk Holding Limited

Following detailed due diligence Portsmouth City Council have entered into a share application and subscription agreement for £5m of ordinary shares in HCB Holding Limited, a company holding all the shares in respect of Hampshire Community Bank Limited. Member voting rights in HCB Holding Limited are as follows:

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

HCB Foundation Limited is a Company Limited by Guarantee without share capital which has a charitable constitution. The share application and subscription agreement requires take up and payment for the £5m of ordinary shares in four instalments. The first three instalments each of £1.25m were paid in March 2016, October 2017, and April 2019. Payment of the remaining instalment is conditional on further due diligence reports confirming progress towards obtaining regulatory approval for Hampshire Community Bank Limited to begin commercial banking activities.

Victory Energy Services Limited

The City Council acquired all of the issued share capital and 75% of the voting rights in September 2017. The company aims to provide energy to Portsmouth and the surrounding areas when the necessary regulatory approvals have been obtained. At 31 March 2020 the City Council had provided Victory Energy Services Limited with £3.4m of services. This was reflected as a short term investment in the Council's accounts. However, following the Council's decision to dispose of its interests in Victory Energy Services Limited, the costs of services provided to Victory Energy Services have been fully written off.

UK Municipal Bonds Agency Plc

The Municipal Bonds Agency (the Agency) has been established to deliver cheaper capital finance to local authorities. It will do so via periodic bond issues and by facilitating greater inter-authority lending.

The Local Government Association and 57 local government shareholders have invested over £6 million in the Agency. The City Council is a shareholder in the Agency with a total investment of £150,000 which it acquired in October 2014.

36. Capital expenditure and capital financing

2018/19		2019/20
Restated		
£000		£000
574,846	Opening capital financing requirement	626,694
109,293	Long Term Assets	226,457
12,246	Revenue expenditure funded from capital under statute	29,421
121,539	Capital Investment	255,878
696,385	Sources of finance	882,572
(4,533)	Capital receipts (including capital receipts set aside to repay debt)	(5,456)
(36,598)	Other Grants & contributions	(49,205)
	Sums set aside from revenue:	0
(11,774)	- Direct revenue contributions	(10,587)
(12,832)	- Use of Major Repairs Reserve	(14,030)
(4,219)	- Minimum Revenue Provision	(4,892)
265	Other Adjustments	278
(69,691)		(83,892)
626,694	Closing capital financing requirement	798,680
	The capital financing requirement is met by the following items in the balance sheet:	
1,540,010	Fixed assets including equity investments	1,715,306
-	* Advances to subsidiaries	8,306
(146,430)	Revaluation Reserve	(155,319)
(778,716)	Capital Adjustment Account	(774,930)
11,830	* Other (including Housing General Fund mortgages and advances by Local Enterprise Partnership (LEP))	5,317
626,694		798,680

* These figures are restated. Advances to subsidiaries amounted to £6,462,000 in 2018/19 and was included under "Other". Advances to subsidiaries increased to £8,306,000 in 2019/20. As this is above the City Council's preparer materiality of £7,000,000, advances to subsidiaries are now shown separately.

The capital financing requirement increased by £172.0m in 2019/20 for the following reasons:

2018/19		2019/20
£000		£000
56,580	Increase in underlying need to borrow	177,535
(4,732)	Provision for the repayment of debt	(5,549)
51,848	(Decrease) / Increase in Capital Financing Requirement	171,986

37. Leases

City Council as Lessee

Finance Leases

The City Council has a number of buildings and port equipment under finance leases with a combined value of £5.2m. The associated finance lease liability in nominal terms is £0.9m.

The City Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the City Council and finance costs that will be payable by the City Council in future years while the liability remains outstanding.

The minimum lease payments in cash terms will be payable over the following periods:

	Minimum Lease Payments	
	31 March	31 March
	2019	2020
	£000	£000
No later than one year	190	189
Later than one year and not more than 5 years	755	755
Later than five years	11,424	11,236
	12,369	12,180

The net present value of the minimum lease payments is £5.8m.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018/19 and 2019/20 no contingent rents were payable by the City Council.

The City Council has sub-let some of the industrial accommodation held under these finance leases. At 31 March 2020 the minimum payments expected to be received under non-cancellable sub-leases was £0.4m (£0.4m at 31 March 2019).

Operating Leases

The City Council has acquired a number of assets, mainly photocopiers, vehicles and port equipment by entering into operating leases.

The future minimum lease payments due under non-cancellable leases in future years are shown below.

	31 March	31 March
	2019	2020
	£000	£000
Not more than one year	1,314	1,526
Later than one year but not later than five years	3,213	4,301
Later than 5 years	28,059	22,697
	32,587	28,524

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

	31 March	31 March
	2019	2020
	£000	£000
Minimum lease payments	32,587	28,524
Contingent rents	26,325	26,325
	58,912	54,849

City Council as Lessor

Finance Leases

The City Council has leased out property at 407 Middle Park Way, Crookhorn Golf Course, the Wightlink Terminal, the Portsmouth Handling Services building and Merefield House.

The City Council has a gross investment in leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the City Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2019 £000	31 March 2020 £000
Finance lease debtor (net present value of minimum lease payments):		
Current	1,257	1,268
Non current	15,673	16,662
Unguaranteed residual value of property	103	103
Gross investment in lease	17,033	18,033

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000
	Not later than one year	196	152	1,348
Later than one year and not later than five years	971	715	5,437	5,020
Later than five years	11,592	11,028	37,948	36,310
	12,759	11,895	44,733	42,585

The City Council's tenants such as Wightlink are thought to be in a strong financial position. Therefore worsening financial circumstances are not expected to result in lease payments not being made. The City Council has not set aside an allowance for uncollectable amounts.

The minimum lease payments where the City Council is a lessor under a finance lease do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. No contingent rents were receivable by the City Council in 2018/19 or 2019/20.

Operating Leases

The City Council leases out property and equipment under operating leases for the following purposes:

- for the provision of leisure facilities
- for economic development purposes to provide suitable affordable accommodation for local businesses
- for income generation and capital appreciation
- to provide modern cranes for its subsidiary company

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

	31 March 2019	31 March 2020
	£000	£000
Not later than one year	16,037	26,252
Later than one year and not later than five years	55,519	88,407
Later than five years	270,481	81,620
	<u>342,037</u>	<u>196,279</u>

The minimum lease payments receivable where the City Council is the lessor under an operating lease do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018/19 and 2019/20 no contingent rents were receivable by the City Council.

38. Private Financing Initiatives and Similar Contracts

The City Council has four PFI contracts or similar arrangements. These cover the provision of the following:

- The provision of the building and its associated servicing for Milton Cross School by Grannag Limited for 30 years which became operational in 2003/04
- The provision of three buildings used in the provision of services to people with learning disabilities by Victory Support for 30 years which became operational in 2003/04
- The maintenance of the highway network by Ensign Highways for 25 years which became operational in 2004/05
- The provision of waste disposal facilities by Veolia for 30 years which became operational in 1996/97

Milton Cross School was a local authority run community school, but land and buildings were subsequently transferred to an academy trust. Although the assets transferred to the academy trust the liabilities under the PFI still reside with the City Council. The charge for the Milton Cross PFI scheme does not include a demand element and has little variability.

The charge for the learning disabilities PFI scheme does not include a demand element.

The charge for the highways PFI scheme does not include a demand element. The contract includes provisions for deductions to unitary charge payments in the event of non-performance although few deductions have occurred. The cost of the highways PFI scheme increases if new roads are adopted. However agreement has been reached that this additional cost will be met through commuted sums from either developers or the City Council.

The waste disposal contract is managed by Hampshire County Council. Through a side agreement, Southampton and Portsmouth City Council commit to paying a proportion of the costs of the scheme based on the proportion of waste contributed by each council. Portsmouth City Council's contribution towards the scheme costs is 11.52%. The charge for the waste disposal contract includes a fixed element for the provision of energy recovery facilities (ERFs), material recovery facilities, transfer stations, delivery points and composting sites which are designed to cover the capital costs that the operator has incurred in constructing infrastructure and their fixed operating costs. There is also a demand element to the charge made by the operator which is dependent on the volumes of waste disposed of. The operator will make a reduction in the charge of 50% of the net proceeds generated from the sale of recyclable materials, i.e. the sales proceeds generated from selling the recyclable materials, less costs reasonably incurred by the operator in selling the materials. The income from the sale of recyclables is split between the 11 Waste Collection Authorities located within the County of Hampshire including Portsmouth City Council. The operator takes the full risks and rewards for the sale of electricity generated by the ERFs. The ERFs have spare capacity. Circa 15% of the plants processing potential, which the operator is allowed to exploit by selling waste processing services to third parties. The profit on selling off this capacity is shared equally with the Councils.

As the City Council is deemed to control the services that are provided under its PFI schemes and similar arrangements and as ownership of the non-current assets will pass to the City Council at the end of the contracts for no additional charge, the City Council carries the non-current assets used under the contracts on the Balance Sheet together with the associated deferred liability. The associated PFI Grant is shown as General Government Grant.

The movement in the carrying amount of PFI assets was as follows:

	Miltoncross Secondary School £000	Learning Disability Facilities £000	Highways Maintenance £000	Waste Disposal £000	Total £000
Cost or Valuation					
At 1st April 2019	-	5,948	152,115	12,535	170,598
Additions	-	-	-	-	-
Revaluation increases/(decreases) to CIES and/or Revaluation Reserve	-	-	-	-	-
Disposals	-	-	-	-	-
Reclassifications	-	-	6,760	-	6,760
At 31st March 2020	-	5,948	158,875	12,535	177,358
Depreciation and Impairment					
At 1st April 2019	-	(68)	(32,268)	-	(32,335)
Depreciation Charge in Year	-	(218)	(3,440)	(934)	(4,592)
Depreciation written out on revaluation	-	-	-	-	-
Impairment losses/(reversals) to CIES and/or Revaluation Reserve	-	-	-	-	-
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
At 31st March 2020	-	(286)	(35,708)	(934)	(36,927)
Net Book Value					
At 1st April 2019	-	5,879	119,847	12,535	138,263
At 31st March 2020	-	5,662	123,167	11,601	140,430

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

	Liability as at 31 March 2019	Payments	Liability as at 31 March 2020
	£000	£000	£000
Milton Cross School	(10,394)	340	(10,054)
Learning Disability Facilities	(3,646)	122	(3,524)
Highways Maintenance	(45,074)	2,312	(42,762)
Waste Disposal	(6,166)	998	(5,168)
Total	(65,280)	3,772	(61,508)

The City Council is committed to pay the following to the PFI operators on a cash basis.

	Repayments of Liability	Interest	Service Charges	Total Revenue Commitment	Life Cycle Replacement Costs	Total Commitment
	£000	£000	£000	£000	£000	£000
Within 1 year	5,226	5,669	22,629	33,523	1,502	35,025
Within 2 to 5 years	18,784	17,827	94,187	130,798	16,217	147,015
Within 6 to 10	31,835	11,779	96,924	140,538	15,581	156,119
Within 11 to 15	5,663	926	1,259	7,848	-	7,848
	61,508	36,201	214,999	312,707	33,300	346,007

39. Liability Relating to Defined Benefit Pension Scheme

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the City Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the City Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The City Council participates in the following pension schemes:

The Local Government Pension Scheme (LGPS) - This is administered locally by Hampshire County Council and is a defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits earned after 31 March 2014 are based on a Career Average Revalued Earnings scheme.

The funded nature of the LGPS requires the City Council and employees to pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The scheme is operated under the regulatory framework for the LGPS, and the governance of the scheme is the responsibility of the scheme's Joint Panel and Board including the management and investment of the fund as well as compliance with appropriate legislation and regulations.

The principal risks to the City Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary post-retirement benefits upon early retirement - These are unfunded benefit arrangements, under which liabilities are recognised when awards are made. No investment assets are built up to meet these pension liabilities, so cash has to be generated to meet actual pension payments as they fall due.

The Pilots National Pension Fund (PNPF) - This is a centralised multi-employer 'defined benefit' pension scheme for non-associated employers. The Trustee of the PNPF has previously sought clarification from the High Court on the Trustee's powers under the Rules of the PNPF. Until the status of the PNPF had been clarified, the City Council was unable to determine its share of the liabilities. Following the court's determination and further information being made available on the extent of the PNPF's liabilities, the City Council was able to determine its share of the liabilities in the PNPF for the first time. As a result the PNPF was accounted for on a 'defined benefit' basis from the year ended 31 March 2013.

The Teachers' Pension Fund - This is an unfunded defined benefit scheme, for teaching staff, which is administered by the Department for Education. Unlike the other pension schemes above, this has been accounted for as a defined contribution scheme - details of this fund are disclosed in Note 40.

The NHS Pensions Scheme - This is an unfunded defined benefit scheme, for NHS staff, which is administered by NHS Business Services Authority. Similar to the Teacher's Pension Fund, this has been accounted for as a defined contribution scheme - details of this fund are disclosed in Note 40.

Transactions Relating to Post-Employment Benefits

The City Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid out as pensions. However, the charge the City Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2018/19 £000	2019/20 £000
Comprehensive Income and Expenditure Statement:		
Cost of services		
Current service cost	28,220	37,904
Past service cost	13,130	870
Settlements/Curtailments	-	-
Financing and Investment Income and Expenditure		
Net Interest Expense	9,762	8,787
Total Post Employment Benefit charged to the Surplus of deficit on the Provision of services	51,112	47,561
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Return on plan assets in (excess) / below that recognised in net interest	(49,906)	68,543
Actuarial (gains) / losses due to changes in financial assumptions	59,488	(30,656)
Actuarial (gains) / losses due to changes in demographic assumptions	(47,506)	(28,010)
Actuarial (gains) / losses due to liability experience	1,825	18,896
Total (gains) / losses from reclassification	-	-
	(36,099)	28,773
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	15,013	76,334
Movement in Reserves Statement		
Reversal of net charges made to the surplus or deficit for the Provision of Services for post employment benefits in accordance with the Code	51,112	47,561
Actual amount charged against the General Fund and HRA Balances for pensions in the year:		
Employers' contributions payable to scheme	21,715	25,314
Retirement benefits payable to pensioners	1,398	1,371
	23,113	26,685

The cumulative amount arising from the re-measurement of the net defined benefit liability recognised in the Comprehensive Income and Expenditure Statement from 1 April 2006 when the City Council adopted FRS17/IAS19 to 31 March 2020 is a loss of £152.3m (2018/19 £123.5m).

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the City Council's balance sheet arising from the City Council's obligation in respect of its defined benefit scheme is as follows:

	2018/19 £000	2019/20 £000
Present value of funded liabilities (LGPS):	(1,127,301)	(1,129,541)
Present value of funded liabilities (Pilot Pension Scheme)	(3,500)	(3,610)
Present value of unfunded liabilities (LGPS and Teachers):	(17,673)	(16,062)
Fair value of assets (LGPS):	767,882	718,954
Fair value of assets (Pilot Pension Scheme)	2,627	2,645
Surplus/(deficit) in the scheme:*	(377,965)	(427,614)

* - The figures shown in the note above are based on information from the respective actuaries. The net liability shown in this note differs from the amount shown in the balance sheet, as the entries in the revenue account and balance sheet have had the actuary's estimated employers contributions figure replaced by the actual figure. The difference is not material (£0.2m), especially as all the IAS19 figures are estimates.

The liabilities show the underlying commitments that the City Council has in the long term to pay post-employment (retirement) benefits. The total liability of £427.6m (prior year £378.0m) has a substantial impact on the net worth of the City Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit, means that the financial position of the City Council remains healthy. The deficit on the LGPS will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary (AON Hewitt Limited).

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

2018/19	Funded Liabilities	Funded Liabilities	Unfunded Liabilities	Unfunded Liabilities	Total
	LGPS	Pilot Pension Scheme	LGPS	Teachers' Additional Benefits	
	£000	£000	£000	£000	£000
Opening balance at 1 April	(1,064,421)	(3,812)	(11,600)	(7,311)	(1,087,144)
Current service cost	(28,190)	(30)	-	-	(28,220)
Interest Expense	(27,420)	(87)	(290)	(190)	(27,987)
Contributions by scheme participants	(5,960)	(6)	-	-	(5,966)
Actuarial gains and (losses) - Financial Assumptions	(59,220)	192	(290)	(170)	(59,488)
Actuarial gains and (losses) - Demographic Assumptions	46,650	26	510	320	47,506
Actuarial gains and (losses) - Liability Experience	(1,750)	(25)	(30)	(20)	(1,825)
Benefits paid	26,140	242	841	557	27,780
Past service costs including curtailments	(13,130)	-	-	-	(13,130)
Net Increase in assets from reclassification	-	-	-	-	-
Settlements	-	-	-	-	-
Closing balance at 31 March	<u>(1,127,301)</u>	<u>(3,500)</u>	<u>(10,859)</u>	<u>(6,814)</u>	<u>(1,148,474)</u>

2019/20	Funded Liabilities	Funded Liabilities	Unfunded Liabilities	Unfunded Liabilities	Total
	LGPS	Pilot Pension Scheme	LGPS	Teachers' Additional Benefits	
	£000	£000	£000	£000	£000
Opening balance at 1 April	(1,127,301)	(3,500)	(10,859)	(6,814)	(1,148,474)
Current service cost	(37,870)	(34)	-	-	(37,904)
Interest Expense	(26,770)	(96)	(250)	(160)	(27,276)
Contributions by scheme participants	(6,530)	(9)	-	-	(6,539)
Actuarial gains and (losses) - Financial Assumptions	30,800	(294)	100	50	30,656
Actuarial gains and (losses) - Demographic Assumptions	27,630	70	190	120	28,010
Actuarial gains and (losses) - Liability Experience	(19,080)	(6)	(20)	210	(18,896)
Benefits paid	30,450	259	821	550	32,080
Past service costs including curtailments	(870)	-	-	-	(870)
Net increase in assets from reclassification	-	-	-	-	-
Settlements	-	-	-	-	-
Closing balance at 31 March	<u>(1,129,541)</u>	<u>(3,610)</u>	<u>(10,018)</u>	<u>(6,044)</u>	<u>(1,149,213)</u>

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

2018/19	LGPS	Pilot Pension Scheme	Total
	£000	£000	£000
Opening balance at 1 April	698,147	2,932	701,079
Interest Income	18,160	65	18,225
Remeasurement gains / (losses)	50,060	(154)	49,906
Contributions by employer	21,695	20	21,715
Contributions by participants	5,960	6	5,966
Net benefits paid out	(26,140)	(242)	(26,382)
Settlements	-	-	-
Administration costs incurred	-	-	-
Net increase in assets from disposals / acquisitions	-	-	-
Net increase in assets from re-classification	-	-	-
Closing balance at 31 March	<u>767,882</u>	<u>2,627</u>	<u>770,509</u>

2019/20	LGPS	Pilot	Total
	£000	Pension Scheme £000	£000
Opening balance at 1 April	767,882	2,627	770,509
Interest Income	18,420	69	18,489
Remeasurement gains / (losses)	(68,720)	177	(68,543)
Contributions by employer	25,292	22	25,314
Contributions by participants	6,530	9	6,539
Net benefits paid out	(30,450)	(259)	(30,709)
Settlements	-	-	-
Administration costs incurred	-	-	-
Net increase in assets from disposals / acquisitions	-	-	-
Net increase in assets from re-classification	-	-	-
Closing balance at 31 March	718,954	2,645	721,599

The interest income on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy.

- Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.
- Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £50.3m (£68.22m in 2018/19) for the LGPS and £0.246m (£0.089m 2018/19) for the PNPf.

LGPS assets comprised:

Asset Type:	Value at 31 March 2020		Value at	
	Quoted	Unquoted	Total	31 March 2019
Equities	45.10%	7.50%	52.60%	60.40%
Property	0.80%	6.20%	7.00%	7.60%
Government bonds	21.20%	0.00%	21.20%	22.70%
Corporate bonds	0.00%	0.00%	0.00%	5.20%
Cash	3.40%	0.00%	3.40%	2.30%
Other	14.00%	1.80%	15.80%	1.80%
Total	84.50%	15.50%	100.00%	100.00%

PNPF assets comprised:

Asset Type:	Value at 31 March 2020		Value at	
	Quoted	Unquoted	Total	31 March 2019
Equities	0.00%	0.00%	0.00%	34.80%
Property	0.00%	0.00%	0.00%	0.00%
Government bonds	13.10%	0.00%	13.10%	13.70%
Corporate bonds	10.10%	0.00%	10.10%	33.30%
Cash	2.80%	0.00%	2.80%	7.40%
Other	74.00%	0.00%	74.00%	10.80%
Total	100.00%	0.00%	100.00%	100.00%

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, which is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The City Council's fund liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the council fund being based on the latest triennial valuation of the LGPS as at 31 March 2019 and the latest valuation of the PNPf as at 31 December 2016. These calculations have been updated to 31 March 2020 by Aon Hewitt Limited allowing for the IAS 19 financial and demographic assumptions.

The principal assumptions used by the actuary have been:

2018/19	Funded LGPS	Funded Pilots Pension Scheme	Unfunded LGPS	Unfunded Teachers
Mortality assumptions:				
Longevity at 65 for current pensioners (years):				
Men	23.3	21.6	23.3	23.3
Women	26.1	23.5	26.1	26.1
Longevity at 65 for future pensioners (years):				
Men	24.9	23.0	0.0	0.0
Women	27.8	25.1	0.0	0.0
Rate of inflation	2.2%	2.2%	2.2%	2.2%
Rate of increase in salaries	3.7%	3.2%	0.0%	0.0%
Rate of increase in pensions	2.2%	2.2%	2.2%	2.2%
Rate for discounting scheme liabilities	2.4%	2.9%	2.4%	2.4%

2019/20	Funded LGPS	Funded Pilots Pension Scheme	Unfunded LGPS	Unfunded Teachers
Mortality assumptions:				
Longevity at 65 for current pensioners (years):				
Men	23.0	21.3	23.0	23.0
Women	25.5	23.2	26.5	25.5
Longevity at 65 for future pensioners (years):				
Men	24.7	22.3	0.0	0.0
Women	27.2	24.4	0.0	0.0
Rate of inflation	2.0%	2.0%	2.0%	2.0%
Rate of increase in salaries	3.0%	3.0%	0.0%	0.0%
Rate of increase in pensions	2.0%	2.0%	2.0%	2.0%
Rate for discounting scheme liabilities	2.3%	2.0%	2.3%	2.3%

Sensitivity Analysis:

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions shown in the table above. The sensitivity analysis, below, show reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that only the assumption mentioned changes, while all other assumptions remain the same. In practice some of the changes are unlikely to occur, or they may be interrelated.

LGPS:	Impact on Present Value of Obligation		Impact on Projected Service Cost	
	Increase £m	Decrease £m	Increase £m	Decrease £m
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1106.35	1153.32	35.6	38.29
Rate of salaries (increase or decrease by 0.1%)	1131.64	1127.56	36.92	36.92
Rate of increases to pensions in payment (increase or decrease by 0.1%)	1151.48	1108.19	38.29	35.6
Post retirement mortality assumption (increase or decrease in 1 year)	1165.2	1094.27	38.3	35.55

Note - Assumes a baseline figure of £1129.59m present value of defined benefit obligation, or £36.92m projected service cost

PNPF:

Rate for discounting scheme liabilities - if this were to decrease by 0.5% the defined benefit obligation would increase by around 6% or £210,000.
RPI inflation assumption - if this were to increase by 0.5% (with a corresponding increase in salary and pensions) the defined benefit obligation would increase by around 2% or £70,000.
Average life expectancy - if this were to increase by 1 year the defined benefit obligation would increase by around 5% or £170,000.

In both cases the sensitivity information shown above has been prepared using the same method as adopted when adjusting the results of the latest funding valuation to the balance sheet date.

Commutation:

LGPS: Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 70% of the permitted maximum (no change from 2018/19).

Pilots Pension Scheme: It is assumed that 90% of members take the maximum cash lump sum available upon retirement.

Impact on the City Council's Cash Flows:

LGPS - The objectives of the scheme include a funding objective which is to hold sufficient and appropriate assets to meet the schemes past service liabilities. At the 2016 triennial valuation a shortfall was identified and a strategy agreed, between Hampshire County Council (the scheme's administering authority) and Aon Hewitt (the scheme's actuary), to achieve a 100% funding level in no more than 25 years from the date of the last triennial valuation. This included setting service contribution rates along with additional annual shortfall contributions. Funding levels continue to be monitored on an annual basis and any further shortfall identified will be recovered through an additional contribution stream payable over a recovery period to be agreed at the respective valuation. The next triennial valuation is due to be completed as at the 31 March 2022 with the results expected around the 31 March 2023.

PNPF - The pension scheme's objectives include being funded prudently. At the last triennial valuation (31 December 2016) a shortfall was identified and a funding strategy was put in place to address this. The strategy included the City Council making a one-off contribution in 2013 to address its share of the deficit, and then to continue making on-going contributions, at an agreed rate, in respect of continued accrued benefits for active pilots. The next triennial valuation is due to be completed as at the 31 December 2019 with the results expected later in 2020.

The total contributions expected to be made by the City Council in the year to 31 March 2021 are £18.67m (£23.65m in the year to 31 March 2020) for the LGPS and £14,000 (£8,000 in the year to 31 March 2020) for the PNPF.

40. Pension schemes accounted for as defined contribution schemes

(a) Teachers' Pension Scheme

Teachers employed by the City Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the City Council contributes towards the cost by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The City Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2019/20, the council paid £4.6m (2018/19 £3.82m) to Teachers' Pensions in respect of teachers' retirement benefits. There were £0m (2018/19 £0m) of contributions outstanding at 31 March 2020.

The City Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 39 (unfunded teachers).

(b) NHS Pension Scheme

NHS employees TUPE'd to the City Council, as part of the transfer of public health responsibilities, are covered by the NHS Pensions Scheme. Details of the scheme can be found on the NHS Pensions website at <https://www.nhsbsa.nhs.uk/nhs-pensions>. The scheme is an unfunded defined benefit scheme which covers NHS employees. The scheme is not designed to be run in a way which would enable participating bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the City Council of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

41. Exceptional items

There were no exceptional items in 2019/20.

42. Contingent Liabilities

There were no contingent liabilities in 2019/20 above our preparer materiality level of £7m.

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing Authorities to maintain a separate Collection Fund. The Statement shows the transactions of the billing Authority in relation to the collection of taxes and their distribution to local Authorities and the Government. Although the Collection Fund is a single account it has two distinct elements, Council Tax and Business Rates.

2018/19 £000	Council Tax	2019/20 £000
	Income	
(91,700)	Council Tax	(97,337)
	Transfers from the General Fund	
(28)	Council Tax write ons	(86)
	Contributions received towards the estimated (deficit)	
0	Council Tax - Hampshire Police and Crime Commissioner	0
0	Council Tax - Hampshire Fire and Rescue Authority	0
0	Council Tax - Portsmouth City Council	0
(91,728)		(97,423)
	Expenditure	
	Distribution of estimated Council Tax Surplus	
133	Council Tax - Hampshire Police and Crime Commissioner	209
51	Council Tax - Hampshire Fire and Rescue Authority	77
1,026	Council Tax - Portsmouth City Council	1,574
1,210		1,860
	Precepts	
9,912	Council Tax - Hampshire Police and Crime Commissioner	11,498
3,672	Council Tax - Hampshire Fire & Rescue Authority	3,865
74,660	Council Tax - Portsmouth City Council	79,716
88,244		95,079
	Bad and Doubtful Debts	
736	Council Tax - amounts written off	668
718	Council Tax - change in provision	1,682
90,908		99,289
(820)	(Surplus) / deficit for the Year	1,866
(1,457)	(Surplus) / Deficit brought forward 1 April	(2,277)
(820)	(Surplus) / Deficit for the Year	1,866
(2,277)	Council Tax balance as at 31 March - (Surplus) / Deficit	(410)
	Apportioned :	
(95)	Hampshire Police Authority	(49)
(259)	Hampshire Fire & Rescue Authority	(17)
(1,923)	Portsmouth City Council	(345)
(2,277)		(411)

2018/19 £000	Business Rates / NNDR	2019/20 £000
	Income	
(88,913)	Income from Business Ratepayers (inc. Appeals Provision offset)	(87,944)
(1,815)	Less: Increase / (Decrease) Provision for Losses on Appeals	1,394
(90,728)		(86,550)
	Contributions received towards estimated Deficit / (Surplus)	
557	MHCLG	(632)
546	Portsmouth City Council	838
11	Hampshire Fire & Rescue Authority	2
1,114		208
(89,614)		(86,342)
	Business Rates Apportioned to:	
-	DCLG	21,072
85,928	Portsmouth City Council	62,374
868	Hampshire Fire & Rescue Authority	843
333	DCLG - Transitional Surcharge / (Relief)	966
273	Cost of Collection	275
-	Interest Paid on Overpayments Refunded	-
	Bad and Doubtful Debts	
573	NNDR - Amounts written off	586
(197)	NNDR - Increase / (Decrease) in Provision	37
87,777		86,153
(1,836)	(Surplus) / Deficit for the year	(189)
149	(Surplus) / Deficit b/fwd 1 April	(1,687)
(1,836)	(Surplus) / Deficit for the Year	(189)
(1,687)	Non Domestic Rates as at 31st March - (Surplus) / Deficit	(1,876)
	Apportioned:	
632	MHCLG	(99)
(2,302)	Portsmouth City Council	(1,758)
(17)	Hampshire Fire and Rescue Authority	(19)
(1,687)		(1,876)
(3,964)	Total Collection Fund (Surplus) / Deficit	(2,287)

1. Council Tax Base

The City Council's tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for discounts, exemptions, valuation appeals, disablement reductions etc.) converted to an equivalent number of Band D dwellings is given below:

Band	Estimated number of taxable properties after allowing for discounts, exemptions etc	Ratio	Band D equivalent dwellings
A	15,752	6/9	10,501
B	23,752	7/9	18,474
C	18,271	8/9	16,241
D	5,282	9/9	5,282
E	3,222	11/9	3,938
F	1,482	13/9	2,140
G	576	15/9	961
H	25	18/9	49
	68,361		57,586
Less: adjustment for non-collection			(1,153)
Add: MoD dwellings contribution			642
2019/20 tax base			57,075

Multiplying the 2019/20 tax base of 57,075.4 by the standard council tax of £1,665.85, gives the total precepts on the Collection Fund of £95.079m.

2. Income from business ratepayers

The City Council collects, under the arrangements for localised business rates, non-domestic rates based on local rateable values multiplied by a uniform rate.

Under reforms introduced by The Localism Act 2012 and the provisions for Business Rates Retention (BRR), with effect from 2013/14 income collected from business rates is shared between three organisations.

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

However, in 2019/20 Portsmouth City Council (along with Southampton City Council and the Isle of Wight Council) are in a 75% business rates retention pool (2018/19 100%). This allows the City Council to retain 74% of any business rates income, with the fire authority still retaining 1% and MHCLG now receiving 25%.

The total business rates rateable value as at 31 March 2020 was £217.82m.

The business rates multiplier for the year was 49.1p for small businesses and 50.4p for other business properties.

After the granting of various reliefs and exemptions the net rates due totalled £86.4m.

In closing the 2019/20 accounts it was deemed necessary to make a provision of £14.8m for refunds on unresolved appeals.

3. Collection Fund surpluses and deficits

Surpluses or deficits on the Collection Fund must be either distributed or made good by specific contributions. Any surplus or deficit anticipated on both Council Tax & Business Rates revenues must be allocated between authorities precepting on the Collection Fund pro rata to their demands on the Collection Fund and transferred to or financed by their General, County Fire or Police Fund.

Council Tax

The Council Tax part of the Collection Fund has realised a surplus of £0.411m as at 31 March 2020. The Council Tax side of the Collection Fund was estimated to result in a surplus of £0.651m in January 2020. The decline in the outturn of £0.24m is mostly attributable to an increase in the provision for bad debts as a result of the COVID-19 epidemic.

Business Rates

The Business Rates part of the Collection Fund has realised a surplus of £1.875m as at 31 March 2020. The Business Rates side of the Collection Fund was estimated to result in a surplus of £1.239m in January 2020. The improvement on outturn of £0.636m is attributable to a lower than anticipated appeals provisions being required.

This improvement in the Collection Fund will be shared across the precepting bodies in the financial year 2021/22.

Housing Revenue Account (HRA)

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement in Reserves Statement.

2018/19 £000	2019/20 £000
Expenditure	
23,522 Repairs & Maintenance	24,823
- Supervision & Management	-
17,311 General	15,739
14,753 Special Services	16,794
1,045 Rent rates taxes & other charges	1,271
- Depreciation (and Impairments) of Non-current Assets:	-
39,843 - Dwellings	26,860
7,009 - Other Assets	4,187
121 Amortisation of Intangible Assets	215
59 Amortisation of Revenue Expenditure Funded from Capital Under Statute	48
75 Debt management costs	71
52 Movement in allowance for bad debts	617
- Sums directed by the secretary of state	-
103,790 Total Expenditure	90,625
Income	
(61,836) Dwelling rents (gross)	(64,196)
(3,122) Non-dwelling rents	(3,130)
(11,574) Service charges (Tenants charges for services)	(12,137)
(76,532) Gross rents	(79,463)
(1,854) Leaseholders charges for services & facilities	(1,984)
(1,430) Other Charges for Services & Facilities	(1,178)
(674) Contributions toward expenditure	(578)
(80,490) Total Income	(83,203)
23,300 Net Cost of HRA Services as included in the CIES	7,422
294 HRA's share of corporate & democratic core	346
23,594 Net cost of HRA Services	7,768
(2,164) (Gain) or loss on the sale of HRA non-current assets	(2,805)
5,964 Interest payable & similar charges	5,679
(383) Interest and investment income	(267)
1,683 Pensions interest cost and expected return on pensions assets	1,518
(87) Income, expenditure changes in the fair value of investment	0
(2,210) Capital grants and contributions receivable	(1,652)
26,397 Surplus / Deficit for the year on HRA services	10,241

Movement on the HRA Statement

2018/19 £000	2019/20 £000
(25,114) Balance on the HRA at the end of the previous year	(21,580)
26,397 (Surplus) or deficit for the year on the HRA Income & expenditure account	10,241
(22,863) Adjustments between accounting basis & funding basis under statute	(8,754)
3,534 Net (Increase) or decrease before transfers to or from reserves	1,487
(356) Transfers to / from reserves	(358)
356 Capital Expenditure charged to Revenue	358
3,534 Increase / decrease in HRA in year	1,487
(21,580) Balance on the HRA at the end of the current year	(20,093)

The Income & Expenditure account shows the Housing Revenue Account's actual financial performance for the year, measured in terms of resources consumed and generated over the last twelve months. However the City Council is required to raise rents on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the assets are consumed. In particular £5m of downward revaluations were charged to Income & Expenditure in 2019/20. The debit of £5m in the 2019/20 Income and Expenditure Account is reversed out by a credit in the Movement on the Housing Revenue Account Reserves Statement.
- Retirement benefits are charged as amounts payable to the pension funds and pensioners, rather than as future benefits are earned.

The Housing Revenue Account balance compares the City Council's spending against the rental income that is raised in the year, taking into account the use of resources built-up in the past and contributions to reserves for future expenditure.

The Movement on the Housing Revenue Account Reserves Statement summarises the differences between the outturn on the Income & Expenditure Account and the Housing Revenue Account balance.

The Movement on Reserves Statement analyses the adjustments between accounting basis and funding basis under statute.

Notes to the Housing Revenue Account

H1. Note to the Movement on the HRA Statement

2018/19 £000	2019/20 £000
Adjustments between accounting basis & funding basis under regulations	
- Adjustments involving the Capital Adjustment Account:	
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement	
(21,733) Charges for depreciation and impairment of non-current assets	(5,333)
1 Charges for revaluations of investment properties	-
2,162 Charges for amortisation of intangible non-current assets	2,805
(59) Net gain/loss on disposal of non current assets	(48)
- REFCUS written down	-
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	
- Sums set aside from revenue to fund capital expenditure	-
2,210 Other Adjustments	729
(3,236) Capital grants and contributions credited to the HRA	(3,735)
(5,401) Reversal of Major Repairs Allowance credited to the HRA	(6,599)
2,862 Reversal of items relating to retirement benefits debited or credited to the HRA	3,394
130 Employer's pension contributions and direct payments to pensioners payable in the year	(72)
- Transfer from accumulated absences	-
201 Reversal of finance leases	105
- Other adjustments	-
(22,863)	(8,754)

H2. Gross Rent Income

This is the gross rent income for the year after allowance is made for voids etc. During the year, 1.07% of lettable dwellings were vacant. In 2018/19 the figure was 1.53%. The average dwelling rent was £84.58 per week in 2018/19 (£85.81 per week in 2018/19), a decrease of £1.23 over the previous year. The amount of arrears as at the end of the financial year was £2.3million.

H3. Depreciation of non-current assets

The depreciation charge is broken down as follows:

	2018/19 £000	2019/20 £000
Council houses	21,925	22,195
Other assets	3,202	3,578
Intangible Assets	121	156
	25,248	25,929

H4. Revaluations Down & Impairments

Revaluations down & impairments are a reduction in the value of an asset, measured by specific criteria, to below its carrying amount in the balance sheet. Revaluations down & impairments which were charged to the HRA may be reversed if an asset is subsequently revaluated upwards.

	2018/19	2019/20
	£000	£000
Council Houses	17,840	4,665
Other Assets	3,168	609
Intangible Assets	-	59
	21,008	5,333

H5. IAS 19 - Accounting for pensions

Applying IAS 19 to the Housing Revenue Account (HRA) will have no overall effect on the HRA balance as the debit to the Income and Expenditure Account is reversed out by an appropriation from the Pensions Reserve in the Statement of Movement of HRA Balances.

H6. Capital Reserve

A Capital Reserve was established during 1991/92 as part of the Housing Investment Programme (HIP) financing policy. There was no contribution made during the year from revenue surplus.

H7. Transfer to/from Major Repairs Reserve

The Major Repairs Reserve was established at 1 April 2001. Movements on the Reserve during the current financial year were:

	2018/19		£000	Repayment	2019/20
	Total	Houses Other		of borrowing	
	£000	£000	£000	£000	Total
					£000
Balance at 1 April 2018	(1,840)	(11,010)	-	-	(11,010)
Transferred from HRA	(22,002)	(22,195)	-	-	(22,195)
Transferred to HRA	-	-	-	-	-
Financing of capital expenditure	12,832	14,389	-	-	14,389
Balance at 31 March 2019	(11,010)	(18,816)	-	-	(18,816)

H8. Housing stock

The City Council was responsible for managing an average of 14,567 dwellings (excluding mobile homes) during 2019/20. The stock as defined by the Housing Revenue Account Subsidy regulations at 31 March was as follows:

	No. of dwellings	
	2018/19	2019/20
Houses	4,353	4,334
Flats	10,238	10,209
	14,591	14,543
Mobile homes	-	-
	14,591	14,543

The change in stock can be summarised as follows:

	No. of Dwellings	
	2018/19	2019/20
Stock at 1 April	14,765	14,591
Mobile Homes no longer within HRA	-	-
Sales	(58)	(82)
Bedsit conversions	-14	(1)
Demolitions	-	-
Repurchases	7	31
Additions	3	2
New builds	155	1
Change in use	(267)	1
Stock at 31 March	14,591	14,543

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

	Council dwellings	Other land & buildings	Other non-operational assets	Other assets	Total
	£000	£000	£000	£000	£000
Net book value at 1 April 2019	626,901	39,713	14,733	397	681,744
Opening Adjustments per 18/19 Audit	-	(2,135)	-	-	(2,135)
Revised Net book value at 1 April 2019	626,901	37,578	14,733	397	679,609
Depreciation during the year	(22,195)	(2,918)	(644)	(172)	(25,929)
Revaluations	(4,664)	1,021	(3)	(58)	(3,704)
Additions	4,743	-	20,026	-	24,769
Disposals	(4,214)	-	-	-	(4,214)
Transfers between asset categories	19,747	-	(19,806)	60	1
Appropriations	-	333	-	-	333
Net book value at 31 March 2020	620,318	36,014	14,306	227	670,865

H10. Vacant possession value of dwellings within the HRA

The vacant possession value of dwellings held within the HRA amounts to £1,879m as at 1st April 2020.

The substantial difference between this figure and the net book value figure of £620m reflects the economic cost to government of providing council housing at less than open market rents.

H11. Capital expenditure within the HRA

Capital expenditure during the year and its financing was:

	Non-Current Assets			Total
	Land	Houses	Other property & Equipment	
	£000	£000	£000	£000
Borrowing	-	4,576	-	4,576
Usable capital receipts	-	4,734	-	4,734
Revenue contributions	-	-	358	358
Major Repairs Reserve	-	14,030	-	14,030
Grants and contributions	-	1,652	-	1,652
	-	24,992	358	25,350

H12. Bad Debt Provision

	31 March 2019	Additions and reductions	Write-offs	31 March 2020
	£000	£000	£000	£000
Housing rents provision	(1,954)	(998)	744	(2,208)
Sale of flats provision	-	-	-	-
Provision for other HRA bad debts	(46)	34	-	(12)
	(2,000)	(964)	744	(2,220)

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Glossary of Terms

Accruals

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

Assets

An asset is an item having value to the City Council in monetary terms. Assets are categorised as either non-current or current. A non-current asset provides benefit to the City Council and to the services it provides for a period of time greater than one year and may be tangible (e.g. a school building, or intangible e.g. computer software licences.) A current asset will be consumed or cease to have material value within the financial year (e.g. cash or stock).

Budget

The Council's aims and policies set out in financial terms against which performance is monitored. Both revenue and capital budgets are prepared.

Capital Adjustment Account (CAA)

The CAA absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

Capital Expenditure

Expenditure for capital purposes comprises the acquisition, construction, replacement or enhancement of land, buildings, plant, machinery and vehicles which adds to and not merely maintains the value of an existing non-current asset and which will be used to provide services beyond the current accounting period. Advances of long-term loans (e.g. house purchase mortgages) and grants for capital purposes are included.

Capital Financing

These are funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and ear-marked reserves.

Capital Receipts

These are the proceeds from the sale of capital assets. A proportion of housing receipts – 75% for dwellings – must be paid into a central Government pool, but the remainder is available for new capital projects.

CIPFA

The Chartered Institute of Public Finance and Accountancy. This professional body for accountants in the public sector issues general guidance to local authorities defining the form and manner in which their accounts should be compiled. These recommendations are contained in a Statement of Recommended Practice. In addition, the Institute issues further guidance in the Service Reporting Code of Practice (SeRCOP) which sets out "Proper Practice" in relation to Financial Statements.

Collection Fund

This is a separate fund, maintained by the billing authority, which records the income and expenditure relating to council tax and non-domestic rates on behalf of the billing authority, precepting authorities and the Government.

Community Assets

Assets that the City Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and open spaces.

Comprehensive Income & Expenditure Statement

The City Council's revenue account showing the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income in accordance with International Financial Reporting Standards (IFRS). This is reconciled to the statutory balance on the General Fund through the Movement in Reserves Statement.

Contingent Liabilities

A contingent liability arises from either:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority, or
- a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or
 - the amount of the obligation cannot be measured with sufficient reliability

Continuing Service

The portfolio of services provided by the City Council is on-going from year to year. If however a service were to cease, or if a new service were to commence, it would be necessary to show the effect on the Comprehensive Income & Expenditure Statement of the creation or discontinuation from one year to the next.

Corporate & Democratic Core

The corporate and democratic core comprises all activities that the City Council engages in specifically because it is an elected, multi-purpose authority. The costs of these activities are in addition to those which would have been incurred by a series of independent, single purpose nominated bodies managing the same services. There is therefore no logical basis upon which these costs can be apportioned to services.

Council Tax

A local tax levied by a Local Authority on its citizens.

Creditor

Amount owed by the City Council for work done, goods supplied or services rendered within the accounting period, but for which payment had not been made by the end of the accounting period.

Debtor

Amount owed to the City Council for works done, goods supplied or services rendered within the accounting period, but for which payment had not been received by the end of the accounting period.

Deferred Capital Receipts

Amounts arising from asset sales, where the income is received in instalments over agreed periods. They derive mainly from finance leases.

Depreciation

The measure of the cost of the wearing out, consumption or other reduction in the useful economic life of the City Council's non-current assets during the accounting period, whether from use, the passage of time, or obsolescence through technological or other changes.

Exceptional Items

Material items which derive from unusual events or transactions that fall within the normal activities of the City Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial Asset

A right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

Finance Lease

A lease which transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability, or equity instrument, of another entity.

Financial Liability

An obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

General Fund

The total services of the City Council except for the Housing Revenue Account and the Collection Fund, the net cost of which is met by council tax, government grants and the NNDR.

Heritage Assets

Heritage Assets are those assets that are held and maintained by an entity principally for their contribution to knowledge and culture. Heritage assets can have historical, artistic, scientific, geophysical or environmental qualities.

Housing Revenue Account (HRA)

A separate account to the General Fund which includes the income and expenditure arising from the direct provision of housing accommodation by the City Council, ie. council housing.

Impairment

A reduction in the value of a non-current asset, measured by specific criteria, to below its carrying amount in the balance sheet.

Infrastructure Assets

Examples of infrastructure assets are highways, bridges and footpaths.

Intangible assets

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the City Council. An example would be computer software licences.

Interest Cost (pensions)

For a defined benefit scheme this is the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards prepared by the International Accounting Standards Board apply to Local Authorities where they comply with specific legal requirements and are relevant to local authority activities.

Inventories

Items of raw material and stores that the City Council has procured and holds in expectation of future use.

Investment (Pension Fund)

The investments of the pension fund will be accounted for in the statements of that fund. However, the City Council is also required to disclose as part of the disclosures relating to retirement benefits, the share of pension scheme assets associated with the City Council's underlying obligations.

Liability

A Liability is an obligation that the City Council expects to have to meet in monetary terms. Liabilities are categorised as either non-current or current. A non-current liability is an obligation that the City Council expects to meet in a period of time greater than one year. A current liability is expected to be met within one financial year.

Long-Term Debtor

Includes balances where the receivable amount will be collected more than one year into the future.

Long Term Investments

Investments where the receivable amount will be collected more than one year into the future.

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the City Council.

Movement in Reserves Statement

This reconciliation statement summarises the differences between the outturn on the Comprehensive Income & Expenditure Statement and the General Fund Balance.

Money Market Funds (MMF)

Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.

Net Book Value

The amount at which Property Plant and Equipment are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Expenditure

Total expenditure for a service less directly related income.

Net Realisable Value

The open market value of an asset, less the expenses to be incurred in realising the asset.

Non-Current Assets

Assets that are not expected to be realised within a year.

Non-Distributed Costs

These are overheads for which no user now benefits and as such are not apportioned to services.

National Non-Domestic Rates (“NNDR”)

The Non-domestic rate is a nationally set levy on business premises, set by the Government at a standard rate, charged to businesses and collected by the City Council. 49% of non-domestic rates are retained by the Council. Of the remainder, 50% is paid to the Government and 1% is paid to the Hampshire Fire and Rescue Authority.

Net Assets

The City Council’s value of total assets less total liabilities.

Non-Operational Assets

Property Plant and Equipment held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, or held for sale.

Operating lease

A lease where the risks and rewards of ownership of the asset remains with the lessor.

Operational Assets

Property Plant and Equipment held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Pension scheme liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities are measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Financial Statements are signed by the responsible financial officer.

Precept

The levy made by Precepting authorities on the City Council requiring the latter to collect income from council tax payers on their behalf. Both the Hampshire Police and Crime Commissioner and the Hampshire Fire and Rescue are precepting authorities.

Private Finance Initiative (PFI)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. The Council is deemed to control the services that are provided under its PFI schemes, as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge. The Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

Property, Plant and Equipment

Tangible assets that benefit the Council and the services it provides for a period of more than one year.

Provision

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but where the amounts or dates of when they will crystallise are uncertain.

Public Works Loans Board (PWLB)

The PWLB is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Revaluation Reserve

The Revaluation Reserve is an unusable reserve that contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment.

Revenue Expenditure / Income

The cost or income associated with the day-to-day running of the services and financing costs.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Revenue expenditure funded from capital under statute (REFCUS) is expenditure that can be capitalised under statute but which does not result in or remain matched with a tangible asset. Examples of REFCUS are grants of a capital nature to voluntary organisations or home improvement grants, where no repayment is expected.

Revenue Support Grant

A non-ringfenced grant paid, by central Government, to the City Council to contribute towards the general cost of its services.

Short-Term Borrowing

Money borrowed for a period of less than one year.

Stock

Comprises the following categories:

- Goods or other assets purchased for resale;
- Consumable stores;
- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion;
- Long-term contract balances;
- Finished goods.

Surplus or Deficit on the Provision of Services (SDPS)

This is the total of income less expenses, excluding components of Other Comprehensive Income and Expenditure as required or permitted by guidance. It represents the true economic cost of providing the City Council's services.

Treasury Management

The management of the Council's debt and investment of surplus funds.

Trust Funds

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

Useful Economic Life (UEL)

Period over which the City Council will derive benefit from the use of a non-current asset.