

AUDIT COMMITTEE

26 June 2012

ANNUAL FINANCIAL REPORT 2011/12

REPORT OF HEAD OF FINANCE

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RECENT REFERENCES:

- AUD030: Statement of Accounts 2011/12, 12 March 2012
- CAB2342: Capital Expenditure Outturn 2011/12, 13 June 2012
- CAB2343: General Fund Revenue Outturn 2011/12, 13 June 2012
- CAB2354 (Hsg): Housing Revenue Account 2011/12 Outturn, 20 June 2012

EXECUTIVE SUMMARY:

At its last meeting the Committee received an update on the changes required to the Statement of Accounts for 2011/12 (Report AUD030 refers). These changes have been incorporated as relevant in the Annual Financial Report for 2011/12, which is appended.

Legislation requires that the pre-audit Statement of Accounts is signed by the Head of Finance by 30 June, and that the audited Statement of Accounts is approved by Members, by 30 September, annually.

Further changes this year require the Statement of Accounts to be separated within the Annual Financial Report; this is explained further in section 2.

The Statement of Accounts will be available for public inspection from 12 July 2012 to 8 August 2012; be audited by the Audit Commission during July/ August and final accounts will be presented to this Committee at its meeting in September for approval. Prior to this meeting training will be offered to the Committee members on their role in relation to the approval of the Statement of Accounts.

It is important that Members are aware of the key issues contained in the Accounts. The Head of Finance will provide a presentation on the Annual Financial Report, incorporating the pre-audit Statement of Accounts, to the meeting of the Committee.

RECOMMENDATIONS:

That the Audit Committee notes the Annual Financial Report, incorporating the pre-audit Statement of Accounts for 2011/12, and takes the opportunity to seek clarification of any detail, following a presentation from the Head of Finance on the contents.

AUDIT COMMITTEE26 JUNE 2012ANNUAL FINANCIAL REPORT 2011/12REPORT OF HEAD OF FINANCE

1. Introduction
- 1.1. At its last meeting the Committee received an update on the changes required to the Statement of Accounts for 2011/12 (Report AUD030, March 2012 refers).
- 1.2. The Accounts and Audit (England) Regulations 2011 require that:
 - the responsible financial officer must, no later than 30 June immediately following the end of a year, sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year, and;
 - no later than 30th September in the year immediately following the end of the year to which the statement relates—the Council must:
 - (a) consider either by way of a committee or by the members meeting as a whole the statement of accounts;
 - (b) following that consideration, approve the statement of accounts by a resolution of that committee or meeting;
 - (c) following approval, ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval was given; and;
 - (d) publish (which must include publication on the body's website), the statement of accounts together with any certificate, opinion, or report issued, given or made by the auditor under section 9 (general report) of the 1998 Act.
 - The responsible financial officer must re-certify the presentation of the statement of accounts before the relevant body approves it.
- 1.3. Hence, the Committee are not required to approve the Statement of Accounts until after the conclusion of the external audit.

2. Annual Financial Report

- 2.1. Although there is no formal definition in Regulations or the Code of what exactly constitutes the Statement of Accounts, reliance can be placed on the implications of section 9 of the Audit Commission Act 1998 that the auditor must give an opinion on the Statement of Accounts and the conventions as to the information that auditors are expected to be able to determine as true and fair. Under these conventions, the Annual Governance Statement (considered elsewhere on this agenda), the auditors report and the explanatory foreword would be outside the scope of the Statement of Accounts, which would then comprise the financial statements and the notes to the accounts.
- 2.2. The Statement of Accounts is thus part of a wider annual financial report, comprising:
- the Explanatory Foreword;
 - the Auditor's Report to Members (as applicable)
 - the Statement of the Accounts;
 - the Annual Governance Statement;
 - Building Control Account, and;
 - Charges for Property Searches.

3. Public Inspection

- 3.1. The 2011/12 Statement of Accounts will be made available for public inspection (as required by the Accounts and Audit Regulations) from 12 July 2012 to 8 August 2012. The web link will also be provided to DCLG for advertising on Directgov.
- 3.2. The Appointed Auditor has set the day on which local government electors for the area may exercise their right to question or make objections to the Accounts for the year ended 31 March 2012, as 9 August 2012.
- 3.3. The Auditor has received a written objection from a local elector in Bishops Waltham alleging that some contributions required by the S106 agreement for the Sainsbury's development do not comply with the legal and Circular requirements. The Council has responded to earlier correspondence with the elector re-affirming its view that the planning obligations were lawful and were considered necessary and justifiable in order to make the development acceptable. Further detail is being submitted to the Auditor. Any significant costs arising from dealing with the allegations have to be met by the Council and do not form part of the base audit fee.

4. Statement of Accounts

- 4.1. The Statement of Accounts has been prepared in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) and any subsequent

Local Authority Accounting Panel (LAAP) recommendations, and is appended.

- 4.2. The Council's Statement of Accounts (pre-audit) for the year ending 31 March 2012 will be signed by the Head of Finance, after consideration by the Audit Committee. A presentation of the key issues contained within the Statement of Accounts will be provided to the meeting.

OTHER CONSIDERATIONS:

5. SUSTAINABLE COMMUNITY STRATEGY and CORPORATE CHANGE PLANS (RELEVANCE TO):

- 5.1. Preparation of the Annual Financial Report is fundamental to the requirement for accountability for public finances. Achieving corporate priorities must go in hand with accounting for how the public's money has been spent.

6. RESOURCE IMPLICATIONS:

- 6.1. There are no direct implications arising from this report.

7. BACKGROUND DOCUMENTS:

- Audit Working Papers & financial records held in the Finance and other teams within the Council (less exempt items).

8. REFERENCE MATERIAL

- LAAP Bulletin 93- Closure of the 2011/12 Accounts and related matters, March 2012
- LAAP Bulletin 92 – The accounting transactions in relation to the settlement payments determination 2012 (Housing Revenue Account (England))
- [Accounts & Audit Regulations 2011](#)
- International Financial Reporting Standards

APPENDIX – Annual Financial Report 2011/12 (incorporating pre-audit Statement of Accounts)

WINCHESTER CITY COUNCIL

**ANNUAL STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2012**

PRE-AUDIT

**WINCHESTER CITY COUNCIL
STATEMENT OF ACCOUNTS 2011/12
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WINCHESTER CITY COUNCIL
STATEMENT OF ACCOUNTS 2011/12
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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Responsibilities of the Head of Finance

The Head of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Head of Finance has also: -

- kept proper accounting records which are up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council as at 31 March 2012 and its income and expenditure for the year then ended.

Signature:

Alexis Garlick FCCA
Head of Finance

Date : June 2012

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

This statement shows the movement in the year on the different reserves held by the Council. These are analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011 carried forward	(2,000)	(5,340)	(1,289)	(70)	(2,950)	(808)	(127)	(12,584)	(342,813)	(355,397)
Movement in reserves during 2011/12										
Deficit on provision of services	1,678		160,887					162,565		162,565
Other Comprehensive Expenditure and Income								0	8,629	8,629
Total Comprehensive Income and Expenditure	1,678	0	160,887	0	0	0	0	162,565	8,629	171,194
Adjustments between accounting basis & funding basis under regulations (Note 6)	(3,130)		(161,544)		748	(168)	0	(164,094)	164,094	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(1,452)	0	(657)	0	748	(168)	0	(1,529)	172,723	171,194
Transfers to/(from) Earmarked Reserves (Note 7)	1,452	(915)	(11)	0				526	(526)	0
(Increase)/Decrease in Year	0	(915)	(668)	0	748	(168)	0	(1,003)	172,197	171,194
Balance at 31 March 2012 carried forward	(2,000)	(6,255)	(1,957)	(70)	(2,202)	(976)	(127)	(13,587)	(170,616)	(184,203)

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

Comparative numbers for 2010/11 (restated):

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010	(2,000)	(7,058)	(2,201)	(47)	(4,746)	(826)	(125)	(17,003)	(422,181)	(439,184)
Movement in reserves during 2010/11										
(Surplus) or deficit on provision of services	(4,196)		99,430					95,234		95,234
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(11,447)	(11,447)
Total Comprehensive Income and Expenditure	(4,196)	0	99,430	0	0	0	0	95,234	(11,447)	83,787
Adjustments between accounting basis & funding basis under regulations (Note 6)	5,179		(98,541)		1,796	18	(2)	(91,550)	91,550	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	983	0	889	0	1,796	18	(2)	3,684	80,103	83,787
Transfers to/(from) Earmarked Reserves (Note 7)	(983)	1,718	23	(23)				735	(735)	0
(Increase)/Decrease in 2010/11	0	1,718	912	(23)	1,796	18	(2)	4,419	79,368	83,787
Balance at 31 March 2011 carried forward	(2,000)	(5,340)	(1,289)	(70)	(2,950)	(808)	(127)	(12,584)	(342,813)	(355,397)

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012**

This statement shows the accounting cost to the Council in the year for the provision of services in accordance with International Financial Reporting Standards (IFRS) adapted by the Code of Practice on Local Authority Accounting (the Code). The Total Comprehensive Income and Expenditure represents the total movement on net assets in the Council's balance sheet.

The statement includes some costs and income that are not allowed, by statute, to be funded from taxation. The comprehensive income and expenditure is adjusted for these items in order to set the level of Council Tax. This taxation position is shown in the Movement in Reserves Statement.

	Note	2011/12			Restated 2010/11		
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Corporate and democratic core		2,755	(4)	2,751	2,727	(5)	2,722
Central services to the public		7,923	(6,047)	1,876	8,475	(6,389)	2,086
Cultural and related services		4,286	(999)	3,287	4,701	(721)	3,980
Environment & regulatory		6,006	(928)	5,078	7,036	(943)	6,093
Planning & development		4,399	(1,709)	2,690	6,040	(2,276)	3,764
Highways, roads and transport		3,823	(5,655)	(1,832)	6,575	(5,694)	881
Local authority housing (HRA)		24,292	(25,684)	(1,392)	23,803	(23,850)	(47)
Property Revaluation (HRA)		5,726	0	5,726	104,046	0	104,046
Housing Reform Finance	44	156,722	0	156,722	0	0	0
Other housing services		27,856	(26,806)	1,050	25,986	(24,871)	1,115
Non distributed costs		271	0	271	(13,555)	0	(13,555)
Cost Of Services		244,059	(67,832)	176,227	175,834	(64,749)	111,085
Surplus on trading accounts	29			(1,365)			(1,364)
Other Operating Income and Expenditure	8			2,251			3,376
Financing and Investment Income and Expenditure	9			1,114			(1,090)
Taxation and Non-Specific Grant Income	10			(15,662)			(16,773)
(Surplus) or Deficit on Provision of Services				162,565			95,234
Surplus or deficit on revaluation of Non Current Assets				(1,071)			(7,119)
Surplus or deficit on revaluation of available for sale financial assets				0			(49)
Actuarial (gains) / losses on pension assets / liabilities				9,700			(4,279)
Other Comprehensive Income and Expenditure				8,629			(11,447)
Total Comprehensive Income and Expenditure				171,194			83,787

BALANCE SHEET AS AT 31 MARCH 2012

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the Council's reserves. There are two types of reserve shown in the Balance Sheet. The first category of reserves is usable reserves (i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use). The second category of reserves is those that the council is not able to use to provide services. This category includes reserves that contain unrealised gains and losses, where amounts would only become available to provide services if the assets are realised. They also include reserves that hold timing differences and adjustments between the accounting basis and funding basis under regulations.

	Note	31 Mar 12 £000	Restated 31 Mar 11 £000	Restated 31 Mar 10 £000
Property, Plant & Equipment	11	347,840	351,015	447,368
Heritage Assets	12	2,750	1,695	1,645
Investment Property	13	36,551	35,926	33,957
Intangible Assets	14	923	1,037	1,129
Long Term Investments	15	1,017	1,089	1,182
Long Term Debtors	15	153	132	146
Long Term Assets		389,234	390,894	485,427
Short Term Investments	15	9,159	7,237	13,722
Inventories	16	29	36	20
Short Term Debtors	17	4,937	4,484	5,828
Cash and Cash Equivalents	18	3,754	6,077	4,357
Current Assets		17,879	17,834	23,927
Short Term Borrowing	15	(357)	0	0
Short Term Creditors	20	(7,343)	(6,292)	(7,865)
Provisions	21	(74)	(1,914)	(212)
Current Liabilities		(7,774)	(8,206)	(8,077)
Long Term Borrowing	15	(158,840)	0	0
Pension Scheme Liability	39	(53,080)	(42,590)	(58,939)
Grants and Contributions in Advance	34	(3,216)	(2,535)	(3,154)
Long Term Liabilities		(215,136)	(45,125)	(62,093)
Net Assets		184,203	355,397	439,184
Usable reserves	22	13,587	12,584	17,003
Unusable Reserves	23	170,616	342,813	422,181
Total Reserves		184,203	355,397	439,184

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

The Cash Flow Statement shows the changes in the Council's cash and cash equivalents during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities.

	Note	2011/12	Restated
		£000	2010/11
			£000
Net (surplus) or deficit on the provision of services		162,565	95,234
Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	(167,478)	(100,200)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		281	324
Net cash flows from Operating Activities	25	(4,632)	(4,642)
Investing Activities	26	10,525	673
Financing Activities	27	(3,570)	2,249
Net increase or decrease in cash and cash equivalents		2,323	(1,720)
Cash and cash equivalents at the beginning of the reporting period	18	(6,077)	(4,357)
Cash and cash equivalents at the end of the reporting period		(3,754)	(6,077)

1. Accounting Policies

1.1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year ended 31 March 2012. The Accounts and Audit Regulations 2011 require the Council to prepare an annual Statement of Accounts. The regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts has been prepared on a going concern basis. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible non-current assets and financial instruments.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is impaired and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits.

Cash Equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The Council has decided to include the following as Cash Equivalents:

- Instant Access/ One Day Call Accounts

- Instant Access Short Term Funds
- Deposits with one day to maturity

All other deposits are included in Investments

1.4 Exceptional Items

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

1.5 Prior Period Adjustments; Changes in Accounting Policies and Estimates; and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. They do not give rise to a prior period adjustment.

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

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

1.6 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service, where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.7 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries; paid annual leave and paid sick leave; bonuses; and non-monetary benefits (e.g. cars) for current employees. They are

recognised as an expense for services in the year in which employees render service to the Council. Where material, an accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date; or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Most employees of the Council are members of The Local Government Pension Scheme, administered by Hampshire County Council. The scheme provides members with defined benefits (retirement lump sums and pensions) earned by employees whilst working for the Council; and is accounted for as a defined benefits scheme where:

- The liabilities of the Hampshire County Council Pension Fund attributable to the Winchester City Council are included in the Council's Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees; based on assumptions about mortality rates, employee turnover rates, etc; and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate of 4.7% for funded liabilities and 4.6% for unfunded liabilities (the variance is due to the different duration of the liabilities). The discount rate is based on the indicative rate of return on high quality corporate bonds – for 2011/12 this used the Aon Hewitt UK Corporate AA Curve – Swaps Extrapolation curve.
- The assets of the Hampshire County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value: quoted securities at current bid price; unquoted securities at professional estimate; unitised securities at current bid price; and property at market value.
- The change in the net pensions liability is analysed into seven components:
 - *Current service cost* – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

- *Past service cost* – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs.
- *Interest cost* – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- *Expected return on assets* – the annual investment return on the fund assets attributable to the Council; based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- *Gains or losses on settlements and curtailments* – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs.
- *Actuarial gains and losses* – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – this is debited to the Pensions Reserve.
- *Contributions paid to the Hampshire pension fund* – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense. In relation to retirement benefits, statutory provisions require the General Fund and Housing Revenue Account to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits; and replace them with debits for the cash paid to the pension fund and pensioners (and any such amounts payable but unpaid at the year-end). The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year that the decision to make the award is made. It is accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.8 Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of

events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.9 Financial Instruments

A financial instrument is 'Any Contract which gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity'

Financial Liabilities

A Financial Liability is 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 favourable to the Council.

The Council's borrowing portfolio is measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Comprehensive Income and Expenditure Statement.

The Council also has deferred liability commitments in the form of embedded finance leases in relation to the vehicles used in the performance of the joint Environmental Services Contract.

Financial Assets

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

The two classifications for financial assets relevant to the Council as defined within the Code of Practice are:

- Loans and Receivables – includes the Council's fixed term deposits, and money market funds. Loans and Receivables are measured at amortised cost. Trade receivables are also classed as Loans and Receivables but are measured at cost on the Balance Sheet.
- Available for Sale – includes money market funds and call accounts. These are included under cash and cash equivalents within the Balance Sheet as they represent highly liquid investments that are readily convertible to known amounts of cash with an insignificant risk of change in value.

Within the Loans and receivables the Council has loans to a voluntary organisation at less than market rate. These are classified as "soft loans". When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest to be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund

Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Transaction Costs

Measurement at amortised cost permits transaction cost to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure over the life of the instrument. Where these are considered not to be material they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred. The Council has adopted the later approach for 2011/12.

1.10 Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Business Improvement Districts

There are two Business Improvement Districts (BID), the schemes apply across the whole of the Council. The schemes are funded by a BID levy paid by non-domestic ratepayers.

The Council acts as principal under one scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

The Council acts as a recipient in the other scheme which covers an overlapping area of both Winchester City Council (17.4%) and Fareham Borough Council (82.6%). Fareham Borough Council act as the Principle; accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

1.11 Heritage Assets

Heritage Assets are those assets which are intended to be preserved, in trust, for future generations because of their cultural, environmental or historical associations and which are held principally for that purpose. Where assets are principally operational in nature they are accounted for within Property, Plant and Equipment (see 1.17)

Heritage Assets can be Tangible or Intangible (e.g. recordings of significant events) in nature and are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

Archaeology

The Council does not consider that reliable cost or valuation information can be obtained for the items held in its archaeological collection, due to the diverse nature of the assets held and lack of comparable market values, with the exception of one item (a marble head).

The Council does not normally make purchases of archaeological items but acts as a repository of materials excavated by external contractors and normally only accept these where the total excavation archive, including documentation is available. The collection is normally confined to the boundaries of Winchester District; however, in exceptional cases consideration will be given to material from outside the District.

Local History, Photographic materials, Numismatics, Ethnography, Foreign Archaeology

The Council considers that obtaining valuations for these collections to involve a disproportionate cost in comparison with the benefits to the users of the Authorities Statement of Accounts. This is due to the diverse nature of the assets held and the lack of comparable values.

Acquisition has mainly been through donation, dispersals are considered where collections would be better maintained in a more specialised collection

Topographical Art and Portraits (art Collection), Civic Items

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation.

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

Valuations are carried out as required for insurance purposes

Structures and Monuments

There is no recognition of these items on the Balance Sheet, the uniqueness of the assets mean there is no ready market for acquisition / disposal and therefore, difficult for any meaningful valuation to be attributed to these assets.

Winchester do not have any buildings which are deemed to be heritage assets.

Heritage Assets – General

Where Heritage assets have indefinite lives they are not subject to depreciation or amortisation, they are however, subject to review. The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets. For example where an item has suffered physical deterioration or damage or where doubts have arisen as to the assets authenticity.

Any impairment is recognised and measured in accordance with the Council's general policies on impairment (at Accounting Policy 1.17)

Any assets out on loan are valued on a three year cycle in keeping with any loan agreements.

The management of the museum will occasionally organise the dispersal heritage assets which do not fit in with the collection policy, have doubtful provenance, unsuitable for public display or where they are best suited to another collection. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the Statement of Accounts and are accounted for in accordance with the statutory accounting requirements relating to capital expenditure and capital receipts (see accounting policies 1.17 and 1.2)

1.12 Intangible Assets

Expenditure on non-monetary assets; that do not have physical substance; but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore

reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.13 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first-in-first-out (*FIFO*) costing formula.

1.14 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.15 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment which is financed by a finance lease is recognised on the Balance Sheet at the commencement of the lease at fair value, which is measured at the inception of the lease (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the

asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.16 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP) that applies for the relevant year. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.17 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are only credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for based on the presence of a balance in the Revaluation Reserve:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for based on the presence of a balance in the Revaluation Reserve:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation between 5 – 60 years

Where a significant item of Property, Plant and Equipment (valued over £1.5 million) has major components (over 20% of the total value) with materially different useful lives the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale) and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.18 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities, undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

1.19 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation; that probably requires settlement by a transfer of economic benefits or service potential; and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.20 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year and included in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net additional charge against council tax for the expenditure in that year.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

1.21 Revenue Expenditure Funded from Capital under Statute

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

1.22 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT collected is excluded from income.

2. Accounting Standards that Have Been Issued but Have Not Yet Been Adopted

The Code requires the Council to identify any accounting standards that have been issued but have yet to be adopted.

Amendments to IFRS 7 – Financial Instruments: Disclosures (transfers of Financial Assets, Issued October 2010) becomes effective from 1 April 2012. The amendments to the standard are designed to enhance de-recognition disclosures relating to the transfers of financial assets. The Council has not transferred any of its financial assets. It is thought to be unlikely that this standard will have a material impact on the financial statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Future funding for local government - There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

- Impairment of investments - the Council had an investment of £1m with Heritable Bank Ltd which was placed into administration in October 2008. Whilst in Administration, Heritable will continue to manage its current loan book and the Joint Administrators will be seeking to find purchasers for, and will continue to manage, the remainder of Heritable's business and loan book to maximise recovery for creditors. At 31 March 2012 the Council had received dividends of £0.68m and has assumed that payments will continue to be received in accordance with the Administrator's forecasts up to a total of 88% recovery by April 2013.
- Lease classifications - The Council has made judgements on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The results of the tests are taken "in the round" and a decision has been made. The accounting treatment for operating and finance leases is significantly different and could have a significant effect on the accounts.
- Asset reclassifications - The Council has made judgements on whether assets are classified as Investment Property, Heritage Assets or Property, Plant and Equipment. These judgements are based on the main reason that the Council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the Council they are deemed to be Property, Plant and Equipment assets. If there is no subsidy and/or full market rent is being charged this would indicate that the asset is an Investment Property, if held principally to be preserved, in trust, for future generations because of their cultural, environmental or historical associations, this would indicate a Heritage Asset. The classification determines the valuation method to be used.
- Contractual arrangements - The Council has made judgements on whether its contractual arrangements contain embedded leases (i.e. arrangements that are not legally leases but take the form of payments in return for the use of specific assets).

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The financial statements contain estimated figures based on assumptions by the Council concerning future events that are uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £64,000 for every year that useful lives had to

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

	current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	be reduced.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used; the rate at which salaries are projected to increase; changes in retirement ages; mortality rates; and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumptions would result in a decrease in the pension liability of £9.13 million. However, the assumptions interact in complex ways. During 2011/12, the Council's actuaries advised that the net pensions liability had increased by £0.86 million as a result of estimates being corrected as a result of experience; and increased by £7.22 million attributable to updating of the assumptions.
Arrears / debt impairment	At 31 March 2012, the Council had a balance of sundry debtors of £1,840,853. A review of debtors, profiled by the age of the debt, suggested that an impairment of doubtful debts of 19.0% (£349,676) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, and an increase of 5% was attributed to each category of aged debt, an additional impairment charge of £92,043 would need to be set aside as an allowance.

This list does not include assets and liabilities that have are carried at fair value based on a recently observed market price.

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue on 25 June 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. The financial statements and notes have not been adjusted for the following events which took place after 31 March 2012 as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date:

Housing Finance Reform – On 1 April 2012 the reform of the national housing subsidy system takes effect. The Council retains all of the rental income collected from Council tenants for investment in, council housing, services to tenants and the servicing of the new housing debt. The debt of £156.722 Million was incurred on 28 March 2012 in order to make settlement to Central Government

6. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

2011/12	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Capital Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(2,148)	(3,947)	0	0	0	6,095
Revaluation losses on Property Plant and Equipment	(84)	(5,726)	0	0	0	5,810
Movements in the market value of Investment Properties	(40)	0	0	0	0	40
Amortisation of intangible assets	(367)	(4)	0	0	0	371
Capital grants and contributions	584	0	0	0	0	(584)
Revenue expenditure funded from capital under statute	0	0	0	0	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(105)	(249)	0	0	0	354
HRA Financing Settlement	0	(156,722)	0	0	0	156,722
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	257	0	0	0	0	(257)
Capital expenditure charged against the General Fund and HRA balances	0	532	0	0	0	(532)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure statement	0	0	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	150	633	(783)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	1,055	0	0	(1,055)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	(5)	5	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(476)	0	476	0	0	0
Transfer from Deferred Capital receipts Reserve upon receipt of cash	0	0	(5)	0	0	5
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	3,572	0	(3,572)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	3,404	0	(3,404)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(43)	264	0	0	0	(221)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 39)	(2,940)	(350)	0	0	0	3,290
Employer's pensions contributions and direct payments to pensioners payable in the year (see Note 39)	2,042	458	0	0	0	(2,500)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	40	0	0	0	0	(40)
Total Adjustments	(3,130)	(161,544)	748	(168)	0	164,094

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

2010/11 Restated	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(1,716)	(3,693)	0	0	0	5,409
Revaluation losses on Property Plant and Equipment	(2,264)	(104,046)	0	0	0	106,310
Movements in the market value of Investment Properties	1,336	1,505	0	0	0	(2,841)
Amortisation of intangible assets	(348)	0	0	0	0	348
Capital grants and contributions	742	0	0	0	0	(742)
Revenue expenditure funded from capital under statute	(74)	0	74	0	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	(613)	0	0	0	613
HRA Financing Settlement	0	0	0	0	0	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	39	0	0	0	0	(39)
Capital expenditure charged against the General Fund and HRA balances	0	672	0	0	0	(672)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure statement	2	0	0	0	(2)	0
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	70	1,272	(1,342)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	1,059	0	0	(1,059)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	(3)	3	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(2,007)	0	2,007	0	0	0
Transfer from Deferred Capital receipts Reserve upon receipt of cash	0	0	(5)	0	0	5
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	3,479	0	(3,479)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	3,497	0	(3,497)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	3	260	0	0	0	(263)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 39)	7,526	2,084	0	0	0	(9,610)
Employer's pensions contributions and direct payments to pensioners payable in the year (see Note 39)	1,918	542	0	0	0	(2,460)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(48)	0	0	0	0	48
Total Adjustments	5,179	(98,541)	1,796	18	(2)	91,550

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

7. Transfers to/from Earmarked Reserves

This note sets out the amounts set-aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans; and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure 2010-11 & 2011-12

	Restated Balance at 1 Apr 10	Restated Transfers out 10/11	Restated Transfers in 10/11	Restated Balance at 31 Mar 11	Transfers Out 11/12	Transfers in 11/12	Balance at 31 Mar 12
	£000	£000	£000	£000	£000	£000	£000
<u>General Fund</u>							
Major Investment	(3,636)	906	0	(2,729)	384	(1,320)	(3,665)
Bapsy Bequest (interest)	(611)	624	(13)	0	0	0	0
Car Park Property	(377)	241	0	(136)	110	(205)	(231)
Community Grants	(30)	1	0	(30)	17	0	(13)
Community Safety Partnerships	(70)	20	0	(50)	50	0	0
ICT Strategy	0	0	0	0	60	(60)	0
Insurance	(38)	0	(2)	(41)	0	0	(41)
Local Authority Business Growth Incentive	(811)	299	0	(512)	309	0	(203)
Local Development Framework	(133)	0	(40)	(173)	0	0	(173)
Museums Acquisitions	(14)	0	0	(14)	0	0	(14)
Museums Publications	(7)	0	(30)	(37)	40	(23)	(20)
Non-Operational Property Repairs	(65)	0	0	(65)	65	0	0
Planning Deposits (interest)	(343)	53	(107)	(396)	93	(25)	(328)
Property Condition Surveys	(20)	20	0	0	0	0	0
Property Repairs and Renewals	(582)	51	0	(531)	137	(165)	(559)
Sewage Works Replacement Contributions	(11)	0	0	(11)	11	0	0
Town Twinning	(11)	11	0	0	0	0	0
Choice Based Lettings Contributions	(83)	0	0	(83)	4	0	(79)
Arts & Health Project	(21)	6	0	(15)	15	0	0
Homelessness Prevention	0	0	(210)	(210)	0	(201)	(411)
Municipal Mutual Insurance	(185)	0	0	(185)	0	0	(185)
Land Charges - New Burdens	0	0	0	0	0	(34)	(34)
Building Control	0	0	0	0	0	(117)	(117)
	(7,048)	2,232	(402)	(5,218)	1,295	(2,150)	(6,073)
Winchester Town Reserve	(10)	0	(112)	(122)	0	(60)	(182)
Total General Fund	(7,058)	2,232	(514)	(5,340)	1,295	(2,210)	(6,255)
<u>Housing Revenue Account</u>							
Insurance	(47)	0	(23)	(70)	0	0	(70)
Total Earmarked Reserves	(7,105)	2,232	(537)	(5,410)	1,295	(2,210)	(6,325)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

8. Other Operating Expenditure

	2011/12	2010/11
	£000	£000
Parish council precepts	2,203	2,098
Payments to the Government Housing Capital Receipts Pool	477	2,007
(Gains)/losses on the disposal of non current assets	(429)	(729)
Total	<u>2,251</u>	<u>3,376</u>

9. Financing and Investment Income and Expenditure

	2011/12	2010/11
	£000	£000
Interest payable and similar charges	85	91
Pensions interest cost and expected return on pensions assets	1,270	1,970
Interest receivable and similar income	(281)	(310)
Changes in the fair value of investment properties	40	(2,841)
Total	<u>1,114</u>	<u>(1,090)</u>

10. Taxation and Non Specific Grant Income

	2011/12	2010/11
	£000	£000
Council tax income	(9,169)	(8,974)
Non domestic rates	(3,543)	(6,124)
Non-ringfenced government grants	(2,231)	(931)
Capital grants and contributions	(719)	(744)
Total	<u>(15,662)</u>	<u>(16,773)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

11. Property, Plant and Equipment (PP&E)

Movements in 2011/12

	Council dwellings	Other land and buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Surplus Assets	Assets under construction	Total Property, Plant and Equipment
<u>Cost or Valuation</u>	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2011	290,717	53,868	9,999	3,822	663	0	481	359,550
Additions	4,372	639	2,920	68	0	0	1,655	9,654
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(218)	0	0	0	0	0	(218)
Revaluation Increases /(decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,296)	(25)	0	0	(151)	0	0	(9,472)
Derecognition - Disposals	(248)	(25)	(25)	(2)	0	0	0	(300)
Other movements in Cost or Valuation	(300)	(2,111)	478	0	(14)	1,759	(478)	(666)
At 31 March 2012	285,245	52,128	13,372	3,888	498	1,759	1,658	358,548

Accumulated Depreciation and Impairment

At 1 April 2011	0	0	(7,243)	(1,083)	(209)	0	0	(8,535)
Depreciation charge	(3,572)	(1,500)	(794)	(192)	(8)	(28)	0	(6,094)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,572	10	0	0	80	0	0	3,662
Impairment losses /(reversals) recognised in the Revaluation Reserve	0	234	0	0	0	0	0	234
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	25	0	0	0	0	25
Derecognition - Other	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0
At 31 March 2012	0	(1,256)	(8,012)	(1,275)	(137)	(28)	0	(10,708)

Net Book Value

At 31 March 2012	285,245	50,872	5,360	2,613	361	1,731	1,658	347,840
At 31 March 2011	290,717	53,868	2,756	2,739	454	0	481	351,015

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

Movements (Restated) in 2010/11	Council dwellings	Other land and buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Surplus Assets	Assets under construction	Total Property, Plant and Equipment
<u>Cost or Valuation</u>	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2010	394,422	45,902	10,150	3,761	663	0	573	455,471
Additions	4,133	3,282	125	67	0	0	433	8,040
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	5,713	0	0	0	0	0	5,713
Revaluation Increases /(decreases) recognised in the Surplus/Deficit on the Provision of Services	(107,525)	(2,401)	0	0	0	0	0	(109,926)
Derecognition - Disposals	(613)	0	0	0	0	0	0	(613)
Derecognition - Other	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	300	1,372	(276)	(6)	0	0	(525)	865
At 31 March 2011	290,717	53,868	9,999	3,822	663	0	481	359,550
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2010	0	(479)	(6,537)	(895)	(192)	0	0	(8,103)
Depreciation charge	(3,479)	(955)	(764)	(194)	(17)	0	0	(5,409)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,479	137	0	0	0	0	0	3,616
Impairment losses /(reversals) recognised in the Revaluation Reserve	0	1,356	0	0	0	0	0	1,356
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0	0	0
Derecognition - Other	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	(59)	58	6	0	0	0	5
At 31 March 2011	0	0	(7,243)	(1,083)	(209)	0	0	(8,535)
<u>Net Book Value</u>								
At 31 March 2011	290,717	53,868	2,756	2,739	454	0	481	351,015
At 31 March 2010	394,422	45,423	3,613	2,866	471	0	573	447,368

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

Depreciation and estimated useful lives

Depreciation on HRA dwellings is an amount equivalent to the Major Repairs Allowance element of the Housing Subsidy. For other types of assets the following useful lives have been used in the calculation of depreciation:

Other land & buildings	5 – 60 years
Vehicles, plant, furniture & equipment	4 – 18 years
Infrastructure	5 – 51 years
Community assets	5 – 60 years

There were no significant changes to the asset lives and depreciation methods used to calculate the charges during the year.

Capital Commitments

As at 31 March 2012, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years. The total commitment at 31 March 2012 was £0.664 million (similar commitments at 31 March 2011 were £0.464 million) and is made up as follows:-

	31 March 2012 £'000
Active Community Capital Grants	75
Disabled Facilities grants	147
Depot	90
Hyde	267
ICT - E-Governance	15
Housing system upgrade	20
Asset management Solution	51
	<hr/> 665 <hr/>

Revaluations and Impairments

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years.

For 2011/12, the valuations were carried out internally by B Bottriell BSc MRICS, the Council's Senior Estates Surveyor.

The valuations have been carried out in accordance with RICS Valuation Standards and the specific sections that relate to the IFRS based Code on Local Authority Accounting which were written in conjunction with CIPFA.

The basis of valuations used for non-dwelling assets are either Market Value or Existing Use Value as defined in the Valuation Standards. In carrying out the valuation the majority of values were determined by reference to market based evidence, however for some assets, such as those assets that are highly specialised as a result of their location or specification, or are rarely if ever sold on the open market, the Depreciated Replacement cost method has been utilised.

The valuation figures incorporated in the accounts are the aggregate of separate individual asset valuations of the portfolio, produced for financial reporting purposes only, and not a valuation or apportioned valuation of the portfolio valued as a whole.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

Valuations of vehicles, plant, furniture and equipment are based on historic cost. The following table shows for each category of property, plant and equipment, those assets that are valued at historic cost and those which are re-valued (including the year in which the revaluations were completed).

	Dwellings	Operational Land & Buildings	Vehicles Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Historic Cost	0	121	5,360	2,613	361	0	1,658	10,113
Valuation 31/3/11	0	40,532	0	0	0	0	0	40,532
Valuation 31/3/12	285,245	10,219	0	0	0	1,731	0	297,195
	285,245	50,872	5,360	2,613	361	1,731	1,658	347,840

12. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Council

	Art Collection	Civic regalia	Archaeology	Total
	£000	£000	£000	£000
Balance as 1 April 2010	220	1,075	350	1,645
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluation	0	0	50	50
Depreciation	0	0	0	0
Balance as at 31 March 2011	220	1,075	400	1,695
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluation	630	425	0	1,055
Depreciation	0	0	0	0
Other changes	0	0	0	0
Balance as at 31 March 2012	850	1,500	400	2,750

Archaeology

The Archaeology collection has relatively little financial value, apart from the marble head which is on loan to the British Museum, but is of scientific value.

The collection was last valued on 23 April 2010 by the British Museum as part of the loan agreement, this is renewed / reviewed every three years as part of the museums procedures.

Art Collection (Topography of Art and Portraits)

The Authority undertook an external valuation of its art work with an independent auction house (Andrew Smith & Son) as at 14 October 2011. This was a full market valuation of the collection for insurance purposes, based on commercial markets including recent transaction information from auctions where similar types of painting are regularly being purchased. Due to the majority of the art collection consisting of prints and original works by local amateur artists the individual artworks attract a nominal financial value

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

The art collection includes the following works John Opie's *Lady Elizabeth Woodville Pleading for her Children before Edward IV*, 1798 this is on loan and displayed at Winchester College, King Charles II by Peter Lely, Cromwell's troops entering Winchester by George Arnold which are both on display in the Guildhall and Drawings of Wren's Design For the Kings House by Nicholas Hawksmoor which is held in storage at this time.

Civic Regalia

An external valuation of the civic regalia was carried out as at 15 June 2011, by an independent auction house (Andrew Smith & Son). This was a full market valuation of the collection for insurance purposes.

A selection of the Civic Silver collection is on display in the Guildhall, other items form part of ceremonial duties to show the history and culture of the objects in Winchester

Museum collection Additions

There were several additions/donation to the museum collections during the year, none of which has a significant monetary value. The additions include:

Donations of

- nine small scale archaeological interventions
- six local history objects
- nine pieces of art
- 644 original format photographs
- a silver plate bull given by 11 Light Brigade (Civic Regalia)

Acquisitions of

- A local history item
- two art purchases
- A group of coins purchased under the British Museum/Portable Antiquities Scheme and Treasure Act 1996

Disposals

There have been no disposals during this period.

13. Investment Properties

The following items of income and expense have been accounted for in the following Comprehensive Income and Expenditure Statement lines:

	2011/12	Restated 2010/11
	£000	£000
<u>Surplus on trading accounts</u>		
Rental income from investment property	(2,845)	(2,576)
Direct operating expenses of investment property	935	615
	<u>(1,909)</u>	<u>(1,961)</u>
<u>Financing and Investment Income and Expenditure</u>		
Net (gain) / loss on revaluation of investment property	40	(2,841)
Net (gain) / loss on investment properties	<u>(1,869)</u>	<u>(4,802)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

The Council's investment properties were revalued as part of the exercise undertaken by an internal valuer and detailed in note 11.

There are no restrictions on the Council's ability to realise the value inherent in its General Fund investment property or on the Council's right to the remittance of income and the proceeds of disposal. However, disposal of Housing Revenue Account investment properties are subject to a requirement to pay 50% to Central Government under the pooling regulations. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

	2011/12	2010/11
	£000	£000
Balance at start of the year	35,926	33,957
<u>Additions:</u>		
- Purchases	0	0
- Construction	0	0
- Subsequent expenditure	0	0
Disposals	0	0
Net gains/losses from fair value adjustments	(40)	2,841
<u>Transfers:</u>		
- to/from Inventories	0	0
- to/from Property, Plant and Equipment	665	(872)
Balance at end of the year	<u>36,551</u>	<u>35,926</u>

14. Intangible Assets

Intangible assets consist of purchased software and software licences. They are capitalised at cost and amortised on a straight-line basis to revenue over the estimated life of the asset which is between 4 – 10 years.

The amortisation cost in 2011/12 totalled £371,000. 88% of this £327,000 was charged to central support services and the IT Administration cost centre. This was then apportioned as an overhead across all the service headings in the Net Expenditure of Services. The remaining 12% £44,000 was charged direct to the relevant service.

The movement on intangible asset balances during the year is as follows:

	2011/12	2010/11
	£000	£000
Balance at start of year:		
Gross carrying amounts	2,855	2,599
Accumulated amortisation	(1,818)	(1,470)
Net carrying amount at start of year	<u>1,037</u>	<u>1,129</u>
Additions:		
Purchases	336	256
Assets reclassified as held for sale	0	0
Other disposals	(79)	0
Revaluations increases or decreases	0	0
Impairment losses recognised or reversed directly in the Revaluation Reserve	0	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	0
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	0	0
Amortisation for the period	(371)	(348)
Other changes	0	0
Net carrying amount at end of year	<u>923</u>	<u>1,037</u>
 <u>Comprising:</u>		
Gross carrying amounts	3,112	2,855
Accumulated amortisation	(2,189)	(1,818)
	<u>923</u>	<u>1,037</u>

15. Financial Instruments

Financial instruments are contractual arrangements that give rise to a financial asset in one entity and a financial liability in another. Until the 27th March 2012 this primarily related to financial assets in the form of investments and debtors; and financial liabilities in the form of borrowing and creditors. On this date the Council took on £156.7 million of the housing debt in line with the Housing Finance Reform

The following categories of financial instrument are carried in the Balance Sheet

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

	<u>Long-term</u>			<u>Current</u>		
	31-Mar-12 £000	31-Mar-11 £000	31-Mar-10 £000	31-Mar-12 £000	31-Mar-11 £000	31-Mar-10 £000
<u>Investments</u>						
Loans and receivables	54	127	269	9,159	7,237	13,722
Available-for-sale financial assets	963	962	913	0	0	0
Cash & Bank	0	0	0	3,754	6,077	4,357
Total investments	1,017	1,089	1,182	12,913	13,314	18,079
<u>Debtors</u>						
Loans and receivables	153	132	146	0	0	0
Financial assets carried at contract amounts	0	0	0	4,937	4,484	5,828
Total Debtors	153	132	146	4,937	4,484	5,828
<u>Borrowings</u>						
Financial Liabilities at Amortised Cost	(156,722)			(57)		
<u>Other Liabilities</u>						
Finance Lease Liabilities	(2,118)			(300)		
Total Long Term Borrowing	(158,840)	0	0	(357)	0	0
<u>Creditors</u>						
Financial liabilities carried at contract amount				(7,343)	(6,292)	(7,865)
Total Creditors	0	0	0	(7,343)	(6,292)	(7,865)

The following table reflects the composition of borrowings recorded on the Balance Sheet

	Long Term
Borrowing	31/03/12
	£'000
Nominal Amount	156,722
Accrued interest	57
Total Amortised Cost	156,779

The income, expense, gains and losses recognised in the Comprehensive Income and Expenditure Statement for the different categories of financial instruments are as follows:-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

<u>2011/12</u>	Financial liabilities at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale assets £000	Total £000
Interest expense	22	78	0	100
Impairment losses	0	0	0	0
Interest income	0	(217)	(63)	(280)
Reversal of impairment losses	0	(15)	(1)	(16)
Net (gain)/loss for the year	22	(154)	(64)	(196)

<u>2010/11</u>	Financial liabilities at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale assets £000	Total £000
Interest expense	2	0	0	2
Impairment losses	0	0	0	0
Interest income	0	(287)	(67)	(354)
Reversal of impairment losses	0	0	0	0
Net (gain)/loss for the year	2	(287)	(67)	(352)

The Council has no material soft loans.

Fair Value of Assets and Liabilities

The 2011/12 Code of Practice requires the fair values of Financial Assets and Liabilities to be disclosed for comparison purposes. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2012 consisted of loans from the Public Works Loan Board (PWLB). The PWLB has published the Fair Value amounts in relation to the Council's debt portfolio on its website www.dmo.gov.uk. The PWLB has assessed the fair values by calculating the amounts the Council would have to pay to extinguish the loans on this date.

The Council's fair values calculated are as follows:

	31 March 2012	
	Carrying Value £'000	Fair Value £'000
Long Term Creditors	156,722	164,354

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2012) arising from a commitment to pay interest to lenders above current market rates.

The Council's investment portfolio at the Balance Sheet date consisted almost entirely of term deposits

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

16. Inventories

2011/12	Guildhall	Museums	Tourism	Other	Total
	£000's	£000's	£000's	£000's	£000's
Opening Balance	12	10	7	7	36
Purchases	(2)	1	19	103	121
Recognised as an expense in the year	0	(2)	(22)	(104)	(128)
Written off balances	0	0	0	0	0
Closing Balance	10	9	4	6	29

2010/11	Guildhall	Museums	Tourism	Other	Total
	£000's	£000's	£000's	£000's	£000's
Opening Balance	0	9	8	3	20
Purchases	133	2	29	98	262
Recognised as an expense in the year	(121)	(1)	(30)	(94)	(246)
Written off balances	0	0	0	0	0
Closing Balance	12	10	7	7	36

17. Debtors

	31 Mar 12	31 Mar 11	31 Mar 10
	£000	£000	£000
Council Tax	152	158	167
Housing Rents	206	307	232
Related Parties	0	0	0
Prepayments	387	311	417
Central government bodies	1,018	1,948	1,951
Other local authorities	1,395	526	428
NHS bodies	100	29	0
Public corporations and trading funds	0	13	0
Other entities and individuals	1,679	1,192	2,633
Total	4,937	4,484	5,828

18. Cash and Cash Equivalents

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

	31 Mar 12	31 Mar 11	31 Mar 10
	£000	£000	£000
Cash held by the Authority	330	487	327
Bank Accounts	2,924	4,590	3,030
Short-term deposits	500	1,000	1,000
Total Cash and Cash Equivalents	3,754	6,077	4,357

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

19. Assets Held for Sale

The Council had no assets that were held for sale at 31 March 2012 or 31 March 2011.

20. Creditors

	31 Mar 12	31 Mar 11	31 Mar 10
	£000	£000	£000
Central government bodies	(1,328)	(593)	(962)
Other local authorities	(1,667)	(890)	(2,139)
NHS bodies	(2)	(1)	0
Public corporations and trading funds	0	(596)	0
Trade Creditors	(2,664)	(2,652)	(3,050)
Amounts Received in Advance	(1,048)	(1,050)	(1,056)
Other	(634)	(510)	(658)
Total	(7,343)	(6,292)	(7,865)

21. Provisions

	Total £000
Balance at 1 April 2010	(212)
Additional provisions made in 2010/11	(1,833)
Amounts used in 2011/11	103
Unused amounts reversed in 2010/11	28
Balance at 1 April 2011	(1,914)
Additional provisions made in 2011/12	(44)
Amounts used in 2011/12	1,884
Unused amounts reversed in 2011/12	0
Balance at 31 March 2012	(74)

The 2011/12 provision consists of a provision for insurance is made based on an actuary's estimate of the excesses payable in respect of liabilities existing at the balance sheet date.

22. Usable Reserves

Movements in usable reserves are detailed in the Movement in Reserves Statement.

General Fund

This is the resources available to meet the future running costs of Council services. The balance is maintained at £2 million by transferring annual surpluses or deficits to earmarked reserves. The primary earmarked reserve is the Major Investment Reserve which holds the funds to finance future capital and revenue expenditure.

Housing Revenue Account (HRA)

The HRA is a record of revenue expenditure and income relating to the Council's housing stock. Its purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. It is ring-fenced from the rest of the General Fund to ensure that rents cannot be subsidised from council tax (or vice versa).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

Capital Receipts Reserve

This reserve holds the proceeds from the sale of non-current assets. The funds are available to finance the Council's future capital investment.

Major Repairs Reserve

This statutory reserve is used to control the application of the Major Repairs Allowance (MRA).

Capital Grants Unapplied

This reserve holds capital grants that have been received; do not have outstanding conditions; but which have not yet been used to finance expenditure.

23. Unusable Reserves

The unusable reserves contain unrealised gains and losses, where amounts would only become available to provide services if the assets are realised. They also include reserves that hold timing differences and adjustments between the accounting basis and funding basis under regulations.

	31 Mar 12	Restated 31 Mar 11	Restated 31 Mar 10
	£000	£000	£000
Revaluation Reserve	(20,466)	(19,862)	(13,182)
Available for Sale Financial Instruments Reserve	0	0	87
Capital Adjustment Account	(203,090)	(365,658)	(468,314)
Financial Instruments Adjustment Account	185	407	632
Pensions Reserve	53,080	42,590	58,939
Deferred Capital Receipts Reserve	(298)	(303)	(308)
Collection Fund Adjustment Account	(27)	13	(35)
Total Unusable Reserves	<u>(170,616)</u>	<u>(342,813)</u>	<u>(422,181)</u>

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and recognition of Heritage Assets at valuation. The balance is reduced when assets with accumulated gains are: re-valued downwards or impaired and the gains are lost; used in the provision of services and the gains are consumed through depreciation; or disposed of and the gains are realised. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

	2011/12	Restated 2010/11
	£000	£000
Balance at 1 April	(19,862)	(13,182)
Upward revaluation of assets	(1,350)	(10,783)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	279	3,664
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(1,071)	(7,119)
Difference between fair value depreciation and historical cost depreciation	467	437
Accumulated gains on assets sold or scrapped	0	2
Amount written off to the Capital Adjustment Account	467	439
Balance at 31 March	(20,466)	(19,862)

Available for sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are: re-valued downwards or impaired and the gains are lost; or on disposal when the gains are realised.

	2011/12	Restated 2010/11
	£000	£000
Balance at 1 April	0	87
Upward revaluation of investments	0	(49)
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0	0
	0	(49)
Accumulated loss written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income as deferment of loss is no longer available under SI2009/321	0	(38)
Balance at 31 March	0	0

Capital Adjustment Account

The Capital Adjustment Account 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, impairment losses and amortisations 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 Account is credited with the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

amounts set aside by the 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 Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2011/12	Restated 2010/11
	£000	£000
Balance at 1 April	(365,658)	(468,314)
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>		
Charges for depreciation and impairment of non current assets	6,095	5,409
Revaluation losses on Property, Plant and Equipment	5,810	106,310
Amortisation of intangible assets	371	348
Revenue expenditure funded from capital under statute	0	0
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	354	613
HRA Financing Settlement	156,722	0
Other	0	0
	169,352	112,680
Adjusting amounts written out of the Revaluation Reserve	(467)	(439)
	168,885	112,241
<u>Capital financing applied in the year:</u>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,054)	(1,059)
Use of the Major Repairs Reserve to finance new capital expenditure	(3,404)	(3,497)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(532)	(672)
Application of grants to capital financing from the Capital Grants Unapplied Account	(584)	(742)
Statutory provision for the financing of capital investment	(257)	(39)
Capital expenditure charged against the General Fund and HRA balances	(526)	(735)
	(6,357)	(6,744)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	40	(2,841)
Balance at 31 March	(203,090)	(365,658)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2011/12	Restated
	£000	2010/11
		£000
Balance at 1 April	407	632
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(222)	(225)
Balance at 31 March	<u>185</u>	<u>407</u>

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The 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 Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the 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.

	2011/12	Restated
	£000	2010/11
		£000
Balance at 1 April	42,590	58,939
Actuarial gains or losses on pensions assets and liabilities	9,700	(4,279)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	3,290	(9,610)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,500)	(2,460)
Balance at 31 March	<u>53,080</u>	<u>42,590</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

Deferred Capital Receipts Reserve

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 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 eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2011/12	2010/11
	£000	£000
Balance at 1 April	(303)	(308)
Transfer to the Capital Receipts Reserve upon receipt of cash	5	5
Balance at 31 March	<u>(298)</u>	<u>(303)</u>

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2011/12	2010/11
	£000	£000
Balance at 1 April	13	(35)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(40)	48
Balance at 31 March	<u>(27)</u>	<u>13</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

24. Cash Flow Statement – Adjustments to Net surplus of deficit on the provision of services for Non-cash movements

	2011/12	Restated 2010/11
	£000	£000
Amortisation of intangible assets	(371)	(348)
Depreciation of Property, Plant & Equipment	(6,094)	(5,409)
Amortisation of assets under Finance Lease	(161)	0
Depreciation written out to the Surplus/ Deficit on the Provision of Service	3,662	3,616
Revaluation of Property Plant & Equipment	(9,472)	(109,926)
Other movements in depreciation and impairment	0	5
Net (gain)/loss on revaluation of investment property	(40)	2,841
(Increase)/Decrease in allowances for doubtful debts	6	97
Impairment of Investments	14	(11)
(Increase)/Decrease in grants and contribution receipts in advance	(532)	(672)
(Increase)/Decrease in provision	1,840	(1,702)
Pension Fund adjustments	480	11,440
Collection fund adjustment	40	(48)
Statutory Provision for the financing of Capital	(96)	(39)
Other	(32)	(45)
Finance Reformation (HRA)	(156,722)	0
	<u>(167,478)</u>	<u>(100,200)</u>

25. Cash Flow Statement – Operating Activities

	2011/12	2010/11
	£000	£000
Interest Paid	102	82
Interest Received	(383)	(406)
	<u>(281)</u>	<u>(324)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

26. Cash Flow Statement – Investing Activities

	2011/12	2010/11
	<u>£'000</u>	<u>£'000</u>
Purchase of property, plant and equipment	9,654	8,040
Purchase of Intangible assets	337	256
Other payments for investing activities	476	371
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(808)	(1,342)
Proceeds from short-term and long-term investments	866	(6,652)
Net cash flows from investing activities	<u>10,525</u>	<u>673</u>

27. Cash Flow Statement – Financing Activities

	2011/12	2010/11
	<u>£000</u>	<u>£000</u>
Cash receipts of short and long-term borrowing		
Other receipts from financing activities	(281)	(354)
Other payments for financing activities	(3,290)	2,603
Net cash flows from financing activities	<u>(3,570)</u>	<u>2,249</u>

28. Reconciliation with Amounts Reported to Internal Management

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice 2011/12. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across the corporate outcomes. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisation is charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and only charged to services at the year end.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

The income and expenditure of the Council's outcomes recorded in the budget reports for the 2011/12 year is as follows:

	Active Communities	Prosperous Economy	High Quality Environment	Efficient & Effective	Total
	£000	£000	£000	£000	£000
<u>Expenditure:</u>					
Employees	4,355	1,590	4,186	6,174	16,305
Premises	5,454	415	2,138	925	8,931
Transport	370	69	87	266	791
Supplies & Services	818	921	930	2,599	5,267
Third Party Payments	1,085	340	4,644	159	6,228
Transfer Payments	9,866			30,711	40,578
Depreciation & Impairment Losses	167,696	480	781	747	169,704
Support Services	2,015	508	1,677	(4,251)	(51)
	191,658	4,322	14,444	37,330	247,753
Income	(26,646)	(2,282)	(9,055)	(34,908)	(72,891)
Net Cost of Services (and trading accounts)	165,012	2,040	5,389	2,422	174,862

Included in the Depreciation and Impairment losses is the £156.722 million which relates to the HRA reform

Reconciliation of internally reported 2011/12 Net Cost of Services to the Cost of Services in the Comprehensive Income & Expenditure Statement:-

	Active Communities	Prosperous Economy	High Quality Environment	Efficient & Effective	Total
	£000	£000	£000	£000	£000
Net Cost of Services in internal reporting	165,012	2,040	5,389	2,422	174,862
Trading Accounts (Guildhall, GF Property)		1,365			1,365
Cost of Services in Comprehensive I&E	165,012	3,405	5,389	2,422	176,227
<u>Corporate Items:</u>					
Other Operating Income & Expenditure					2,251
Financing & Investment Income & Expenditure					1,114
Taxation & Non-Specific Grant Income					(15,662)
Trading A/Cs (Guildhall, GF Property)		(1,365)			(1,365)
(Surplus) or Deficit on Provision of Services					162,565

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

The income and expenditure of the Council's outcomes recorded in the budget reports for the 2010/11 year is as follows:

	Active Communities	Prosperous Economy	High Quality Environment	Efficient & Effective	Total
	£000	£000	£000	£000	£000
<u>Expenditure:</u>					
Employees	2,351	1,864	4,436	(4,840)	3,812
Premises	5,506	510	2,220	864	9,100
Transport	418	82	35	293	828
Supplies & Services	679	845	1,062	2,198	4,783
Third Party Payments	2,631	504	4,969	458	8,562
Transfer Payments	9,132			28,891	38,023
Depreciation & Impairment Losses	109,444	225	2,013	1,965	113,647
Support Services	2,471	993	2,235	(5,737)	(39)
	132,632	5,023	16,970	24,092	178,716
Income	(25,417)	(2,458)	(8,311)	(32,810)	(68,995)
Net Cost of Services (and trading accounts)	107,214	2,565	8,659	(8,717)	109,721

Included in the Depreciation and Impairment is the impairment generated from the change to the social housing factor which is applied to the vacant possession value of a property. The factor changed in 2010/11 from 45% to 32% generating a decrease of 13% in values disclosed in the statement of accounts.

Reconciliation of internally reported 2010/11 Net Cost of Services to the Cost of Services in the Comprehensive Income & Expenditure Statement:-

	Active Communities	Prosperous Economy	High Quality Environment	Efficient & Effective	Total
	£000	£000	£000	£000	£000
Net Cost of Services in internal reporting	107,214	2,565	8,659	(8,717)	109,721
Trading Accounts (Guildhall, GF Property)		1,364			1,364
Cost of Services in Comprehensive I&E	107,214	3,929	8,659	(8,717)	111,085
<u>Corporate Items:</u>					
Other Operating Income & Expenditure					3,376
Financing & Investment Income & Expenditure					(1,090)
Taxation & Non-Specific Grant Income					(16,773)
Trading A/Cs (Guildhall, GF Property)		(1,364)			(1,364)
(Surplus) or Deficit on Provision of Services					95,234

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

29. Trading Operations

The Council has two trading units that operate in a commercial environment and are required to generate income from other parts of the Council or other organisations.

	2011/12
	£000
General fund property management	(1,909)
Guildhall	545
	<u>(1,365)</u>

General Fund Property Management trading account

The Council has a portfolio of industrial and commercial properties located in various parts of the district. The rental income and expenditure associated with the maintenance and servicing of these properties is accounted for in this trading account, which also includes the income and costs associated with the provision of the market and the farmers' market.

	2011/12	2010/11	2009/10
	£000	£000	£000
Turnover	(2,845)	(2,576)	(2,589)
Expenditure	935	615	1,137
Surplus	<u>(1,909)</u>	<u>(1,961)</u>	<u>(1,452)</u>

The Guildhall trading account

The Council manages the Guildhall, providing a high quality venue for events, functions and activities to improve the quality of life in the local community. The income and expenditure associated with the hire of the venue and the use of the eighteen71 café are recorded in this trading account. The Guildhall is managed in such a way as to maximise the usage of the venue whilst achieving the financial operating targets set by the Council.

The Guildhall underwent major capital works of over £3m during 2010/11. Whilst every effort was made to minimise the disturbance on bookings during this period, it was recognised that there would be an impact on the trading result for the year.

	2011/12	2010/11	2009/10
	£000	£000	£000
Turnover	(1,005)	(1,024)	(1,095)
Expenditure	1,550	1,621	1,227
Deficit	<u>545</u>	<u>597</u>	<u>132</u>

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement and the balances disclosed separately as part of the Surplus or Deficit on Provision of Services.

30. Agency Services

The Council undertakes some highways work (including grass cutting, tree and shrub maintenance, temporary road closures, replacement signs, traffic management and development control on highways) on an agency basis for Hampshire County Council.

	2011/12 £000	2010/11 £000
Expenditure incurred in providing services to Hampshire County Council	409	404
Management fee payable by Hampshire County Council	(409)	(404)
Net surplus arising on the agency arrangement	0	0

During 2011/12 the Council commenced to act as agent to provide Local Planning Authorities (LPA) services to South Downs National Park Authority (SDNPA)

	2011/12 £000	2010/11 £000
Expenditure incurred in providing services to South Downs National Park	554	0
Management fee payable by South Downs National Park	(554)	0
Net surplus arising on the agency arrangement	0	0

31. Members' Allowances

The payments made directly to members under the Council's Members' Allowance Scheme during 2011/12 totalled £450,846 (£433,112 in 2010/11). In addition to these payments, the Council also paid some Members an allowance for the use of broadband internet - this totalled £516 in 2011/12 (£3,309 in 2010/11). The Mayor and Deputy Mayor also received allowances for their additional mayoral duties - these totalled £5,308 in 2011/12 (£4,521 in 2010/11).

A detailed breakdown of amounts paid to individual Councillors and co-opted Members can be found on the Council's website www.winchester.gov.uk.

32. Officers' Remuneration

Employees' remuneration

Information relating to employees' remuneration is required to be published under the Accounts and Audit Regulations 2011. The following note shows the number of employees whose total remuneration exceeded £50,000 in 2011/12. For this purpose, remuneration includes gross pay, all taxable benefits and redundancy payments but excludes employer pension contributions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

<u>2010/11</u>			Remuneration Band	<u>2011/12</u>		
Ongoing Employee	Employees left in year	Total Employees		Ongoing Employee	Employees left in year	Total Employee
8	0	8	£50,000 - £54,999	6		6
8	0	8	£55,000 - £59,999	11	1	12
4	1	5	£60,000 - £64,999	2		2
1	0	1	£65,000 - £69,999	1	1	2
0	1	1	£70,000 - £74,999	0		0
0	0	0	£75,000 - £79,999	0		0
1	0	1	£80,000 - £84,999	1		1
0	1	1	£85,000 - £89,999	0		0
0	0	0	£90,000 - £94,999	0		0
2	0	2	£95,000 - £99,999	2		2
0	0	0	£100,000 - £104,999	0		0
0	1	1	£105,000 - £109,999	0		0
0	1	1	£110,000 - £114,999	0		0
24	5	29		23	2	25

The Council shares its Head of Revenues with Test Valley Borough Council. The full cost of this post is included above as the officer is employed by Winchester City Council. During 2011/12 Test Valley Borough Council contributed £35,800 towards this post (£40,000 in 2010/11).

The Council shares an Internal Audit Manager with Havant Borough Council and Test Valley Borough Council. The post holder is employed by Havant Borough Council so is not included in the figures above. Winchester City Council's contribution towards this post in 2011/12 was £22,900 (£22,700 in 2010/11).

The remuneration of the Director of Governance includes payments that this officer receives in their capacity as Returning Officer. These totalled £14,000 for elections conducted during 2011/12 (£17,000 in 2010/11).

The note above includes costs for five redundancies made during 2010/11. The banding note also includes the senior officer posts detailed below.

Senior officers' remuneration

Information relating to individual senior employees' remuneration is required to be published under the Accounts and Audit Regulations 2011. This note gives the details of salary, allowances, benefits in kind and pension payments for senior employees whose salary exceeded £50,000 in 2011/12.

2011/12	Salary	Taxable		Pension Payments	Total Remuneration
		Expenses and Benefits			
	£'000	£'000		£'000	£'000
Chief Executive	94	2		12	108
Director of Governance	94	3		13	110
Director of Operations	80	2		10	92
Head of Finance	63	5		8	76

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

2010/11	Salary £000	Taxable Expenses and Benefits £000	Compens- ation for loss of office £000	Pension Payments £000	Total remuneration £000
Chief Executive	94	4	-	18	117
Director of Governance	96	3	-	18	118
Director of Policy	20	8	71	4	104
Director of Operations	79	3	-	15	97
Head of Finance	62	5	-	12	78

The remuneration of the Director of Governance shown above includes payments that this officer receives in their capacity as Returning Officer. These totalled £17,000 (including pension payments) for elections conducted during 2011/12 (£20,000 in 2010/11).

The Director of Policy post was made redundant and the officer left the council with effect from 3 July 2010.

The current rates and adjustments certificate for the Hampshire Pension Fund certifies a common rate for all employers of 19.1% of pensionable pay. Individual adjustments are added or subtracted from the common rate to produce individual employer rates. The individual adjustment for Winchester City Council gives a contribution rate of 13.1% of pensionable pay plus an additional monetary amount relating to all scheme members of £0.7 million for 2011/12.

33. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	2011/12 £000	2010/11 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	114	122
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	19	37
Fees payable in respect of other services provided by the Audit Commission during the year	1	1
Total	134	160

The fees for other services payable in 2011/12 and 2010/11 were in relation to the National Fraud Initiative.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

	2011/12	2010/11
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(1,095)	(889)
Developers' Contributions	(719)	(29)
New Homes Bonus	(588)	0
Preventing Homelessness *	(375)	0
Council Tax Freeze Grant	(173)	0
Bapsy Bequest	0	(710)
Area Based Grants	0	(40)
Performance Reward Grant	0	(6)
Total	(2,950)	(1,675)

	2011/12	Restated 2010/11
	£000	£000
Credited to Services		
Rent Allowance	(14,135)	(13,164)
Rent Rebates	(11,456)	(10,531)
Council Tax Benefits	(5,319)	(5,296)
Benefit Administration	(538)	(576)
Hampshire Supporting People	(509)	(502)
Developers Contributions	(495)	(332)
Disabled Facilities	(414)	(382)
Leader Project Funding	(371)	(470)
Other Contributions	(261)	(340)
Other Grants & Reimbursements	(257)	(97)
Hampshire County Contributions	(225)	(197)
NNDR Collection Allowance	(194)	(189)
S106 Developers Contributions - General	(50)	(150)
Lottery Grants	(14)	(106)
Concessionary Fares	0	(269)
Preventing Homelessness *	0	(255)
Other	(202)	(225)
Total	(34,440)	(33,081)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

The Council has received a number of grants, contributions and donations 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 the year-end are as follows:

	31 Mar 12	31 Mar 11	31 Mar 10
<u>Grants and Contributions in Advance</u>	£000	£000	£000
Developers' Contributions Open Spaces	(1,312)	(1,292)	(1,112)
Developers' Contributions Social Housing	(792)	(242)	(122)
Developers Contributions West of Waterlooville	(387)	(48)	(36)
Developers' Contributions Whiteley	(386)	(475)	(573)
S.39 Grant Re A3 Infill	(176)	(188)	(186)
Open Spaces Commuted Payments	(163)	(290)	(415)
Bapsy Bequest	0	0	(710)
Total	(3,216)	(2,535)	(3,154)

35. Related Parties

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

The UK Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates; provides the majority of its funding in the form of grants; and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Details of funding transactions with government departments in the form of grants and contributions are set out in Note 34.

Members of the Council have direct control over the Council's financial and operating policies. The payments made to members' in 2011/12 (and 2010/11) are shown in Note 33. During 2011/12 (and 2010/11) there were no material transactions with any members. Any declarations of interest are recorded in the Register of Members' Interests, which is open to public inspection.

Chief officers have the ability to influence the council. During 2011/12, there were no material transactions between the Council and chief officers.

The Council provides material financial assistance to a number of organisations (mainly arts or voluntary community bodies) although it does not exercise any form of control over these organisations.

36. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

financed. The CFR is analysed in the second part of this note.

	2011/12	2010/11
	£000	£000
Opening Capital Financing Requirement	4,154	2,602
Housing Revenue Account Financing Settlement	156,722	0
<u>Capital Expenditure</u>		
Operational Assets	8,467	7,569
Non-operational Assets	1,187	471
Intangible Assets	337	256
Capital Grants	704	1,579
	10,695	9,875
<u>Sources of finance</u>		
Capital Receipts	(1,054)	(1,041)
Government Grants and other contributions	(1,047)	(1,227)
HRA Major Repairs Reserve	(3,404)	(3,497)
HRA Revenue Provision	(531)	(672)
GF Revenue Provision	(770)	(1,847)
	(6,806)	(8,284)
Capital Financing Requirement Movement in Year	160,611	1,591
Statutory provision for the financing of capital investment	(96)	(39)
Amortisation of embedded lease operational assets	(161)	0
	164,508	4,154
<u>Explanation for Movement in year</u>		
HRA Financing Settlement	156,722	0
Increase in underlying need to borrow (Unsupported by Government Financial Assistance)	1,319	1,591
Waste Contract Embedded Lease	2,570	0
	160,611	1,591

37. Leases

Council as Lessee

Finance leases

The Council has identified and embedded lease within the joint environmental services contract. This is where there are assets utilised for the specific use of the contract and paid for as part of the contractual payments for the services provided. These assets include refuse, recycling, grounds maintenance and street cleansing vehicles and are split from the contractual payments to be disclosed in the statements as finance leases.

The assets are included within Property, Plant and Equipment as follows:

		2011/12
		£'000
Vehicles, Plant, Furniture and Equipment		2,410

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

The Council is committed to make payments under the Environmental services contract and can be analysed as follows:

	2011/12 £'000
Finance Lease Liabilities (Net Present Value of minimum lease payments)	
- Current	300
- Non- Current	2,118
Finance costs payable in future years	203
Minimum Lease payments	2,621

The Minimum Lease payments are payable over the following periods

	Minimum Lease payments 2011/12 £'000	Finance Lease Liability 2011/12 £'000
Not later than one year	34	300
Later than one but not later than five years	1,398	1,268
Later than five years	874	850
	2,621	2,418

Operating Leases

The Council has acquired the use of some properties (including car parks, storage facilities and open spaces) vehicles and equipment under operating leases. The total amount paid under operating leases in 2011/12 was £756,200 (£707,000 in 2010/11).

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

	2011/12 £000	2010/11 £000
Due within one year	470	406
Due later than one year and not later than five years	648	440
Due after five years	610	676
Total future minimum lease rentals payable	1,728	1,522

Council as Lessor

The Council leases out its investment property under operating leases for the purpose of generating income. It also leases out property for the purpose of the provision of community services such as leisure facilities and community centres; and for economic development purposes - to provide suitable affordable accommodation for local businesses.

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

	2011/12 £000	2010/11 £000
Due within one year	1,855	1,855
Due later than one year and not later than five years	8,257	6,150
Due after five years	73,691	73,056
Total future minimum lease rentals receivable	83,850	81,061

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £779,400 of contingent rents were receivable by the Council.

38. Termination Benefits and Exit Packages

The Council terminated the contracts of a number of employees in 2011/12, incurring liabilities of £141,000 (£691,100 in 2010/11). Of this there were 9 employees who were /are to be compensated for loss of office and enhanced pension benefits of £86,300, a further amount was negotiated and paid in compensation above that estimated at the end of 2010/11.

<u>Packages</u>	Compulsory Redundancy	Other termination	Amount Paid £
0-20,000	1	8	86,300
40,001-60,000		1	54,700
Total	1	9	141,000

The Council also has some shared services with other Councils, where employees are employed by one Council but work for two or more Council's. During 2011/12 an employee who worked under a shared service agreement took voluntary redundancy from Eastleigh Borough Council, during 2010/11 there were some redundancies in relation to the Environmental Services Contract with East Hampshire Council. These are not reflected in the termination or exit package information, but included in full in the Council's reporting where the employee contract was employed

39. Defined Benefit Pension Schemes

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

The Council participates in the Local Government Pension Scheme, administered locally by Hampshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Council has also awarded discretionary post retirement benefits upon early retirement. This is also through the Local Government Pension Scheme but as an unfunded defined benefit arrangement. The liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash is paid to the scheme to meet actual pensions payments as they eventually fall due.

Transactions relating to post employment benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge against council tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

transactions have been made in the accounts during the year:

	2011/12 £000	2010/11 £000
<u>Included in the Cost of Services</u>		
Current service cost	1,820	2,110
Past service cost	200	(13,690)
<u>Included in Financing and Investment Income and Expenditure</u>		
Interest costs	5,540	5,980
Expected return on assets in the scheme	(4,420)	(4,010)
<u>Included in Other Comprehensive Income and Expenditure</u>		
Actuarial gain / (loss) on Pension Fund assets and liabilities	9,700	4,280
Total included in Comprehensive Income and Expenditure	12,840	(5,330)
<u>Included in the Movement in Reserves</u>		
Removal of notional charges made for retirement benefits	(3,140)	9,610
Inclusion of actual employer's contributions payable	2,500	2,460
Total included in the Movement in Reserves	(640)	12,070
<u>Actual employer's contributions charged against Council Tax</u>		
Normal funded contributions	1,810	2,152
Lumps sums for early retirements	490	108
Discretionary / unfunded added years	200	200
Total amount charged to Council Tax	2,500	2,460

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £64.614 million.

Assets and liabilities in relation to post employment benefits

The movement in scheme liabilities was:

	2011/12 funded liabilities £000	2011/12 unfunded liabilities £000	2010/11 funded liabilities £000	2010/11 unfunded liabilities £000
Opening present value of liabilities	(103,180)	(2,770)	(116,590)	(3,190)
Current service cost	(1,820)	0	(2,110)	0
Interest cost	(5,540)	(150)	(5,820)	(160)
Contributions by scheme participants	(730)	0	(780)	0
Actuarial gains / losses on liabilities	(8,080)	(200)	4,720	100
Net benefits paid out	3,960	200	4,030	200
Past service cost	(200)	0	13,370	280
Closing present value of liabilities	(115,590)	(2,920)	(103,180)	(2,770)

The movement in the fair value of the scheme assets was:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

	2011/12	2010/11
	£000	£000
Opening fair value of assets	63,360	60,880
Expected return on assets	4,420	4,010
Contributions by scheme participants	730	780
Contributions by the employer	2,300	2,260
Actuarial gains / losses on assets	(1,420)	(540)
Net benefits paid out	(3,960)	(4,030)
Closing fair value of assets	65,430	63,360

The expected return 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 2011/12 was £3.0 million (£3.47 million in 2010/11).

Scheme history

The Council's share of assets and liabilities in the pension fund was:

	2007/08	2008/09	2009/10	2010/11	2011/12
	£000	£000	£000	£000	£000
Fair value of assets in the Fund	57,720	45,870	60,880	63,360	65,430
Present value of liabilities in the Fund	(82,860)	(86,980)	(119,780)	(105,950)	(118,510)
Net surplus / (deficit) in the Scheme	(25,140)	(41,110)	(58,900)	(42,590)	(53,080)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £53.08 million as at the 31 March 2012 (£42.59 million as at 31 March 2011) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance for 2011/12 of £184.2 million (£355.40 million in 2010/11).

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the pension scheme 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. Also, finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the scheme by the Council in the year to 31 March 2013 is £2.38 million (£2.17 million for funded benefits and £0.21 million in respect of unfunded early retirements).

Basis for estimating assets and liabilities

The latest actuarial valuation of the Council's liabilities took place as at 31 March 2010. Liabilities have been estimated by the independent actuary, Aon Hewitt Limited, on an actuarial basis using the projected unit credit method. The principle assumptions used by the actuary in updating the valuation for the fund were:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

	Funded benefits		Unfunded benefits	
	2011/12	2010/11	2011/12	2010/11
	£000	£000	£000	£000
<u>Principle financial assumptions</u>				
Rate for discounting scheme liabilities	4.7%	5.4%	4.6%	5.5%
RPI inflation rate	3.5%	3.7%	3.4%	3.6%
CPI inflation rate	2.5%	2.8%	2.4%	2.7%
Rate of increase to pensions in payment	2.5%	2.8%	2.4%	2.7%
Rate of increase to deferred pensions	2.5%	2.8%	-	-
Rate of general increases in salaries	5.0%	5.2%	-	-
<u>Mortality assumptions</u>				
Future lifetime from 65 for current pensioners				
Males	23.9	23.8	23.8	23.8
Females	24.9	24.8	-	-
Future lifetime from 65 for future pensioners				
Males	25.6	25.6	24.9	24.8
Females	26.8	26.7	-	-
<u>Take up of option to commute pension to lump sum</u>				
Pre-2008 service	25%	25%	-	-
Post-2008 service	75%	75%	-	-
<u>Expected return on assets</u>				
Equities	8.1%	8.4%	-	-
Property	7.6%	7.9%	-	-
Government bonds	3.1%	4.4%	-	-
Corporate bonds	3.7%	5.1%	-	-
Cash	1.8%	1.5%	-	-
Other assets	8.1%	8.4%	-	-

The scheme assets consist of the following categories, by proportion of total assets held:

	2011/12	2010/11
	£000	£000
Equities	55.1%	63.4%
Property	7.7%	7.3%
Government bonds	27.0%	23.3%
Corporate bonds	1.5%	1.7%
Cash	4.1%	4.3%
Other	4.6%	0.0%
	100.0%	100.0%

Winchester City Council employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected return on each asset class is set out above. The overall expected rate of return on assets is then derived by aggregating the expected return on each asset class over the actual asset allocation from the Fund as at 31 March 2012.

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities:

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Experience gains/(losses) on assets	(3.89)	(34.10)	20.60	(0.90)	(1.42)
Experience gains/(losses) on liabilities	0.23	(0.50)	1.00	3.80	(0.86)

40. Contingent Liabilities

The Council is aware of a potential liability arising from its previous arrangement with the Municipal Mutual Insurance Company. The company is winding down, and have applied and received judgement from the Supreme Court in the Employers' Liability Policy Trigger relating to mesothelioma claims. The Supreme Court found against the company and the Board of Directors are now seeking legal, financial and actuarial advice to determine the full implications. It has been indicated that "run-off projections do not show a break-even point" and under the terms of the original arrangement, if a solvent run-off cannot be achieved, due to further insurance claims, then the cost of claims can be passed on the Council. The estimated liability if the company becomes insolvent is £185,000. There is no possibility of reimbursement from third parties.

41. Contingent Assets

The Council has submitted a claim in the High Court for the payment of Compound Interest in relation to a VAT Claim which was paid by HMRC with Simple Interest in 2009. The High Court claim was made in March 2010 and now stands with a number of other similar claims, behind the lead case involving Littlewoods. A number of questions relating to this lead case have recently been referred to the European Court of Justice and we now await a hearing and judgement in that case. Resolution of this issue may not be forthcoming for another 12-24 months.

42. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. These include credit risk (the possibility that other parties might fail to pay amounts due to the Council); liquidity risk (the possibility that the Council might not have funds to meet its commitments); and market risk (the possibility that losses might arise due to changes in interest rates and market prices).

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. The Head of Finance is responsible for the design, implementation and monitoring of all arrangements for the identification, management and control of treasury management risk, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Is the possibility that one party to a financial instrument will fail to meet its contractual obligations causing a loss for the other party. Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the 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 pre-specified minimum credit criteria. The Annual Investment Strategy also imposes a maximum sum to be invested with each financial institution and with each category. Counterparties are monitored daily against criteria by the Council's external Treasury Management Consultants and are added / removed as changes in circumstances are advised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

The Council's maximum exposure to credit risk in relation to its investments of £29 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. There is a risk of irrecoverability in relation to any of the Council's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

The Council does not generally allow credit for customers. For those debtors that the Council assess as being open to credit risk, the amount due, before any impairment, can be analysed by age as follows:

	31 Mar 12	31 Mar 11
	£000	£000
Less than three months	1,425	556
Three months to one year	316	458
More than one year	539	529
	<u>2,280</u>	<u>1,543</u>

Liquidity risk is the possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments.

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and 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 Council may be bound to take out borrowings at a time of unfavourable interest rates.

The maturity analysis of financial liabilities is as follows:

	31 March 2012 £'000
11-20 years	65,000
21-30 years	35,000
31-40 years	20,000
41-50 years	36,722
	<u>156,722</u>

All trade and other payables (creditors) are due to be paid in less than one year.

Market risk – Is the possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

Interest rate risk

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

Changes in interest receivable on variable rate investments are recognised in the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price are reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. Including fixed rate borrowing to take advantage of historically low interest rates, as interest rates rise these may be repaid at a discount, also as a result of the current heightened credit risk keeping investments short term to react to the market, the Council will benefit as interest rates rise

The treasury management officers have an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is monitored throughout the year. The analysis helps advise whether new borrowing should be fixed or variable.

According to this assessment strategy, at 31 March 2012, if interest rates had been 0.5% higher with all other variable held constant, the financial effect would be a gain of:-

	£000
Increased interest receivable on variable rate investments	(116)
Increase in government grant receivable for financing costs	(49)
Impact on Surplus or Deficit on Provision of Service	<u>(165)</u>
Share of overall impact credited to the HRA	<u>(18)</u>

The impact of a 0.5% fall in interest rates would be a loss the opposite of the above

Price risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £1 million in the Local Authority Mutual Investment Trust (LAMIT). The Council is consequently exposed to losses arising from movements in the prices of the shares. This investment was impaired in 2008-09 and during 2009-10 and 2010-11 has almost fully recovered in value. The impairment reversal gain recognised in Other Comprehensive Income and Expenditure was £634 for 2011/12

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and so has no exposure to loss arising from movements in exchange rates.

43. Group Accounts

During 2011/12 Winchester City Council (WCC) and East Hampshire District Council (EHDC) agreed to undertake a joint venture for the supply of environmental services being the provision of waste and recycling, grounds maintenance, street cleansing and public conveniences. EHDC are the administering authority. The contract with the third parties has been in place since 1 October 2011 and are in place until 30 September 2019.

This venture has resulted in the recognition of the following in the Balance Sheet of ECC, more details are in Note 37.

	31-Mar-12
	£'000
Fixed Assets	2,410
Liabilities within one year	300
Liabilities after more than one year	2,118

44. Exceptional Items

During 2011/12 there was one material accounting transactions that the Council has deemed to be exceptional.

Housing Reform

As part of the Government's reform of the Housing subsidy system, the Council has a charge in its Comprehensive Income and Expenditure statement for the settlement made to the Secretary of State in accordance with the determination.

45. Heritage Assets: five year summary of transactions

	2007/08	2008/09	2009/10	2010/11	2011/12
	£'000	£'000	£'000	£'000	£'000
Value of Heritage Assets					
Archaeology	125	350	350	400	400
Art Collection	220	220	220	220	850
Civic Regalia	1,075	1,075	1,075	1,075	1,500

46. Heritage Assets further information on the collections

Structures and Monuments

This includes a variety of assets including parts of the city wall, archaeological remains at St Mary's passage, Roman wall display in the weirs, St Maurice church tower, King Alfred statue, partial remains of medieval buildings once part of Hyde Abbey and a plague monument in upper high street.

All of these objects can be seen around Winchester, though not all historic structures and monuments belong to Winchester some are maintained privately and others by Hampshire City Council.

The Museum's collections

Archaeology

The bulk of the archaeological collection derives from excavations beginning in the 1960's, though important earlier material is held. The work was carried out in a controlled way resulting in most of the archives (the artefacts and their associated documentation) being data rich. The collection, though not the largest, is one which provides the most comprehensive overview of the character and development of any European city.

To build on this Winchester acts as a repository for archaeological material of all periods and types excavated by external contractors in order to provide as complete a research resource as possible for the study of the area. This material is normally only accepted where there is documentation and where title can be obtained. Winchester currently charge £25 per box received to contribute the storage cost of the items.

The Archaeological collection contains over one million objects with many pieces being on public display at the City Museum and Westgate. The greater part of the collection is held in store and is available to view by appointment. Some material is on loan to other museums: for example the 3rd century AD marble portrait head of Herodes Atticus, tutor to the Roman emperor Marcus Aurelius, which is on loan to the British Museum.

Local History

This is material collected because of its direct relevance to Winchester and its surrounding area. The collection contains over 9000 objects. Particular strengths of the existing collections are in material manufactured by local firms and craftsmen, material relating to local retailers and industries and material relating to civic and social history and institutions.

Some material is acquired because it helps to interpret or amplify an area of strength within the collections for example advertising ephemera used in local shops.

Winchester has focused on city and village life due to the strong agricultural expertise in the County Museums Service. There are also a number of other organisations that collect or hold local history relating to the district (Twyford Waterworks Trust, Watercress Line Railway Museum, Balfour Museum of Red Cross history, English Heritage and National Trust).

Some major pieces from the collection are on public display on the ground floor of the City Museum, including three reconstructed shops with original fittings: Hunts the Chemist, Foster's tobacconist shop and Bosley's general store.

Photographic material

Winchester has the largest collection of historical photographic material in Hampshire with over 45,000 objects. The major acquisition to this collection was the transfer, in 1974, of the photographs held by Winchester Library to Winchester Museums. Subsequently acquisition has been through donation. The main emphasis of the collection is to represent the change and development as well as people and events associated with the area.

The collection includes photographs from 1870 to the present day and also includes cine film, video and audio tape.

Part of the collection includes a complete set of Mayoral portraits from 1848 to the present day. This is on permanent display in the Guildhall.

Where donation of important photographic material cannot be agreed, the museum encourages the deposition of digital images, copy negatives or prints for public reference.

Due to lack of storage and display space, when opportunities of acquisition arise, the object's rarity, quality and contribution to the collection are taken into account. Specifically large collections will only be taken in their entirety in exceptional circumstances.

Prints of some of the historical photographs are displayed in two replica Victorian albums in the City Museum. Images are frequently used in temporary exhibitions at City Space and elsewhere and are often reproduced in commercial publications when a reproduction fee is payable to the Council.

Topographical Art and Portraits (Art Collection)

This collection of over 1,700 pictures forms a comprehensive selection of works that illustrate the character and development of the city and district between the 18th – 20th centuries and to a lesser extent the people associated with that history.

The collection has been developed by donation and acquisition. Some of the art works are on permanent display at the Guildhall and at Abbey House. A temporary exhibition of selected works is held at least once a year in City Space at the Winchester Discovery Centre.

The criteria for the artwork is that it should provide; interesting or previously undocumented information; or the work is by an artist working in or associated with the Winchester area; or that the work shows a person or event associated with Winchester.

Some of the works in the collection do not meet the criteria set, though will be kept for historic or civic reasons; however, relocation to an appropriate Registered or Accredited museum will be considered. There is one artwork – Tanquerary Island, Kent by W. Sidney Cooper (1903) an oil painting of a rural scene depicting a group of cattle which is being considered for sale to enable the conservation of other artworks, specifically *'The Children of the Thirteenth Marquess of Winchester'* (c1812) by Thomas Stewardson. This is displayed on the front stairs in the Guildhall along with a portrait of the Marquess and one of his wife by the same artist.

Other works of interest include a painting by John Opie, *Lady Elizabeth Woodville Pleading for her Children before Edward IV*, this is on loan to the University of Winchester where the public have occasional access. Other works include King Charles II by Peter Lely, Cromwell's troops entering Winchester by George Arnold which are both on display in the Guildhall and Drawings of Wren's Design For the Kings House by Nicholas Hawksmoor which is held in storage at this time

Civic Regalia

This is a collection of over 130 objects. The collection is mainly of donations from civic dignitaries, official visitors to the city or private individuals. Criteria for the collection whether by donation or acquisition is that the objects must relate to Winchester and surrounding area.

There are 14 civic regalia items on permanent display in the Guildhall and civic regalia items are often displayed in the temporary exhibition display case, also in the Guildhall. The largest of the maces ranks second largest in size in the country.

Numismatics

This collection of over 7,600 objects comprises a range of pre-Roman, Roman, Saxon, medieval and post medieval coins from the area; more than 200 medieval jettons comprising French, Anglo-Gallic and German issues; and 17th, 18th and 19th century tokens mainly issued by the traders, merchants and corporations of Winchester and Hampshire.

The collection has been built up through archaeological investigation, supplemented by purchase following specialist advice. The collection will continue to expand through excavations, donation, acquisition or loan where it contributes to completing the collection or has particular archaeological significance. Coins, tokens and jettons from the collection are displayed at the City Museum and Westgate Museum. Those not on display are held in the F2 store where they are available for study by appointment.

Ethnography

The museum has a small collection of approximately 280 objects containing material derived from the world's inhabited continents. The items collected in the 19th and early 20th centuries include arms, armour, costume, jewellery, musical instruments and religious artefacts, such as the Indo-Tibetan 'durga', a bronze statuette of the Hindu goddess Parvati.

Winchester no longer collects this material but facilitates and encourages users of this collection. Consideration is being given to the dispersal or sale of items. The collection is held at the F2 store.

Foreign Archaeology

The museum has a collection of approximately 500 items brought back by local people following travels abroad in earlier years. Half of the collection consists of ancient Egyptian antiquities the remainder includes pieces from the Mediterranean, Middle East and the Americas. The collection is in store at F2 but elements, such as the Egyptian antiquities are occasionally used in temporary exhibitions at City Space, the museum's temporary exhibition gallery at the Winchester Discovery Centre.

Winchester no longer collects this material but facilitates and encourages users of this collection. The museum is to retain this collection in order to understand the museum's development and because its importance at Winchester is published or well documented.

Preservation and Management

There is a nominal budget for conservation of material in the collections and the museum has been successful in past years in attracting grant-aid from various sources to undertake conservation projects.

And, as mentioned above, the oil painting, '*Tanquerary Island, Kent*' by W. Sidney Cooper is being considered for sale with proceeds ring-fenced to enable the conservation of other

artworks, specifically *'The Children of the Thirteenth Marquess of Winchester'* (c1812) by Thomas Stewardson.

Each of the collections is managed by a curator who reports to the Head of Museums. Regular reports are also received by members and Cabinet. The curators manage the collection in accordance with policies that are approved by the Authority. Further information is provided in the Museum's *Collections Management Policy* which has been produced in accordance with national guidelines and is available on the Council's website. This is reviewed every five years; the latest review was approved at Cabinet in November 2011.

The publication sets out that the assets in the collection are only disposed of in accordance with the Museums Association's ethical guidelines and with the authority of the museum's governing body.

Acquisitions are generally made by donation. However, where a particularly important asset is available for purchase the Authority will undertake to purchase the object provided it lies within the museum's collecting policy.

Assets are collated, preserved and managed in accordance with the aforementioned guidelines. The register for its collections records the nature, provenance, condition and current location of each asset. The Museum catalogues on Modes XML museum cataloguing software, to date some 150,000 individual digital records have been created, the majority from the old paper based cataloguing system. New acquisitions have been catalogued directly on to computer since Modes was first introduced in 1988 and the process of transferring paper records continues.

Heritage assets not managed by the Museum include the King Alfred statue on Broadway, Butter Cross on the High street, City Bridge parapets and plague monument on upper high street

47 Change in Accounting Policy required by the Code of Practice for Local Authority Accounting in the United Kingdom and correction of errors

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for heritage assets, held by the Authority. As set out in our summary of significant accounting policies, the Authority now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it is not possible to obtain cost information on the assets. Community Assets (that are now classified as heritage assets) that were donated to the authority were held at valuation as a proxy for historical cost. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies (see notes 1.11 and 1.17)

In applying the new accounting policy, the Council are to recognise an £2.75 million This will be reflected by an increase is also recognised in the Revaluation Reserve. The 1 April

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

2010 and the 31 March 2011 Balance Sheets and the 2010/11 Comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

Errors

Errors are not a change in accounting estimate but where an incorrect calculation or value was included in a previous Statement of Accounts. During 2011/12 the valuation of the Council's housing stock was valued based on the prior Social housing discount factor of 45% which had been applied to the vacant possession value of the property. The social housing discount factor changed at the year end by 13% to 32%, this impacts on the valuation of the housing stock by £117.9 million

Included within the Property Plant and Equipment were three operating leases. These assets are removed from Property Plant and Equipment and the operating rental charged to the CIES, disclosure is also included within the operating lease disclosure. (Note 37)

Restated Statements

The fully restated 1 April 2010 Balance sheet is provided on page 12. The adjustments that have been made to the Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on the Opening balance Sheet 1 April 2010

	Opening balance as at 1 April 2010	Restatement	Restatement required to opening balances as at 1 April 2010
	£'000	£'000	£'000
Property, Plant and equipment	449,639	447,368	(2,271)
Heritage Assets	0	1,645	1,645
Long Term Assets	486,053	485,427	(626)
Total Net assets	439,810	439,184	(4)
Unusable Reserves	422,807	422,181	(626)
Net Worth / Total Reserves	439,810	439,814	4

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

Comprehensive Income and Expenditure Statement

There has been no restatement to the Comprehensive Income and Expenditure Statement for 2009/10

Movement in Reserves Statement – Unusable Reserves 2010/11

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below.

	As previously stated	As Restated	Restatement
	31-Mar-11	31-Mar-11	2011
	£'000	£'000	£'000
Balance as at the end of the previous reporting period – 31 March 2010	(422,807)	(422,181)	626
(Surplus) or Deficit on the Provision of Services	0	0	0
Other Comprehensive Income and Expenditure	(15,138)	(11,447)	3,691
Adjustments between the accounting basis and the funding basis under regulations	(23,414)	91,550	114,964
Increase / Decrease in the year	(39,287)	79,368	118,655
Balance at the end of the current reporting period 31 March 2011	(462,094)	(342,813)	119,281

The resulting restated Balance Sheet for 31 March 2011 is provided on page 12. The adjustments that have been made to the Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

	As previously stated	As Restated	Restatement
	31-Mar-11	31-Mar-11	2011
	£'000	£'000	£'000
Property, Plant and Equipment	471,991	351,015	(120,976)
Heritage Assets	0	1,695	1,695
Long-Term Assets	510,175	390,894	(119,281)
Total Net Assets	474,678	355,397	(119,281)
Unusable Reserves	462,094	342,813	(119,281)
Net Worth / Total Reserves	474,678	355,397	(119,281)

Effect on Balance Sheet 31 March 2011

The effect of the change in accounting policy in 2010/11 has been that Heritage Assets are recognised at £1,695 million on the Balance Sheet, resulting in an increase to the Revaluation Reserve of £1.695 million.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

The impact from the correction of errors included £117.9Million in relation to the revaluation of Council Dwellings to reflect the latest Social Housing factor applied to the vacant possession valuation and £3.076 million for the reclassification of Property, Plant and Equipment to operating leases.

**HOUSING REVENUE ACCOUNT COMPREHENSIVE INCOME AND EXPENDITURE
STATEMENT FOR THE YEAR ENDED 31 MARCH 2012**

		2011/12	Restated 2010/11
	Note	£000	£000
<u>Income</u>			
Dwelling Rents		(22,008)	(20,537)
Non-Dwelling Rents		(1,038)	(1,038)
Charges for Services & Facilities		(2,433)	(2,062)
Total Income		(25,479)	(23,637)
<u>Expenditure</u>			
Repairs & Maintenance		3,769	3,984
Supervision & Management		5,993	6,369
Rents, Rates, Taxes & Other Charges		412	358
Negative Housing Revenue Account Subsidy Payable	H1	9,866	9,132
Depreciation and Impairment of Non-Current Assets	H6	3,947	3,693
Revaluation Losses on Property, Plant and Equipment	H6	5,726	104,046
Amortisation of Intangible Assets	H6	4	0
Debt Management Costs		99	43
(Decrease)/Increase in Bad Debt Provision		(3)	13
Self Financing Settlement Payment		156,722	0
Total Expenditure		186,535	127,638
Net Cost of HRA Services per Authority Income & Expenditure Statement		161,056	104,001
HRA Services Share of Corporate & Democratic Core		131	132
HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		26	(2,539)
Net Cost of HRA Services		161,213	101,594
Net Gain on Sale of HRA Fixed Assets		(383)	(659)
Changes in Fair Valuations on Investment Properties		0	(1,505)
External Interest Payable		57	0
Deficit for year on HRA Services		160,887	99,430

**STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE
FOR THE YEAR ENDED 31 MARCH 2012**

This reconciliation statement summarises the differences between the deficit on the Comprehensive Income and Expenditure Statement and the Housing Revenue Account Balance.

	Note	2011/12 £000	Restated 2010/11 £000
Deficit for the year on the Housing Revenue Account		160,887	99,430
<u>Adjustments between accounting basis and funding basis under statute:</u>			
Reversal of Self Financing Settlement Payment	(156,722)		0
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute		264	260
Reversal of items relating to retirement benefits and Employer's pensions contributions and direct payments to pensioners payable in the year	H2	108	2,626
Reversal of revaluation losses on Property, Plant and Equipment and movements in the market value of Investment Properties		(5,726)	(102,541)
Net Gain on sale of Fixed Assets		384	659
Capital Expenditure funded from the HRA		532	672
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(5)	(3)
Charges for depreciation and impairment of non-current Assets		(3,947)	(3,693)
Amortisation of intangible assets		(4)	0
Reversal of Major Repairs Allowance credited to the HRA		<u>3,572</u>	<u>3,479</u>
		<u>(161,544)</u>	<u>(98,541)</u>
Net (increase) / decrease in HRA Balance before transfers to or from reserves		(657)	889
Transfer to or from Reserves		<u>(11)</u>	<u>23</u>
(Increase)/Decrease in HRA Balance		(668)	912
Housing Revenue Account Surplus Brought Forward		<u>(1,289)</u>	<u>(2,201)</u>
Housing Revenue Account Surplus Carried Forward		<u>(1,957)</u>	<u>(1,289)</u>

**NOTES TO THE HOUSING REVENUE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012**

H1. Housing Subsidy

The HRA subsidy can be broken down as follows in accordance with the elements set out in the general formula in paragraph 3.1 of the general determination of Housing Revenue Account Subsidy for the year.

	2011/12	2010/11
	£000	£000
Management & maintenance allowance	(7,708)	(7,491)
Major repairs allowance	(3,572)	(3,479)
Charges for capital	(402)	(270)
Notional rent	21,619	20,384
Interest on receipts	0	0
	<u>9,938</u>	<u>9,146</u>
Previous year adjustment	(72)	(13)
	<u>9,866</u>	<u>9,132</u>

H2. IAS 19 Employee Benefits

In accordance with the requirements of IAS 19 and the statutory regulations regarding the Housing Revenue Account, the account has been charged with an allocation of its share of the current and past service costs. This adjustment is then reversed out of the Housing Revenue Account via the Statement of Movement on the HRA Balance, so its effect on the account is neutral.

H3. Major Repairs Reserve

This is a statutory reserve used to fund the Housing Revenue Account (HRA) capital expenditure and it is financed by depreciation to the limit of the major repairs allowance (MRA), within the housing subsidy. Adjustments are made between the HRA and this reserve when depreciation either exceeds or is less than the MRA, so that any charge on the HRA is exactly offset by the MRA subsidy income. Movements in the year were as follows:

	2011/12	2010/11
	£000	£000
HRA depreciation	(3,951)	(3,693)
HRA depreciation in excess of MRA	379	214
Net Charge to HRA	<u>(3,572)</u>	<u>(3,479)</u>
HRA capital financed	<u>3,404</u>	<u>3,497</u>
Movement in year	(168)	18
Balance brought forward at 1 Apr	(808)	(826)
Balance carried forward at 31 Mar	<u>(976)</u>	<u>(808)</u>

**NOTES TO THE HOUSING REVENUE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012**

H4. Housing Stock

The number and types of dwelling in the Council's housing stock as at 31 March were made up as in the following table.

	31 Mar 12	31 Mar 11
	Number	Number
Houses	2,285	2,289
Bungalows	862	862
Flats & Maisonettes	1,932	1,933
Shared ownership	13	14
	<u>5,092</u>	<u>5,098</u>

The Balance Sheet value of land, housing and other property within the HRA as at 31 March is given below.

	31 Mar 12	Restated 31 Mar 11	Restated 31 Mar 10
	£000	£000	£000
<u>Operational assets</u>			
Dwellings	285,245	290,717	394,422
Other Land & Buildings	8,419	8,200	8,033
Infrastructure	2,390	2,478	2,563
Community Assets	14	14	14
Plant & Equipment	77	7	18
	<u>296,145</u>	<u>301,416</u>	<u>405,050</u>
<u>Non-operational assets</u>			
Investment Properties	4,224	3,924	2,419
	<u>300,369</u>	<u>305,340</u>	<u>407,469</u>

In arriving at the Balance Sheet value of Dwellings, the vacant possession value of a property is multiplied by a Government recommended percentage to arrive at the value for social housing. The figure for both 2011/12 and 2010/11 was 32% and 2009/10 was 45%

The valuation for existing use for social housing, which is the value held in the Statement of Accounts, was £285 million at 31 March 2012 and £290 million at 31 March 2011. The vacant possession values were £891 million and £908 million respectively.

In calculating the notional rent element in the subsidy calculation the Government uses the capital value of dwellings as one of the components. By using a lower than open market vacant possession valuation, the total notional rent is therefore less. As this element is deducted from other elements in the subsidy calculation, the net subsidy from the Government is increased as a result. Details of the subsidy elements are set out in Note H1 to the Housing Revenue Account.

**NOTES TO THE HOUSING REVENUE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012**

H5. Capital Expenditure and Receipts

	2011/12	Restated 2010/11
	£000	£000
Self Financing Settlement	156,722	0
<u>Capital Expenditure</u>		
Dwellings	4,372	4,133
Other Land & Buildings	173	0
Vehicles Plant & Equipment	75	0
Infrastructure	68	66
Intangibles	54	0
Expenditure in year	<u>4,742</u>	<u>4,199</u>
Financed by:		
Capital receipts	(730)	(66)
Major repairs reserve	(3,404)	(3,497)
Contributions from revenue	(532)	(636)
Other Contributions	(76)	0
	<u>(4,742)</u>	<u>(4,199)</u>
Additional Capital Financing Requirement	156,722	0
Capital Financing Requirement B/F	10,131	10,131
Capital Financing Requirement C/F	<u>166,853</u>	<u>10,131</u>
<u>Capital Receipts</u>		
Operational Assets		
Dwellings	(633)	(1,271)
Mortgages	(3)	(5)
Total	<u>(636)</u>	<u>(1,276)</u>

H6. Depreciation & Impairment

	2011/12	Restated 2010/11
	£000	£000
<u>Depreciation</u>		
Dwellings	3,572	3,479
Operational Land & Buildings	217	51
Infrastructure	153	152
Plant & Equipment	5	11
Intangibles	4	0
	<u>3,951</u>	<u>3,693</u>
<u>Revaluation below Historic Cost</u>		
Dwellings	5,726	104,046
Operational Land & Buildings	0	0
	<u>5,726</u>	<u>104,046</u>
Total	<u>9,677</u>	<u>107,739</u>

**NOTES TO THE HOUSING REVENUE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012**

As at the 1 April 2007 a new fixed assets accounting system was adopted by local government and property values at that date were deemed to be historic cost. In 2008/09, the market value of the properties dropped below the 1 April 2007 values resulting in costs being charged to the comprehensive income & expenditure statement in line with standard accounting practice, during 2010/11 Dwelling market values increased but Central Government reduced the percentage to be applied to valuing social housing from 45% to 32%, see note H4, resulting in a downward revaluation of £104.0 million. During 2011-12 the social housing percentage has remained at 32% but value of Dwellings has fallen with a further charge of £5.7 million being made to the comprehensive Income and expenditure statement (I&E). Should Dwelling values rise in the future the charges made to I&E will be reversed until values reach what they were in 1 April 2007, after which a revaluation reserve will be created

H7. Rent Arrears

	31 Mar 12	31 Mar 11	31 Mar 10
	£000	£000	£000
Rent Arrears	446	417	458
Provision for Bad Debts	(240)	(238)	(315)
Anticipated Collectable Arrears	<u>206</u>	<u>179</u>	<u>143</u>

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2011

This account reflects the statutory requirements for the Council, as a billing Council, to maintain a separate Collection Fund. It summarises income from non-domestic rates and Council Tax and shows its distribution to precepting authorities, the Council's General Fund and Central Government.

		2011/12		2010/11	
	Note	£000	£000	£000	£000
<u>Income</u>					
Net Council Tax	C1	(64,064)		(63,199)	
Non-Domestic Rates	C2	(46,246)		(44,082)	
Council Tax Benefits		(5,254)		(5,263)	
			(115,564)		(112,544)
 <u>Expenditure</u>					
Hampshire County Council Precept		49,798		49,499	
Winchester City Council Demand		9,129		8,983	
Hampshire & Isle of Wight Police Authority Precept		7,017		6,975	
Hampshire Fire & Rescue Authority Precept		2,945		2,927	
Payment to National Pool		46,053		43,893	
Business Rate Cost of Collection Allowance		194		189	
Movement in Provision for Council Tax Bad Debt		(51)		(24)	
Council Tax Written Off		183		175	
			115,268		112,617
 <u>Adjustments for previous years</u>					
Distribution of previous year's estimated Council Tax Surplus	C3		0		293
(Surplus)/Deficit for year			(296)		366
(Surplus)/Deficit brought forward			96		(270)
(Surplus)/Deficit carried forward	C4		(200)		96

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2011

C1. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands, using 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund for the forthcoming year and dividing this by the Council Tax base.

The tax base is arrived at by adjusting the total number of properties in each band by a proportion to convert the number to a band D equivalent, which is then adjusted for discounts and collection rate. The basic amount of tax for a band D property, which will vary according to Parish (average for district £1,436) is then multiplied by the proportion specified for the particular band to give an individual amount due.

For 2011/12 Council Tax bills were based on the following dwellings and proportions:-

Band	Estimated Number of Taxable Properties after Discounts & Exemptions	Ratio Equivalent	Number of Band D Equivalent Dwellings
Disabled A	2.50	5/9	1.39
A	1,537.19	6/9	1,024.79
B	5,106.08	7/9	3,971.40
C	9,839.70	8/9	8,746.40
D	7,911.47	1	7,911.47
E	7,571.68	11/9	9,254.28
F	5,840.10	13/9	8,435.70
G	4,713.55	15/9	7,855.92
H	557.25	18/9	1,114.50
Ministry of Defence			341.02
	43,079.52		48,656.87
Less adjustment for collection rates			(676.41)
			47,980.46

The tax yield for 2011/12 was as follows:

	2011/12		2010/11	
	£000	£000	£000	£000
Gross Income	(78,589)		(77,558)	
Less Exemptions and Revised Assessments	3,463		3,226	
		(75,126)		(74,332)
Less Benefits	5,254		5,263	
Discounts & Reliefs	5,808		5,870	
		11,062		11,133
Net Council Tax		(64,064)		(63,199)
Contributions towards Benefits		(5,254)		(5,263)
Write Offs & Provision for Irrecoverable Debts		132		151
Net Total		(69,186)		(68,311)
Original Estimate		(68,798)		(68,266)

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2011

C2. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specified an amount (43.3p in 2011/12) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. It also specified for certain businesses with a rateable value of less than £15,000 a small business rate (42.6p in 2011/12). The Council is responsible for collecting rates due from the ratepayers in the area but pays the proceeds into an NNDR pool, administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The total rateable value at 31 March 2012 was £126.6 million and £129.2 million at 31 March 2011. After relief's and provisions, the NNDR income of £53.3 million (£48.7 million for 2010/11) was based on an average rateable value for the Council's area of £127.9 million for 2011/12 (£117.8 million for 2010/11) and was arrived at as follows:

	2011/12		2010/11	
	£000	£000	£000	£000
Gross Income - (£120,046,406 x 0.433)	(51,980)		(46,062)	
- (£ 7,842,600 x 0.426)	<u>(3,341)</u>		<u>(2,650)</u>	
		(55,321)		(48,712)
Less/(Plus): Voids and Revised Assessments		<u>2,068</u>		<u>(1,163)</u>
		(53,253)		(49,875)
Less:				
Transitional Reliefs	149		1,532	
Other Reliefs	6,434		4,015	
Interest Arising from Reduced Assessments	47		66	
Write Offs and Provisions for Write Offs	<u>377</u>		<u>180</u>	
		<u>7,007</u>		<u>5,793</u>
Total		<u>(46,246)</u>		<u>(44,082)</u>

C3. (Contribution) / Distribution of previous year's estimated Council Tax (Deficit) / Surplus

	2011/12	2010/11
	£000	£000
Winchester City Council	0	38
Hampshire County Council	0	212
Hampshire and Isle of Wight Police Authority	0	30
Hampshire Fire & Rescue Authority	<u>0</u>	<u>13</u>
	<u>0</u>	<u>293</u>

C4. Surplus carried forward

Any surpluses or deficits in respect of Council Tax are distributable to Hampshire County Council, Hampshire and Isle of Wight Police Authority, Hampshire Fire & Rescue Authority and the Council in proportion to the value of the respective precepts and demands made by the Authorities on the Collection Fund. The balance as at 31 March 2012 is made up of the following elements:

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2011

	£000
Deficit brought forward at 1 April 2011	96
Distribution made in the year of previous year's estimate	0
Surplus arising in 2011/12	<u>(296)</u>
Surplus carried forward at 31 March 2012	<u>(200)</u>

The net (surplus) / deficit on the collection fund is due (to) / from preceptors as follows:

	2011/12	2010/11
	£000	£000
Winchester City Council	(27)	13
Hampshire County Council	(145)	69
Hampshire and Isle of Wight Police Authority	(20)	10
Hampshire Fire & Rescue Authority	(8)	4
	<u>(200)</u>	<u>96</u>