

AUDIT COMMITTEE

24 September 2013

ANNUAL FINANCIAL REPORT 2012/13

REPORT OF CHIEF FINANCE OFFICER

Contact Officer: Alexis Garlick Tel No: 01962 848224 email:  
[agarlick@winchester.gov.uk](mailto:agarlick@winchester.gov.uk)

RECENT REFERENCES:

AUD056: Statement of Accounts 2012/13, 12 March 2013

AUD062: Annual Financial Report 2012/13, 25 June 2013

EXECUTIVE SUMMARY:

Legislation requires the audited Statement of Accounts to be approved by Members, by 30 September each year. At its meeting in June the Committee received a presentation on the pre-audit Statement of Accounts which were signed by the Chief Finance Officer and published, as required, by 30 June and made available for public inspection from 25 July 2013 to 21 August 2013.

Elsewhere on this agenda the External Auditors have presented their Annual Results Report which includes a proposed unqualified audit opinion.

The Annual Financial Report for 2012/13, incorporating the Explanatory Foreword (for noting); the Statement of Accounts and the Annual Governance Statement (for approval) are appended. The Annual Governance Statement is unchanged for that approved by the Audit Committee in June.

It is important that Members have considered the key issues contained in the Accounts and the Chief Finance Officer will provide a presentation and answer any questions on the Annual Financial Report at the Committee meeting. Members have been requested to raise any matters of detail with the Chief Finance Officer in advance of the meeting.

RECOMMENDATIONS:

That the Audit Committee:

1. Note the Explanatory Foreword to the Statement of Accounts for 2012/13,
2. Approve the Statement of Accounts for 2012/13,
3. Approve the Annual Governance Statement, and
4. Agree that the Council should adopt an asset valuation date of 31 December with a subsequent review for major changes at 31 March.

## AUDIT COMMITTEE

24 SEPTEMBER 2013

### ANNUAL FINANCIAL REPORT 2012/13

### REPORT OF CHIEF FINANCE OFFICER

#### 1. Introduction

1.1. The Council's external auditors, Ernst & Young, have now (subject to final review) concluded their work in relation to:

- the external audit of the Council's Statement of Accounts 2012/13;
- the review of the Council's Annual Governance Statement; and
- assessing the Council's arrangements for ensuring value for money in its use of resources.

1.2. The findings are reported in the Annual Results Report which is being considered elsewhere on this agenda (AUD068).

1.3. In accordance with the statutory requirements, it is planned that the audited Statement of Accounts for 2012/13 will be published together with the auditor's opinion by the end of September.

#### 2. Public Inspection

2.1. As required by the Accounts and Audit Regulations, the 2012/13 Statement of Accounts were made available for public inspection from 25 July 2013 to 21 August 2013. No questions or objections to the accounts were received.

#### 3. Approval of the Statement of Accounts

3.1. 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.

3.2. The Council's Statement of Accounts 2012/13 have been signed by the Chief Finance Officer to certify that they give a true and fair view of the financial position of the Council as at 31 March 2013.

3.3. In addition, the Chairman of the Audit Committee is required to sign the Statement of Accounts to certify that they have been approved by a resolution of the Audit Committee at its meeting in September.

#### 4. Statement of Accounts

4.1. The External Auditor has advised that, subject to clearance of outstanding matters, an unqualified audit opinion on the financial statements will be issued.

- 4.2. Since the presentation of the pre-audit Statements of Account in June it has been necessary to make some changes to the Accounts. The valuation of some assets has been amended by the Council's valuer. Some HRA assets that changed use during 2012/13 (some dwellings that were leased to a housing association; Victoria House; and two flats now used as offices) had been excluded from the original asset valuations. The classification of these assets has now been reviewed and their values included in the Balance Sheet. In addition, one Housing asset (Barnes House) and one General Fund asset (75 Hyde Street) had been duplicated in the asset register. These duplications have been removed and the asset values revised.
- 4.3. Currently valuations are prepared at or after 31 March allowing little time for processing and review of the data. The guidance states that valuations can be completed any time *before* the 31 March (with a 31 March effective date), provided there is a review for major changes *at* 31 March (e.g. fire, flood). In view of the difficulties experienced over the past 2 years it is recommended that the Council adopts a valuation date of 31 December, with just the works being completed in the last quarter being valued in March. This would enable time to process and review the valuations and the impact in the Statement of Accounts, especially as there will be more valuations in the future with the new build in housing.
- 4.4. A new fixed asset register was implemented during 2012/13 and data was migrated from the existing system prior to the year end. This migration exercise and subsequent reconciliations highlighted some errors in the old data; these were corrected retrospectively (restating balances and transactions back to 2007/08) with a prior period adjustment to the comparative previous year (Note 39 in the Accounts provides more detail).
- 4.5. Although the adjustment to the 2011/12 comparative figures has been deemed by the external auditors not to be sufficiently material to require that the previous year comparative figures are restated, it has been decided to keep the prior period adjustments in the Accounts, as they are a more accurate reflection of the asset values and the charges to the Comprehensive Income and Expenditure Statement in respect of previous years.

## 5. Annual Governance Statement

- 5.1. The Annual Governance Statement is unchanged from that approved by the Audit Committee in June. The Audit Committee are asked to confirm their endorsement of this position i.e. that no changes are required from any matters arising in the intervening period.

## OTHER CONSIDERATIONS:

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

- 6.1. The 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.

7. RESOURCE IMPLICATIONS:

- 7.1. The external audit fees are proposed to be in line with the proposed fees; £74,214 Audit and £14,400 for the certification of claims and returns.

8. BACKGROUND DOCUMENTS:

None

APPENDICES

Appendix 1: Annual Financial Report for the year ended 31 March 2013

**WINCHESTER CITY COUNCIL**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 31 MARCH 2013**

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## **1. Introduction**

The purpose of this foreword is to provide a guide to the most significant matters reported in the Statement of Accounts and an explanation in overall terms of the Council's financial position, to assist in the interpretation of the financial statements.

## **2. Statement of Accounts**

The Council's Statement of Accounts has been prepared in accordance with statutory requirements and includes the adoption of the International Financial Reporting Standards (IFRS). The Statement of Accounts includes the following main statements and associated notes:

Statement of Responsibilities for the Statement of Accounts – sets out the respective responsibilities of the Council and the Chief Finance Officer in relation to the Statement of Accounts.

Movement in Reserves Statement (MIRS) – shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves', which 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 economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax and dwellings rent setting purposes. The Net (Increase)/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and the Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement (CIES) – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet – The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are 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 (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is unusable reserves which are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

Statement of Accounting Policies – explains the basis for the recognition, measurement and disclosure of transactions and other events in the Statement of Accounts.

Housing Revenue Account Income and Expenditure Statement – This statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the

year, on the basis on which rents are raised, is shown in the Statement of Movement on the Housing Revenue Account Balance.

Collection Fund Account – is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to other precepting bodies and the Government of council tax and non-domestic rates.

### **3. Annual Governance Statement**

In addition to the foregoing, the Council is required by statute to provide an Annual Governance Statement: a formal statement that covers all significant corporate systems, processes and controls, spanning the whole range of its activities. It is approved by the Audit Committee and signed by the Council's Chief Executive and the Leader of the Council.

### **4. Significant Events During the Year**

#### **4.1. Housing Finance Reform**

The new system of self-financing for the HRA started on 1 April 2012. The Council borrowed £156.722 million at the end of 2011/12. The accounts now show the interest cost of this borrowing but the previous requirement to pay HRA subsidy to the Department for Communities and Local Government (DCLG) no longer applies. The 30 year HRA business plan has been updated and now makes provision for a council house building programme for the full 30 year period.

#### **4.2. Local Public Audit**

In March 2012 the Audit Commission announced the results of the procurement exercise awarding five-year contracts to four private firms. Around 700 of the Commission's auditors transferred to new employers in November 2012. The Audit Commission has awarded the contract for the South East to Ernst & Young LLP.

The Audit Commission remains in place to oversee the contracts and other statutory functions but is significantly smaller following the outsourcing.

The Local Audit and Accountability Bill had its second reading in the House of Lords on 22 May 2013. The Bill will introduce a new regime for the auditing of public bodies. It will abolish the Audit Commission and create a framework whereby councils will have to establish an independent auditor appointment panel in order to be able to appoint their own auditors. The majority of members serving on the appointed Audit Panels would be independent members and should not have served as Councillors or Officers within the preceding last five years.

Responsibility for setting the codes of audit practice and guidance, which set out the way auditors are required to carry out their functions will be performed in future by the National Audit Office.

#### **4.3. New Financial Asset Register System**

During 2012/13 the Council implemented a new financial fixed asset register system; AssetManager.net from the Chartered Institute of Public Finance and Accountancy. The historical data for all the Council's tangible non-dwelling assets was migrated to the new system and it was used to prepare all the accounting transactions for these assets in 2012/13. In migrating the data to the new system a number of errors were identified in prior year's capital charges. These were corrected with prior period adjustments to the financial years 2007/08 to 2011/12. The impact of these prior period adjustments is disclosed in note 39 of the accounts.

### **5. Financial Position of the Council**

At 31 March 2013 the Council had a net worth of £183 million consisting of: a portfolio of council dwellings valued at £283 million; investment properties of £37 million; cash and investments of £24 million; other assets (mainly operational land and buildings) of £71 million; Long Term Borrowing of £159 million, a potential future liability of £58 million in its employee's pension fund; other short-term liabilities of £11 million (creditors and

**WINCHESTER CITY COUNCIL ANNUAL FINANCIAL REPORT 2012/13**  
**EXPLANATORY FOREWORD**

provisions); and developers' contributions of £4 million that could potentially require repayment (in the unlikely event that the terms of the contributions are not met).

The Council's Balance Sheet shows usable reserves of £16 million. However, it is current Council policy to maintain £2 million of this as a General Fund balance to protect against risk to the Council's finances; and the remaining £14 million has been set aside for specific purposes based on agreed spending plans.

## 6. Summary of Revenue Expenditure in the Year

The deficit for the year on the Net Cost of Services (including trading accounts) was £5.6 million which was £2.7 million less than the budgeted deficit of £8.3 million.

Although the Comprehensive Income and Expenditure Account for the year shows a surplus of £2.4 million on the provision of services, this is before adjustments in the Movements in Reserves Statement for Adjustments Between the Accounting Basis and Funding Basis Under Statute, totalling £1.3 million.

	<b>2012/13 Revised Budget £000</b>	<b>2012/13 Outturn £000</b>	<b>Variance favourable / (adverse) £000</b>
<b>Cost of Services (incl. Trading A/Cs)</b>	<b>8,264</b>	<b>5,587</b>	<b>2,677</b>
<b>Other Operating Income &amp; Expenditure</b>			
Payment of Parish Precepts	2,287	2,287	
Payments to the Government Housing Capital Receipts Pool	748	748	
(Gains)/Losses on Disposal of non-current assets	(753)	(763)	10
<b>Financing &amp; Investment Income &amp; Expenditure</b>			
Interest Payable & Similar Charges	5,242	5,242	
Pensions interest cost and expected return on assets	1,430	1,430	
Interest receivable and similar income	(202)	(226)	24
Changes in the fair value of Investment Properties	(63)	(63)	
<b>Taxation &amp; Non-Specific Grant Income</b>			
Council Tax Income (incl. parish precepts)	(9,277)	(9,277)	
Non-ringfenced Government Grants incl. Non Domestic Rates	(5,834)	(6,316)	482
Capital Grants & Contributions	(1,035)	(1,035)	
<b>(Surplus)/Deficit on Provision of Services</b>	<b>807</b>	<b>(2,386)</b>	<b>3,192</b>

## 7. Summary of Capital Expenditure and Borrowing in the Year

Capital expenditure is the amount spent on items that have a value to the Council or the community for more than a year, and is generally met from reserves, grants and contributions or the proceeds from the sale of capital assets.

The Council's capital expenditure in 2012/13 was £11.6 million which was £2.7 million less than the planned £14.3 million budget. The variance was caused by unspent budget of £3.0 million (of which £1.6 million is to be carried forward), partly offset by unbudgeted expenditure of £0.3 million.

Capital expenditure during the year was financed from the Major Repairs Reserve (£6.3 million); revenue reserves (£1.8 million); grants and contributions (£1.0 million); and capital receipts (£0.8 million).

As the capital programme was not fully matched by capital financing, there was an increase in the Council's capital financing requirement to fund 2012/13 capital expenditure of £1.7 million.

Until the 31 March 2012, repairs and enhancements to Council housing have been funded through the national subsidy system and the Major Repairs Allowance (MRA). From 1 April 2012, the Subsidy system has been abolished and the Council no longer receives the Major Repairs Allowance. All repairs and enhancements, along with the provision of new homes is funded directly from Council housing rental income.

The Council has plans to make significant investment for the future and has a capital programme of £76.1 million for the three years from 2013/14 to 2015/16.

## **8. Investments**

At 31 March 2013 Short Term Investments were £8.1 million (£9.2 million at 31 March 2012), and Long Term Investments were £0.9 million (£1.0 million at 31 March 12). The council also had cash and cash equivalents of £14.6 million (£3.8 million at 31 March 12).

## **9. Future Developments**

### **9.1. 2013/14 Budget and Council Tax**

The Council approved net expenditure of £15.364 million of which £2.208 million was for Parish Council precepts and £0.792 million for Winchester Town special expenses. After deducting Government grants and collection fund adjustments, £6.524 million was required to be raised from Council Tax. This resulted in an average Council Tax Band D charge of £192.37, of which £126.27 is for District services (i.e. excluding the Parish Council precepts and Winchester Town special expenses). This compares with 2012/13 Band D rates of £191.65 and £126.27 respectively.

The average Band D total for Winchester City Council residents, also including the County Council, the Police Authority and the Fire & Rescue Authority is £1,442.88 (£1,437.16 for 2012/13).

### **9.2. Silver Hill development**

The Silver Hill scheme provides for the regeneration of an area of Winchester involving private property and a number of properties owned by the Council, the latter being Coitbury House; Friarsgate multi storey car park; 6, 8 and 10 Middle Brook Street; Kings Walk; and land at Eastgate Street. The developer of the scheme is the Henderson Global Investors UK Property Fund. The scheme requires the use of compulsory purchase powers by the Council to assemble the land necessary to enable a comprehensive development to take place. The Secretary of State has confirmed the use of CPO powers following a public enquiry, although this is currently subject to a legal challenge.

### **9.3. Localising of Council Tax Support**

The national Council Tax Benefit (CTB) scheme was replaced with a local Council Tax Reduction (CTR) Scheme from April 2013.

The new Scheme is in effect a Council Tax discount. This is calculated once other discounts which the claimant is eligible to receive, for example single person discount, have been taken into account. In the medium term, given the tight timescale for introduction, the Scheme is based on the old CTB scheme which was a national means tested benefit. Pensioners are protected under the new Scheme and the level of support awarded is the same as that available under the CTB scheme. For 2013/14 the Council enhanced the level of support for working age customers by basing the Scheme on the CTB scheme and increasing the level of earned income disregarded in the means test.

CTR is accounted for via the Collection Fund. The Council receives an amount of grant funding. This funding was reduced by 10% for 2013/14 and in future years the amount of funding awarded will not be identified separately from other grant.

### **9.4. Business Rates Retention Scheme**

A change from formula grant funding to a Business Rate Retention model supported by a new Revenue Support Grant which will reflect reducing central government spending and the retention of 40% of local business rates. The change to a business rate retention model will give the authority significant new risks to manage as the income from business rates is quite volatile, including rating appeals, and provides some different financial incentives to take into account when the authority is making decisions on business developments.

### **9.5. Local Plan Challenge**

A legal challenge to the adoption of the Winchester District Local Plan Part 1 - Joint Core Strategy was received on 30 April 2013. Details of the Claimant's challenge can be viewed or downloaded from the Council's website ([www.winchester.gov.uk](http://www.winchester.gov.uk)). The Council is vigorously contesting this claim and its witness statement

can also be viewed or downloaded from the website. The Council is awaiting a date for the case to be heard in the High Court

**9.6. Welfare Reform**

The Welfare Reform Act 2012 sets out fundamental changes to the welfare system, aimed at improving the benefits system to reduce dependency on welfare through improving incentives to work, making work pay and reducing overall spend at a time of economic instability in the UK. Many of the proposals contained in the Act will have a direct impact on Council tenants. Work on preparing for Reform is underway and officers are currently reviewing a range of options aimed at mitigating the impact or at least assisting tenants affected where possible.

**10. Provisions and Contingencies**

During 2012/13 the Council has provided for an estimated £156,300 of liabilities where the amount and timing is uncertain.

There are also some possible obligations which have been disclosed as contingent liabilities in the accounts because settlement is dependent on the unknown outcome of a future event.

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 possible asset that may arise from the case is dependent on the outcome of a judgement by the European Court of Justice; so it has not been recognised in the accounts.

**11. Impact of the Current Economic Climate**

The main impact on the accounts of the current economic climate relates to pressure on income sources. And reduction in grants from the government. The historically low interest rate environment has reduced and will continue to reduce interest income levels from the Council's investments. Debt collection may also become more difficult and this is being kept under review. Increases have been made to the levels of allowances made for doubtful debts.

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**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

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**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 Chief Finance Officer;
- 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 Chief Finance Officer**

The Chief Finance Officer 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 Chief Finance Officer 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 Chief Finance Officer 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 2013 and its income and expenditure for the year then ended.

Signature: ..... Date: 24 September 2013

**Alexis Garlick FCCA**

**Chief Finance Officer**

I certify that the Statement of Accounts for the year ended 31 March 2013 has been approved by a resolution of the Audit Committee at its meeting on the 24 September 2013, and is authorised for issue.

Chairperson: ..... Date: 24 September 2013

**Councillor Lynda Banister**

**Chair of the Audit Committee**

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2013**

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	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2012 brought forward</b>	(2,000)	(6,255)	(1,957)	(70)	(976)	(2,202)	(127)	(13,587)	(170,139)	(183,726)
<b>Movement in reserves during 2012/13</b>										
(Surplus) or deficit on provision of services	980		(3,367)					(2,386)		(2,386)
Other Comprehensive (Income) and Expenditure								0	2,855	2,855
<b>Total Comprehensive (Income) and Expenditure</b>	<b>980</b>	<b>0</b>	<b>(3,367)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,386)</b>	<b>2,855</b>	<b>469</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	(4,201)		2,621		621	(236)	(61)	(1,256)	1,256	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(3,221)</b>	<b>0</b>	<b>(746)</b>	<b>0</b>	<b>621</b>	<b>(236)</b>	<b>(61)</b>	<b>(3,642)</b>	<b>4,111</b>	<b>469</b>
Transfers to/(from) Earmarked Reserves (Note 7)	3,221	(2,361)	0	0				860	(860)	0
<b>(Increase)/Decrease in Year</b>	<b>0</b>	<b>(2,361)</b>	<b>(746)</b>	<b>0</b>	<b>621</b>	<b>(236)</b>	<b>(61)</b>	<b>(2,782)</b>	<b>3,251</b>	<b>469</b>
<b>Balance at 31 March 2013 carried forward</b>	<b>(2,000)</b>	<b>(8,616)</b>	<b>(2,703)</b>	<b>(70)</b>	<b>(355)</b>	<b>(2,438)</b>	<b>(188)</b>	<b>(16,369)</b>	<b>(166,888)</b>	<b>(183,257)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2013**

Restated comparative numbers for 2011/12

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2011</b>	(2,000)	(5,340)	(1,289)	(70)	(808)	(2,950)	(127)	(12,584)	(342,180)	(354,764)
<b>Movement in reserves during 2011/12</b>										
(Surplus) or deficit on provision of services	1,475		160,914					162,389		162,389
Other Comprehensive (Income) and Expenditure	0	0	0	0	0	0	0	0	8,649	8,649
<b>Total Comprehensive (Income) and Expenditure</b>	<b>1,475</b>	<b>0</b>	<b>160,914</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>162,389</b>	<b>8,649</b>	<b>171,038</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	(2,924)		(161,571)		(168)	748	0	(163,915)	163,915	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(1,449)</b>	<b>0</b>	<b>(657)</b>	<b>0</b>	<b>(168)</b>	<b>748</b>	<b>0</b>	<b>(1,526)</b>	<b>172,564</b>	<b>171,038</b>
Transfers to/(from) Earmarked Reserves (Note 7)	1,449	(915)	(11)	0				523	(523)	0
<b>(Increase)/Decrease in Year</b>	<b>0</b>	<b>(915)</b>	<b>(668)</b>	<b>0</b>	<b>(168)</b>	<b>748</b>	<b>0</b>	<b>(1,003)</b>	<b>172,041</b>	<b>171,038</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>(2,000)</b>	<b>(6,255)</b>	<b>(1,957)</b>	<b>(70)</b>	<b>(976)</b>	<b>(2,202)</b>	<b>(127)</b>	<b>(13,587)</b>	<b>(170,139)</b>	<b>(183,726)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2013**

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. These adjustments are shown in the Movement in Reserves Statement, and analysed in Note 6.

	2012/13			Restated 2011/12		
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Corporate and democratic core	2,700	(23)	2,677	2,742	(4)	2,738
Central services to the public	7,911	(6,000)	1,911	7,919	(6,043)	1,876
Cultural and related services	4,450	(1,135)	3,315	4,105	(999)	3,106
Environment & regulatory	5,158	(880)	4,278	6,006	(928)	5,078
Planning & development	4,408	(1,799)	2,609	4,399	(1,709)	2,690
Highways, roads and transport	3,772	(6,051)	(2,279)	3,823	(5,655)	(1,832)
Local authority housing (HRA)	15,496	(26,913)	(11,417)	24,117	(25,482)	(1,365)
Property revaluation (HRA)	3,731	0	3,731	5,726	0	5,726
Housing finance reform (HRA)	0	0	0	156,722	0	156,722
Other housing services	29,704	(27,957)	1,747	27,856	(26,806)	1,050
Non distributed costs	1,047	0	1,047	271	0	271
<b>Cost Of Services</b>	<b>78,377</b>	<b>(70,758)</b>	<b>7,619</b>	<b>243,686</b>	<b>(67,626)</b>	<b>176,060</b>
Surplus on trading accounts (note 21)			(2,032)			(1,374)
<b>Other Operating Income and Expenditure</b>						
Parish council precepts			2,287			2,204
Payments to the Government Housing Capital Receipts Pool			748			476
(Gains)/losses on the disposal of non current assets			(763)			(429)
<b>Financing and Investment Income and Expenditure</b>						
Interest payable and similar charges (note 12)			5,242			85
Pensions interest cost and expected return on assets (note 31)			1,430			1,270
Interest receivable and similar income (note 12)			(226)			(281)
Changes in the fair value of investment properties (note 10)			(63)			40
<b>Taxation and Non-Specific Grant Income</b>						
Non domestic rates (note 26)			(4,256)			(3,543)
Non-ringfenced government grants (note 26)			(2,060)			(2,231)
Capital grants and contributions (note 26)			(1,035)			(719)
Council tax income			(9,277)			(9,169)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>(2,386)</b>			<b>162,389</b>
<b>Other Comprehensive (Income) and Expenditure</b>						
(Surplus) or deficit on revaluation of non current assets			(475)			(1,051)
Actuarial (gains) / losses on pension assets / liabilities			3,330			9,700
<b>Total Comprehensive (Income) and Expenditure</b>			<b>469</b>			<b>171,038</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**BALANCE SHEET AS AT 31 MARCH 2013**

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 13 £000	Restated 31 Mar 12 £000	Restated 31 Mar 11 £000
Property, Plant & Equipment	8	345,916	346,176	350,382
Heritage Assets	9	2,750	2,750	1,695
Investment Property	10	37,391	37,739	35,926
Intangible Assets	11	717	923	1,037
Long Term Investments	12	945	1,017	1,089
Long Term Debtors	12	253	153	132
<b>Long Term Assets</b>		<b>387,972</b>	<b>388,758</b>	<b>390,261</b>
Short Term Investments	12	8,132	9,159	7,237
Inventories	13	23	29	36
Short Term Debtors	14	3,751	4,937	4,484
Cash and Cash Equivalents	15	14,645	3,754	6,077
<b>Current Assets</b>		<b>26,551</b>	<b>17,879</b>	<b>17,834</b>
Short Term Borrowing	12	(363)	(357)	0
Short Term Creditors	16	(10,567)	(7,344)	(6,292)
Provisions	17	(156)	(74)	(1,914)
<b>Current Liabilities</b>		<b>(11,086)</b>	<b>(7,775)</b>	<b>(8,206)</b>
Long Term Borrowing	12	(158,533)	(158,840)	0
Pension Scheme Liability	31	(57,620)	(53,080)	(42,590)
Grants and Contributions in Advance	26	(4,027)	(3,216)	(2,535)
<b>Long Term Liabilities</b>		<b>(220,180)</b>	<b>(215,136)</b>	<b>(45,125)</b>
<b>Net Assets</b>		<b>183,257</b>	<b>183,726</b>	<b>354,764</b>
Usable reserves	18	16,369	13,587	12,584
Unusable reserves	19	166,888	170,139	342,180
<b>Total Reserves</b>		<b>183,257</b>	<b>183,726</b>	<b>354,764</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013**

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.

	<b>2012/13</b>		<b>2011/12</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>(Surplus) or deficit on the provision of services</b>		(2,386)		162,389
<b>Adjustments for non-cash movements</b>				
Depreciation of non current assets	(7,780)		(5,938)	
Impairment of non current assets - PPE	(3,716)		(5,810)	
Impairment of non current assets - Investment property	63		(40)	
Amortisation of intangible fixed assets	(337)		(371)	
Pension Fund adjustments	(1,210)		(790)	
Impairment losses on loans & advances debited to the CI&E in year	12		(15)	
Increase/decrease in impairment for provision for bad debts	(27)		45	
Contributions to provisions	(82)		1,840	
Carrying amount of PPE assets sold	(1,014)		(275)	
Carrying amount of intangible assets sold	0		(79)	
Write out investment property on disposal	(9)		0	
Other non-cash movement	(51)		39	
<u>Accruals adjustments:</u>				
Increase/(Decrease) in inventories	(6)		(7)	
Increase/(Decrease) in debtors	(1,086)		474	
(Increase)/Decrease in creditors	(3,223)		(1,052)	
(Increase)/Decrease in grants and contributions	(811)		(681)	
<b>Net cash outflow/ (in-Flow) from operating Activities</b>		(21,663)		149,729
<u>Net cash flows from Investing Activities</u>				
Purchase of PP&E, investment property and intangible assets	11,183		9,991	
Purchase of short term and long term investments	0		1,993	
Other payments for investing activities	748		477	
Proceeds from the sale of short term and long term investments	(1,039)	10,892	0	12,461
<u>Net cash flows from Financing Activities</u>				
Cash receipts of short and long term borrowing	0		(159,197)	
Other receipts from financing activities	(420)		(822)	
Cash payments for the reduction of the outstanding liabilities relating to finance leases	300	(120)	152	(159,867)
<b>NET (INCREASE) / DECREASE IN CASH</b>		(10,891)		<b>2,323</b>
<b>Total Cash (Opening)</b>	3,754		6,077	
<b>Total Cash (Closing)</b>	14,645		3,754	
Movement in cash Increase /(Decrease)		<b>10,891</b>		<b>(2,323)</b>

## **1. Accounting Policies**

### **1.1. General Principles**

The Financial Statements summarise the Council's transactions for the 2012/13 financial year and its position at the year ended 31 March 2013. The Accounts and Audit Regulations 2011 require the Council to prepare annual Financial Statements. The regulations require the Financial Statements 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 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS).

The Financial Statements have 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
- Short term deposits with seven days 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. The nature of the error is also disclosed.

#### 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 offset 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 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 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.

##### 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 4.4% for funded liabilities and 4.1% 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 2012/13 this used the Aon Hewitt GBP Central AA 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; unlisted 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.
  - 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 2012/13.

#### 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.

#### 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 rate payers.

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 (17.9%) and Fareham Borough Council (82.1%). Fareham Borough Council act as the Principal; 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 the cost of obtaining valuations for these collections would involve a disproportionate cost in comparison with the benefits to the users of the Council's 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 assets are unique and therefore, have no ready market for acquisition / disposal. It is difficult for any meaningful valuation to be attributed to these 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 of 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 surplus on trading accounts 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 surplus on trading account 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 Cost of 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, which exceeds the de-minimis of £10,000, 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
- 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. Unrealised 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.

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.

Depreciation charged in year is based on the opening gross book values of the assets. It does not include any revaluations or additions in year. A full year of depreciation is charged in the year of disposal

#### 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. However it is possible that a proportion of receipts relating to housing disposals may need to be paid to Central Government. From 1 April 2012, the Government made changes to the Right-To-Buy (RTB) scheme. The rules governing the allocation of capital receipts from these sales also changed. In addition, Councils were given the opportunity to sign an agreement with Government to enable "extra receipts" to be retained by the Council. The council has signed such an agreement. Under the new rules income from RTB receipts is split between the following uses:

1. A specified allowance to help meet the administrative costs of the disposal
2. Paid to Government (up to a specified limit)
3. Retained by the Council and available to fund any capital expenditure (up to a specified limit),
4. Available to the HRA to fund new capital spending or repay debt,
5. Available to fund new provision, either by the Council or another registered provider.

The Council has decided that receipts under category 3 above will be available to fund capital expenditure in the General Fund and that the resources for new provision (category 5 above) will be made available to the HRA.

The Council is able to retain in full all other housing capital receipts providing it has sufficient capital allowances. In practice, the council was able to keep 100% of such receipts in 2012/13.

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

debts 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, the provision carried in the Balance Sheet is released. 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 released and credited back to the relevant service, where it was previously charged..

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 the existence of which 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 the existence of which 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; and retirement and employee benefits. These 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 Value Added Tax (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**

IAS 19 – Employee Benefits

This standard was amended in 2011 and the changes which relate to the creation of some new classes of components of defined benefit costs and the re-measurement of the net defined benefit liability are likely to have a material impact on the accounts. The pension fund actuaries have calculated that if the revised standard had been adopted for 2012/13 then this would have increased the expenses recognised for funded benefits from £3.48 million to £4.57 million. As this expense is notional and is reversed out via the Movement in Reserves Statement it would have no effect on amounts presented in the Balance Sheet.

IAS 1 – Presentation of Financial Statements

This standard was amended in 2011 and the changes which relate to the presentation of gains and losses on revaluations currently shown within Other Comprehensive Income and Expenditure. As these changes are presentational there is no impact on the reported amounts.

**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.
- Impairment of investments - the Council had an investment of £1 million 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 2013 the Council had received dividends of £0.78 million 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 March 2014.
- 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

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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 preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Item	Uncertainties	Effect if actual results differ from assumptions
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 current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	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 £58,500 for every year that useful lives had to 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 £10.68 million. However, the assumptions interact in complex ways. During 2012/13, the Council's actuaries advised that the net pensions liability had increased by £0.18 million as a result of estimates being corrected as a result of experience; and increased by £8.79 million attributable to updating of the assumptions.
Arrears / debt impairment	At 31 March 2013, the Council had a balance of sundry debtors of £1,342,406. A review of debtors, profiled by the age of the debt, suggested that an impairment of doubtful debts of 25% (£330,274) 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 £66,294 would need to be set aside as an allowance.

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

**5. Events after the Balance Sheet Date**

The Statement of Accounts was certified by the Chief Finance Officer as true and fair on 24 September 2013. 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 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**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.

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2012/13

	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	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(2,126)	(5,654)	0	0	0	7,780
Revaluation losses on Property Plant and Equipment	(576)	(2,819)	0	0	0	3,395
Movements in the market value of Investment Properties	(41)	104	0	0	0	(63)
Amortisation of intangible assets	(320)	(17)	0	0	0	337
Capital grants and contributions	546	50	0	0	0	(596)
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	(57)	(965)	0	0	0	1,022
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	321	0	0	0	0	(321)
Voluntary provision for the financing of capital investment	0	3,500	0	0	0	(3,500)
Capital expenditure charged against the General Fund and HRA balances	0	948	0	0	0	(948)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure statement	61	0	0	0	(61)	0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	54	1,731	(1,785)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	786	0	0	(786)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	(20)	20	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(748)	0	748	0	0	0
Transfer from Deferred Capital receipts Reserve upon receipt of cash	0	0	(5)	0	0	5
<b>Adjustment involving the Major Repairs Reserve</b>						
Depreciation funding	0	5,670	0	(5,670)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	6,291	0	(6,291)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
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	(32)	32	0	0	0	0
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 31)	(3,236)	(374)	0	0	0	3,610
Employer's pensions contributions and direct payments to pensioners payable in the year (see Note 31)	1,965	435	0	0	0	(2,400)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
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	(12)	0	0	0	0	12
<b>Total Adjustments</b>	<b>(4,201)</b>	<b>2,621</b>	<b>(236)</b>	<b>621</b>	<b>(61)</b>	<b>1,256</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

2011/12

	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(1,944)	(3,974)	0	0	0	5,918
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)
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
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	258	0	0	0	0	(258)
Capital expenditure charged against the General Fund and HRA balances	0	532	0	0	0	(532)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
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
<b>Adjustment involving the Major Repairs Reserve</b>						
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)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
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	(42)	264	0	0	0	(222)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 31)	(2,940)	(350)	0	0	0	3,290
Employer's pensions contributions and direct payments to pensioners payable in the year (see Note 31)	2,042	458	0	0	0	(2,500)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
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)
<b>Total Adjustments</b>	(2,924)	(161,571)	748	(168)	0	163,915

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

**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 2011/12 & 2012/13.

	<b>Balance at 1 Apr 2011</b>	Net Transfers 2011/12	<b>Balance at 31 Mar 2012</b>	Transfers Out 2012/13	Transfers in 2012/13	<b>Balance at 31 Mar 2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>General Fund</u>						
Major Investment Reserve	(2,730)	(935)	(3,665)	573	(2,337)	(5,429)
Property Repairs (Asset Management Plan)	(531)	(28)	(559)	96	(300)	(763)
Car Parks Property	(136)	(95)	(231)	194	(480)	(517)
Homelessness Gold Standard	0	0	0	0	(430)	(430)
Planning Deposits (interest)	(397)	68	(329)	132	(14)	(211)
Homelessness Prevention	(210)	(201)	(411)	78	0	(333)
Local Development Framework	(173)	0	(173)	0	0	(173)
Municipal Mutual Insurance	(185)	0	(185)	28	0	(157)
Building Control	0	(117)	(117)	42	0	(75)
IMT Strategy	0	0	0	60	(135)	(75)
Local Authority Business Growth Incentive	(512)	309	(203)	163	0	(40)
Insurance	(40)	0	(40)	0	0	(40)
Land Charges - New Burdens	0	(34)	(34)	0	0	(34)
Museums Publications	(37)	17	(20)	0	0	(20)
Museums Acquisitions	(14)	0	(14)	2	0	(12)
Community Grants	(29)	16	(13)	1	0	(12)
Choice Based Lettings Contributions	(83)	4	(79)	79	0	0
Non-Operational Property Repairs	(65)	65	0	0	0	0
Community Safety Partnerships	(50)	50	0	0	0	0
Arts & Health Project	(15)	15	0	0	0	0
Sewage Works Replacement Contributions	(11)	11	0	0	0	0
	(5,218)	(855)	(6,073)	1,448	(3,696)	(8,321)
Winchester Town Reserve	(122)	(60)	(182)	16	(129)	(295)
<b>Total General Fund</b>	<b>(5,340)</b>	<b>(915)</b>	<b>(6,255)</b>	<b>1,464</b>	<b>(3,825)</b>	<b>(8,616)</b>
<u>Housing Revenue Account</u>						
Insurance	(70)	0	(70)	0	0	(70)
<b>Total Earmarked Reserves</b>	<b>(5,410)</b>	<b>(915)</b>	<b>(6,325)</b>	<b>1,464</b>	<b>(3,825)</b>	<b>(8,686)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

**8. Property, Plant and Equipment (PP&E)**

Movements in 2012/13	Council Dwellings	Other Land and Buildings	Vehicle, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property Plant and Equipment £000
	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost or valuation</u>								
<b>As 1 April 2012</b>	<b>285,245</b>	<b>52,124</b>	<b>13,374</b>	<b>4,127</b>	<b>498</b>	<b>1,759</b>	<b>471</b>	<b>357,598</b>
Additions	7,330	521	466	43	0	0	1,991	10,351
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	272	0	0	0	0	0	272
Revaluation increases/(decreases) recognised in the Surplus/Deficit in the Provision of Services	(8,169)	175	0	0	0	(962)	0	(8,956)
Derecognition - Disposals	(950)	(51)	(690)	0	0	0	0	(1,691)
Other movements in Cost or Valuation	(72)	108	0	0	14	1,157	(103)	1,104
At 31 March 2013	283,384	53,149	13,150	4,170	512	1,954	2,359	358,678
<u>Accumulated Depreciation or Impairment</u>								
<b>At 1 April 2012</b>	<b>0</b>	<b>(1,742)</b>	<b>(8,013)</b>	<b>(1,501)</b>	<b>(138)</b>	<b>(28)</b>	<b>0</b>	<b>(11,422)</b>
Depreciation Charge	(5,240)	(1,346)	(948)	(210)	(8)	(28)	0	(7,780)
Accumulated Depreciation Write Off to Gross Carrying Amount on Revaluation	0	467	0	0	0	56	0	523
Depreciation written out to the Surplus/ Deficit on the provision of Services	5,240	0	0	0	0	0	0	5,240
Impairment losses (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	1	676	0	0	0	0	677
Other Movements in Depreciation and Impairment	0	0	0	0	0	0	0	0
At 31 March 2013	0	(2,620)	(8,285)	(1,711)	(146)	0	0	(12,762)
<u>Net Book Value</u>								
At 31 March 2013	283,384	50,529	4,865	2,459	366	1,954	2,359	345,916
At 31 March 2012	285,245	50,382	5,361	2,626	360	1,731	471	346,176

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

<b>Movements (Restated) in 2011/12</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicle, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Property Plant and Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Cost or valuation</u>								
<b>As 1 April 2011</b>	<b>290,717</b>	<b>53,868</b>	<b>9,999</b>	<b>4,064</b>	<b>663</b>	<b>0</b>	<b>481</b>	359,792
Additions	4,372	639	2,920	68	0	0	468	8,467
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(218)	0	0	0	0	0	(218)
Revaluation increases/(decreases) recognised in the Surplus/Deficit in 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)	(2,115)	480	(3)	(14)	1,759	(478)	(671)
<b>At 31 March 2012</b>	<b>285,245</b>	<b>52,124</b>	<b>13,374</b>	<b>4,127</b>	<b>498</b>	<b>1,759</b>	<b>471</b>	<b>357,598</b>
<u>Accumulated Depreciation or Impairment</u>								
<b>At 1 April 2011</b>	<b>0</b>	<b>(673)</b>	<b>(7,243)</b>	<b>(1,285)</b>	<b>(209)</b>	<b>0</b>	<b>0</b>	<b>(9,410)</b>
Depreciation Charge	(3,572)	(1,297)	(793)	(219)	(9)	(28)	0	(5,918)
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	214	0	0	0	0	0	214
Derecognition- Disposals	0	0	25	0	0	0	0	25
Other Movements in Depreciation and Impairment	0	4	(1)	3	(1)	0	0	5
<b>At 31 March 2012</b>	<b>0</b>	<b>(1,742)</b>	<b>(8,012)</b>	<b>(1,501)</b>	<b>(139)</b>	<b>(28)</b>	<b>0</b>	<b>(11,422)</b>
<u>Net Book Value</u>								
At 31 March 2012	285,245	50,382	5,362	2,626	359	1,731	471	346,176
At 31 March 2011	290,717	53,195	2,756	2,779	454	0	481	350,382

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

Depreciation and estimated useful lives

Depreciation on HRA dwellings is an amount equivalent to the Major Repairs Allowance element of the HRA Self Financing Determination. 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 for Property, Plant and Equipment

As at 31 March 2013, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years. The total commitments at 31 March 2013 were £1,139,000 (similar commitments at 31 March 2012 were £90,000) made up as follows:-

	<b>£000</b>
Depot	965
Car parks	29
Footway lighting / open space	17
Open space enhancements	60
IMT	68
	<u>1,139</u>

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.

During 2012/13 all Council Dwellings; Housing Revenue Account garages; and investment properties (with the exception of one) were valued internally for financial reporting purposes as at 31 March 2013 by B Bottrill BSc MRICS, the Council's Senior Estates Surveyor. The surplus assets; a general fund operational property; and an investment property were valued externally by Jones Lang LeSalle, a firm of property consultants who are regulated by RICS. This was due to the properties undergoing significant changes during the year. 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.

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).

	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>	<b>Historical Cost</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Council Dwellings	283,384	0			283,384
Land & Buildings	12,788	2,784	34,784	173	50,529
Plant / Vehicles / Equipment				4,865	4,865
Infrastructure				2,459	2,459
Community				366	366
Surplus	1,954				1,954
Assets Under Construction				2,359	2,359
<b>Total</b>	<b>298,126</b>	<b>2,784</b>	<b>34,784</b>	<b>10,222</b>	<b>345,916</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

**9. Heritage Assets**

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

	<b>Art Collection</b>	<b>Civic regalia</b>	<b>Archaeology</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance as 1 April 2011</b>	<b>220</b>	<b>1,075</b>	<b>400</b>	<b>1,695</b>
Revaluation	630	425	0	1,055
<b>Balance as at 31 March 2012</b>	<b>850</b>	<b>1,500</b>	<b>400</b>	<b>2,750</b>
<b>Balance as at 31 March 2013</b>	<b>850</b>	<b>1,500</b>	<b>400</b>	<b>2,750</b>

Art Collection (Topographical 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

The art collection includes the following works: John Opie's Lady Elizabeth Woodville Pleading for her Children before Edward IV, 1798 which is on loan and displayed at the University of Winchester, King Charles II by Peter Lely and Cromwell's troops entering Winchester by George Arnald which are both on display in the Guildhall and Drawings of Wren's Design For the Kings House by Christopher Wren and Nicholas Hawksmoor which are 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 which form part of the civic regalia are used in ceremonial duties.

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 marble head was valued on 23 April 2010 (effective date 30 June 2010) by the British Museum as part of the loan agreement. This has been reflected in the values above. The valuation is renewed / reviewed every three years as part of the museums procedures. The valuation for 30 June 2013 has been received.

Museum Collection Additions

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

- two local history items
- three archaeology items – two Bronze Age gold penannular rings and a Romano-British silver lift key.

Disposals

There have been no disposals during this period.

**10. Investment Properties**

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

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
<u>Surplus on trading accounts (note 21)</u>		
Rental income from investment property	(3,133)	(2,845)
Direct operating expenses of investment property	692	935
	<u>(2,441)</u>	<u>(1,910)</u>
<u>Financing and Investment Income and Expenditure</u>		
Net (gain) / loss on revaluation of investment property	(63)	40
Net (gain) / loss on investment properties	<u>(2,504)</u>	<u>(1,870)</u>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

The Council's investment properties were revalued as part of the exercise undertaken by the Council's internal valuer (see note 8) and one asset which was let during the year after building works, was revalued by Jones Lang LaSalle.

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, when disposing of Housing Revenue Account investment properties, the council is only able to retain receipts (and not pay them over to the Government) providing it has sufficient capital allowances. In practice, the council was able to keep 100% of such receipts in 2012/13. The Council has no contractual obligations to repairs, maintenance or enhancement of investment property.

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Description		
Balance at Start of Year	37,739	35,926
Additions :		
- Acquisitions	123	
- Enhancements	578	1,188
Disposals	(9)	0
Net gains/losses from fair value adjustments	63	(40)
Transfers :		
To/from Property, Plant and Equipment	(1,103)	665
Balance at End of Year	37,391	37,739

Capital Commitments for Investment Property Assets

As at 31 March 2013, the Council had not entered into any contracts for the construction or enhancement of Investment Properties in 2013/14 and future years. The total commitments at 31 March 2012 were £0.267 million.

**11. 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 2012/13 totalled £337,000, 94% (£317,000) of this 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 6% (£20,000) was charged direct to the relevant service.

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

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Balance at start of year:		
Gross carrying amounts	3,084	2,855
Accumulated amortisation	(2,161)	(1,818)
Net carrying amount at start of year	923	1,037
<b>Additions:</b>		
Purchases	131	336
Other disposals	0	(79)
Amortisation for the period	(337)	(371)
Net carrying amount at end of year	717	923
<u>Comprising:</u>		
Gross carrying amounts	3,215	3,084
Accumulated amortisation	(2,498)	(2,161)
	717	923

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

Capital Commitments for Intangible Assets

As at 31 March 2013, the Council had entered into contracts for the acquisition or enhancement of Intangible Assets in 2013/14 and future years. The total commitment at 31 March 2013 was £72,000 (similar commitments at 31 March 2012 were £86,000) and is made up as follows:

	<b>31 Mar 13</b>
	<b>£000</b>
Housing system upgrade	24
Revenues and Benefits system upgrade	35
Citrix licences	13
	72

**12. Financial Instruments**

Financial instruments are contractual arrangements that give rise to a financial asset in one entity and a financial liability in another.

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

	<u>Long-term</u>			<u>Current</u>		
	31 Mar 13	31 Mar 12	31 Mar 11	31 Mar 13	31 Mar 12	31 Mar 11
	£000	£000	£000	£000	£000	£000
<u>Investments</u>						
Loans and receivables	0	54	127	8,132	9,159	7,237
Available-for-sale financial assets	945	963	962	0	0	0
Cash & Bank	0	0	0	14,645	3,754	6,077
Total investments	945	1,017	1,089	22,777	12,913	13,314
<u>Debtors</u>						
Loans and receivables	253	153	132	0	0	0
Financial assets carried at contract amounts	0	0	0	2,431	4,550	4,173
Total Debtors	253	153	132	2,431	4,550	4,173
<u>Borrowings</u>						
Financial Liabilities at Amortised Cost	(156,722)	(156,722)		(56)	(57)	0
<u>Other Liabilities</u>						
Finance Lease Liabilities	(1,811)	(2,118)		(307)	(300)	0
Total Long Term Borrowing	(158,533)	(158,840)	0	(363)	(357)	0
<u>Creditors</u>						
Financial liabilities carried at contract amount				(3,936)	(7,344)	(6,292)
Total Creditors	0	0	0	(3,936)	(7,344)	(6,292)

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

	<u>Long Term</u>	
	31 Mar 13	31 Mar 12
	£000	£000
<b>Borrowing</b>		
Nominal amount	156,722	156,722
Accrued interest	56	57
Total amortised cost	156,778	156,779

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

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

<u>2012/13</u>	<b>Financial liabilities at amortised cost</b>	<b>Financial Assets: Loans and receivables</b>	<b>Financial Assets: Available for sale assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Interest expense	5,230	0	0	5,230
Impairment losses	0	12	18	30
Interest income	0	(183)	(61)	(244)
Net (gain)/loss for the year	5,230	(171)	(43)	5,016

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

The Council has no material soft loans.

Fair Value of Assets and Liabilities

The 2012/13 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 2013 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](http://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:

	<b>31 Mar 13</b>		<b>31 Mar 12</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Long term Creditors	156,722	171,154	156,722	164,354

**13. Inventories**

<b>2012/13</b>	<b>Guildhall</b>	<b>Museums</b>	<b>Tourism</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening Balance	10	9	4	6	29
Purchases	291	1	18	86	396
Recognised as an expense in the year	(287)	(2)	(18)	(91)	(398)
Written off balances	(2)	(2)	0	0	(4)
Closing Balance	12	6	4	1	23

  

<b>2011/12</b>	<b>Guildhall</b>	<b>Museums</b>	<b>Tourism</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening Balance	12	10	7	7	36
Purchases	162	1	19	103	285
Recognised as an expense in the year	(164)	(2)	(22)	(104)	(292)
Closing Balance	10	9	4	6	29

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

**14. Debtors**

	<b>31 Mar 13</b>	<b>31 Mar 12</b>	<b>31 Mar 11</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Central government bodies	440	1,018	1,948
Council Tax	150	152	158
Housing Rents	216	206	307
NHS bodies	71	100	29
Other entities and individuals	1,425	1,679	1,192
Other local authorities	1,048	1,395	526
Prepayments	393	387	311
Public corporations and trading funds	8	0	13
<b>Total</b>	<b>3,751</b>	<b>4,937</b>	<b>4,484</b>

**15. Cash and Cash Equivalents**

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

	<b>31 Mar 13</b>	<b>31 Mar 12</b>	<b>31 Mar 11</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash held by the Authority	589	330	487
Bank Accounts	13,056	2,924	4,590
Short-term deposits	1,000	500	1,000
<b>Total Cash and Cash Equivalents</b>	<b>14,645</b>	<b>3,754</b>	<b>6,077</b>

**16. Creditors**

	<b>31 Mar 13</b>	<b>31 Mar 12</b>	<b>31 Mar 11</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade Creditors	(3,643)	(2,665)	(2,652)
Central government bodies	(3,059)	(1,328)	(593)
Other local authorities	(2,285)	(1,667)	(890)
Amounts Received in Advance	(1,124)	(1,048)	(1,050)
Other	(385)	(634)	(510)
NHS bodies	(49)	(2)	(1)
Public corporations and trading funds	(22)	0	(596)
<b>Total</b>	<b>(10,567)</b>	<b>(7,344)</b>	<b>(6,292)</b>

**17. Provisions**

The 2012/13 provision consists of an amount for insurance (representing the excesses payable in respect of liabilities existing at the balance sheet date); a provision for probable redundancy costs; and other provisions for liabilities that were probable at the Balance Sheet date but where the timing and amount was uncertain.

	<b>Insurance</b>	<b>Redundancy</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 11</b>	<b>(82)</b>	<b>(1)</b>	<b>(1,831)</b>	<b>(1,914)</b>
Additional provisions made in 2011/12	(44)	0	0	(44)
Amounts used in 2011/12	52	1	1,831	1,884
<b>Balance at 1 April 12</b>	<b>(74)</b>	<b>0</b>	<b>0</b>	<b>(74)</b>
Additional provisions made in 2012/13	(100)	(33)	(15)	(148)
Amounts used in 2012/13	26	0	0	26
Unused amounts reversed in 2011/12	40	0	0	40
<b>Balance at 31 March 13</b>	<b>(108)</b>	<b>(33)</b>	<b>(15)</b>	<b>(156)</b>

**18. 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).

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.

**19. 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.

	<b>31 Mar 13</b>	<b>Restated 31 Mar 12</b>	<b>Restated 31 Mar 11</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Revaluation Reserve	(23,658)	(23,947)	(23,371)
Capital Adjustment Account	(200,727)	(199,132)	(361,516)
Financial Instruments Adjustment Account	185	185	407
Pensions Reserve	57,620	53,080	42,590
Deferred Capital Receipts Reserve	(293)	(298)	(303)
Collection Fund Adjustment Account	(15)	(27)	13
<b>Total Unusable Reserves</b>	<b>(166,888)</b>	<b>(170,139)</b>	<b>(342,180)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
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19.1. 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.

	<b>2012/13</b>	<b>Restated</b>
	<b>£000</b>	<b>2011/12</b>
		<b>£000</b>
Balance at 1 April	(23,947)	(23,371)
Upward revaluation of assets	(5,784)	(1,329)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	5,309	279
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(475)	(1,050)
Difference between fair value depreciation and historical cost depreciation	561	474
Accumulated gains on assets sold or scrapped	9	0
Investment property retained adjustment	194	0
Amount written off to the Capital Adjustment Account	764	474
Balance at 31 March	<u>(23,658)</u>	<u>(23,947)</u>

19.2. 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.

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	53,080	42,590
Actuarial gains or losses on pensions assets and liabilities	3,330	9,700
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	3,610	3,290
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,400)	(2,500)
Balance at 31 March	<u>57,620</u>	<u>53,080</u>

19.3. 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 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

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

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

	<b>2012/13</b>	<b>Restated</b>
	<b>£000</b>	<b>2011/12</b>
		<b>£000</b>
Balance at 1 April	(199,132)	(361,517)
<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	7,780	5,918
Revaluation losses on Property, Plant and Equipment	3,395	5,810
Amortisation of intangible assets	337	371
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	1,022	354
HRA Financing Settlement	0	156,722
	<u>12,534</u>	<u>169,175</u>
Adjusting amounts written out of the Revaluation Reserve	(764)	(474)
Net written out amount of the cost of non current assets consumed in the year	<u>11,770</u>	<u>168,701</u>
<u>Capital financing applied in the year:</u>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(786)	(1,055)
Use of the Major Repairs Reserve to finance new capital expenditure	(6,291)	(3,404)
Application of grants to capital financing from the Capital Grants Unapplied Account	(860)	(523)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(596)	(584)
Statutory provision for the financing of capital investment	(321)	(258)
Voluntary provision for the financing of capital investment	(3,500)	0
Capital expenditure charged against the General Fund and HRA balances	(948)	(532)
	<u>(13,302)</u>	<u>(6,356)</u>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(63)	40
Balance at 31 March	<u>(200,727)</u>	<u>(199,132)</u>

#### 19.4. 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.

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	185	407
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	0	(222)
Balance at 31 March	<u>185</u>	<u>185</u>

#### 19.5. 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.

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	2012/13 £000	2011/12 £000
Balance at 1 April	(298)	(303)
Transfer to the Capital Receipts Reserve upon receipt of cash	5	5
Balance at 31 March	(293)	(298)

19.6. 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.

	2012/13 £000	2011/12 £000
Balance at 1 April	(27)	13
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	12	(40)
Balance at 31 March	(15)	(27)

**20. 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 2012/13. 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.

The income and expenditure of the Council's outcomes recorded in the budget reports for the 2012/13 year is as follows:

	Active Communities £000	Prosperous Economy £000	High Quality Environment £000	Efficient & Effective £000	Total £000
<u>Expenditure:</u>					
Employees	4,359	1,689	4,355	6,227	16,631
Premises	5,282	422	1,735	930	8,369
Transport	387	76	109	288	860
Supplies & Services	864	1,102	969	2,656	5,590
Third Party Payments	1,257	438	3,946	228	5,868
Transfer Payments				32,268	32,268
Depreciation & Impairment Losses	9,448	(23)	883	1,600	11,908
Support Services	2,403	571	650	(3,640)	(16)
	24,000	4,274	12,647	40,556	81,478
Income	(27,218)	(2,281)	(8,680)	(37,711)	(75,890)
<b>Net Cost of Services</b>					
(per management accounts)	(3,218)	1,994	3,967	2,845	5,587
Add back Trading Accounts (note 21)					2,032
					7,619

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

Reconciliation of internally reported 2012/13 Net Cost of Services to the Cost of Services in the Comprehensive Income and Expenditure Statement:

	<b>Active Communities £000</b>	<b>Prosperous Economy £000</b>	<b>High Quality Environment £000</b>	<b>Efficient &amp; Effective £000</b>	<b>Total £000</b>
Net Cost of Services in internal reporting	(3,218)	1,994	3,967	2,845	5,587
<b>Trading Accounts (Guildhall, GF Property)</b>		2,032			2,032
<b>Cost of Services in Comprehensive I&amp;E</b>	(3,218)	4,026	3,967	2,845	7,619
<b>Corporate Items:</b>					
Other Operating Income & Expenditure					2,272
Financing & Investment Income & Expenditure					6,383
Taxation & Non-Specific Grant Income					(16,628)
<b>Trading A/Cs (Guildhall, GF Property)</b>		(2,032)			(2,032)
<b>(Surplus) or Deficit on Provision of Services</b>					<b>(2,386)</b>

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

	<b>Active Communities £000</b>	<b>Prosperous Economy £000</b>	<b>High Quality Environment £000</b>	<b>Efficient &amp; Effective £000</b>	<b>Total £000</b>
<b>Expenditure:</b>					
Employees	4,355	1,590	4,186	6,174	16,305
Premises	5,454	415	2,138	925	8,931
Transport	369	69	87	266	791
Supplies & Services	818	920	930	2,599	5,267
Third Party Payments	1,085	340	4,644	159	6,228
Transfer Payments	9,867	0	0	30,711	40,578
Depreciation & Impairment Losses	10,770	475	781	779	12,805
Housing Finance Reform	156,722	0	0	0	156,722
Support Services	2,015	508	1,677	(4,251)	(51)
	191,455	4,317	14,443	37,362	247,576
Income	(26,646)	(2,282)	(9,055)	(34,908)	(72,891)
<b>Net Cost of Services</b> (per management accounts)	164,809	2,035	5,388	2,454	174,686
Add back Trading Accounts (note 21)					1,374
					<b>176,060</b>

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

	<b>Active Communities £000</b>	<b>Prosperous Economy £000</b>	<b>High Quality Environment £000</b>	<b>Efficient &amp; Effective £000</b>	<b>Total £000</b>
Net Cost of Services in internal reporting	164,809	2,035	5,388	2,454	174,686
Trading Accounts (Guildhall, GF Property)		1,374			1,374
<b>Cost of Services in Comprehensive I&amp;E</b>	164,809	3,409	5,388	2,454	176,060
<b>Corporate Items:</b>					
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)		(1,374)			(1,374)
<b>(Surplus) or Deficit on Provision of Services</b>					<b>162,389</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

**21. 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.

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
General fund property management	(2,441)	(1,910)
Guildhall	409	545
	<u>(2,032)</u>	<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.

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Turnover	(3,133)	(2,845)
Expenditure	692	935
Surplus	<u>(2,441)</u>	<u>(1,910)</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.

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Turnover	(907)	(1,005)
Expenditure	1,316	1,550
Deficit	<u>409</u>	<u>545</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.

**22. 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.

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Expenditure incurred in providing services to Hampshire County Council	333	409
Management fee payable by Hampshire County Council	(333)	(409)
Net surplus arising on the agency arrangement	<u>0</u>	<u>0</u>

The Council also acts as agent to provide Local Planning Authorities (LPA) services to South Downs National Park Authority (SDNPA).

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Expenditure incurred in providing services to South Downs National Park	516	554
Management fee payable by South Downs National Park	(516)	(554)
Net surplus arising on the agency arrangement	<u>0</u>	<u>0</u>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
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**23. Members' Allowances**

The payments made directly to members under the Council's Members' Allowance Scheme during 2012/13 totalled £451,595 (£450,108 in 2011/12). In addition to these payments, during 2011/12 the Council also paid some members an allowance for the use of broadband internet - this totalled £516. These broadband payments were not made to Councillors during 2012/13. The Mayor and Deputy Mayor also received allowances for their additional mayoral duties - these totalled £5,866 in 2012/13 (£6,045 in 2011/12).

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](http://www.winchester.gov.uk).

**24. 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 2012/13. For this purpose, remuneration includes gross pay, all taxable benefits and redundancy payments but excludes employer pension contributions.

<u>2012/13</u>				<u>2011/12</u>		
Ongoing employees	Employees left in year	Total Employees	Remuneration Band	Ongoing employees	Employees left in year	Total Employees
7	0	7	£ 50,000-£ 54,999	6	0	6
10	0	10	£ 55,000-£ 59,999	11	1	12
2	0	2	£ 60,000-£ 64,999	2	0	2
2	0	2	£ 65,000-£ 69,999	1	1	2
1	0	1	£ 80,000-£ 84,999	1	0	1
2	0	2	£ 95,000-£ 99,999	2	0	2
<b>24</b>	<b>0</b>	<b>24</b>		<b>23</b>	<b>2</b>	<b>25</b>

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 2012/13 Test Valley Borough Council contributed £37,100 towards this post (£35,800 in 2011/12).

The Council shares its Head of Information Management and Technology with Test Valley Borough Council. As the officer is employed by Test Valley Borough Council the figures are not included above. During 2012/13 Winchester City Council contributed £40,319 towards this post (£39,400 in 2011/12).

Until 31 March 2013 the Council shared an Internal Audit Manager with Havant Borough Council and Test Valley Borough Council. The post holder was employed by Havant Borough Council so is not included in the figures above. Winchester City Council's contribution towards this post in 2012/13 was £39,400 (£22,900 in 2011/12). This figure includes a severance payment as this post was made redundant.

The remuneration of the Corporate Director (Governance) includes payments that this officer receives in his capacity as Returning Officer. These totalled £12,000 for elections conducted during 2012/13 (£14,000 in 2011/12).

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 2012/13.

2012/13	Taxable		Pension Payments £000	Total Remuneration £000
	Salary £000	Expenses and Benefits £000		
Chief Executive	94	3	12	109
Director of Governance	93	3	12	108
Director of Operations	81	3	11	95
Head of Finance	64	2	9	75

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2011/12	Salary £000	Taxable Expenses and Benefits £000	Pension Payments £000	Total Remuneration £000
Chief Executive	94	2	12	108
Director of Governance	94	3	12	109
Director of Operations	80	2	10	92
Head of Finance	63	5	8	76

The remuneration of the Corporate Director (Governance) shown above includes payments that this officer receives in his capacity as Returning Officer. These totalled £13,000 (including pension payments) for elections conducted during 2012/13 (£17,000 in 2011/12).

**25. 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:

	2012/13 £000	2011/12 £000
Fees payable to External Auditor with regard to the external audit services carried out by the appointed auditor for the year	76	131
External Audit Services - Audit Commission Rebate	(8)	(9)
Fees payable to the External Auditor for the certification of grant claims and returns for the year	13	37
Fees payable in respect of the other services provided by the External Auditor during the year	1	1
<b>Total</b>	<b>82</b>	<b>160</b>

The fees for other services payable in both 2012/13 and 2011/12 were in relation to the National Fraud Initiative.

**26. Grant Income**

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

	2012/13 £000	2011/12 £000
<b>Credited to Services</b>		
Rent Allowance	(14,756)	(14,135)
Rent Rebates	(12,350)	(11,456)
Council Tax Benefits	(5,293)	(5,319)
Developers' Contributions	(776)	(545)
Benefit Administration	(524)	(538)
Hampshire Supporting People	(455)	(509)
Hampshire County Contributions	(440)	(225)
Leader Project Funding	(434)	(371)
NNDR Collection Allowance	(190)	(194)
Green Deal	(139)	0
Contributions	(261)	(261)
Other Grants & Reimbursements	(87)	(257)
Other service specific grants	(61)	(202)
Disabled Facilities Grant	0	(414)
Lottery Grants	0	(14)
<b>Total</b>	<b>(35,766)</b>	<b>(34,440)</b>

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**Credited to Taxation and Non Specific Grant Income**

Distribution from Non Domestic Rates Pool	(4,256)	(3,543)
Developers' Contributions (Capital)	(596)	(719)
Disabled Facilities Grant	(439)	0
New Homes Bonus	(1,047)	(588)
Homelessness Gold Standard Challenge	(430)	0
Preventing Homelessness	(190)	(375)
Council Tax Freeze Grant	(174)	(173)
CLG New Burdens - Council Tax Reform	(84)	0
Revenue Support Grant	(82)	(1,095)
Council Tax Transition Funding	(21)	0
Town Team Partners Grant	(10)	0
Community Rights to Bid - New Burden	(9)	0
Welfare Reform Grant - New Burden	(5)	0
CLG N/hood Planning Grant New Burden	(5)	0
CLG New Burden - Temp Defer Business Rates	(3)	0
<b>Total</b>	<b>(7,351)</b>	<b>(6,493)</b>

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:

	<b>31 Mar 13</b>	<b>31 Mar 12</b>	<b>31 Mar 11</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Grants and Contributions in Advance</u>			
Developers' Contributions - Social Housing	(1,548)	(792)	(242)
Developers' Contributions - Open Spaces	(1,126)	(1,312)	(1,292)
Developers' Contributions - Whiteley	(303)	(386)	(475)
Developers' Contributions - West of Waterlooville	(830)	(387)	(48)
St Catherines Hill Nature Reserve	(178)	(176)	(188)
Open Spaces Commuted Payments	(35)	(163)	(290)
Supporting Troubled Families	(7)	0	0
<b>Total</b>	<b>(4,027)</b>	<b>(3,216)</b>	<b>(2,535)</b>

**27. 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 26.

Members of the Council have direct control over the Council's financial and operating policies. The payments made to members in 2012/13 (and 2011/12) are shown in Note 23. During 2012/13 (and 2011/12) there were no material transactions with any members. Any written declarations of interest are recorded in the Register of Members' Interests, which is open to public inspection. Declarations made at meetings are recorded in the minutes of that meeting.

Chief officers have the ability to influence the Council. During 2012/13 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.

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

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Opening Capital Financing Requirement	164,508	4,154
<u>Capital Expenditure</u>		
Housing Revenue Account Financing Settlement	0	156,722
Operational Assets	10,351	8,467
Non-operational Assets	701	1,187
Intangible Assets	131	336
Capital Grants	395	705
	<u>11,578</u>	<u>167,417</u>
<u>Sources of finance</u>		
Capital Receipts	(786)	(1,055)
Government Grants and other contributions	(976)	(1,045)
HRA Major Repairs Reserve	(6,291)	(3,404)
HRA Revenue Provision	(948)	(532)
GF Reserves	(876)	(770)
	<u>(9,877)</u>	<u>(6,806)</u>
Capital Financing Requirement Movement in Year	1,701	160,611
Statutory provision for the financing of capital investment	0	(96)
Amortisation of embedded lease operational assets	(321)	(161)
Voluntary financing of capital investment	(3,500)	0
	<u>162,388</u>	<u>164,508</u>
<u>Explanation for Movement in year</u>		
HRA Financing Settlement	0	156,722
Increase in underlying need to borrow	1,701	1,319
Environmental Services Contract Embedded Lease	0	2,570
	<u>1,701</u>	<u>160,611</u>

**29. Leases**

Council as Lessee

*Finance leases*

The Council has identified an 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:

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Vehicles Plant and Equipment	2,088	2,410

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

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	<b>2012/13</b>	<b>2011/12</b>
Finance lease liabilities (net present Value of minimum lease payments)	<b>£000</b>	<b>£000</b>
- Current	307	300
- Non-Current	1,810	2,118
Finance costs payable in future years	154	203
Minimum Lease payments	<u>2,271</u>	<u>2,621</u>

The Minimum Lease payments are payable over the following periods

	<b>Minimum Lease payments 2012/13 £000</b>	<b>Finance Lease Liability 2012/13 £000</b>
Not later than one year	349	307
Later than one year but not later than five years	1,398	1,295
Later than five years	524	515
	<u>2,271</u>	<u>2,117</u>

*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 2012/13 was £756,500 (£756,200 in 2011/12).

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

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Due within one year	491	470
Due later than one year and not later than five years	656	648
Due after five years	552	610
Total future minimum lease rentals payable	<u>1,699</u>	<u>1,728</u>

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:

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Due within one year	2,200	1,957
Due later than one year and not later than five years	7,126	6,416
Due after five years	73,701	73,752
Total future minimum lease rentals receivable	<u>83,027</u>	<u>82,125</u>

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 2012/13 £949,800 of contingent rents were receivable by the Council.

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**30. Termination Benefits and Exit Packages**

The Council terminated the contracts of 5 employees, incurring liabilities (for compensation for loss of office and employer's pension contributions for enhanced benefits) in 2012/13 of £37,300 (£141,000 in 2011/12).

2011/12				2012/13		
Compulsory Redundancy	Other Termination	Amount Paid	Total Package	Compulsory Redundancy	Other Termination	Amount Paid
1	8	86,400	£0 - £20,000	1	4	37,300
0	1	54,700	£40,001 - £60,000			
<u>1</u>	<u>9</u>	<u>141,100</u>		<u>1</u>	<u>4</u>	<u>37,300</u>

During 2012/13 an employee who worked for Winchester City Council under a shared service agreement took voluntary redundancy from Havant Borough Council (their employing authority). The cost of Winchester City Council's contribution to the termination benefits is not included in the figures above; instead the full cost is reported by the employing authority.

**31. 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 its 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 transactions have been made in the accounts during the year:

	2012/13 £000	2011/12 £000	2010/11 £000	2009/10 £000
<u>Included in the Cost of Services</u>				
Current service cost	2,120	1,820	2,110	1,510
Past service cost	60	200	(13,690)	0
<u>Included in Financing and Investment Income and Expenditure</u>				
Interest costs	5,550	5,690	5,980	5,790
Expected return on assets in the scheme	(4,120)	(4,420)	(4,010)	(2,590)
<u>Included in Other Comprehensive Income and Expenditure</u>				
Actuarial gain / (loss) on Pension Fund assets and liabilities	3,330	9,700	4,280	(15,420)
Total included in Comprehensive Income and Expenditure	<u>6,940</u>	<u>12,990</u>	<u>(5,330)</u>	<u>(10,710)</u>
<u>Included in the Movement in Reserves</u>				
Removal of notional charges made for retirement benefits	(3,610)	(3,290)	9,610	4,710
Inclusion of actual employer's contributions payable	2,400	2,500	2,460	2,340
Total included in the Movement in Reserves	<u>(1,210)</u>	<u>(790)</u>	<u>12,070</u>	<u>7,050</u>
<u>Actual employer's contributions charged against Council Tax</u>				
Normal funded contributions	2,133	1,810	2,152	2,141
Lumps sums for early retirements	57	490	108	0
Discretionary / unfunded added years	210	200	200	199
Total amount charged to Council Tax	<u>2,400</u>	<u>2,500</u>	<u>2,460</u>	<u>2,340</u>

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The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £67.944 million.

Assets and liabilities in relation to post-employment benefits

The movement in scheme liabilities was:

	<b>2012/13 funded liabilities £000</b>	<b>2012/13 unfunded liabilities £000</b>
Opening present value of liabilities	(115,590)	(2,920)
Current service cost	(2,120)	0
Interest cost	(5,420)	(130)
Contributions by scheme participants	(740)	0
Actuarial gains / losses on liabilities	(8,610)	(360)
Net benefits paid out	3,590	210
Past service cost	(60)	0
Closing present value of liabilities	<u>(128,950)</u>	<u>(3,200)</u>

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

	<b>2012/13 £000</b>	<b>2011/12 £000</b>
Opening fair value of assets	65,430	63,360
Expected return on assets	4,120	4,420
Contributions by scheme participants	740	730
Contributions by the employer	2,190	2,300
Actuarial gains / losses on assets	5,640	(1,420)
Net benefits paid out	(3,590)	(3,960)
Closing fair value of assets	<u>74,530</u>	<u>65,430</u>

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

The actual return on scheme assets in 2012/13 was £9.76 million (£3.00 million in 2011/12).

Scheme history

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

	<b>2008/09 £000</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Fair value of assets in the Fund	45,870	60,880	63,360	65,430	74,530
Present value of liabilities in the Fund	(86,980)	(119,780)	(105,950)	(118,510)	(132,150)
Net surplus / (deficit) in the Scheme	<u>(41,110)</u>	<u>(58,900)</u>	<u>(42,590)</u>	<u>(53,080)</u>	<u>(57,620)</u>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £57.62 million as at the 31 March 2013 (£53.08 million as at 31 March 2012) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance for 2012/13 of £183.3 million (£183.7 restated in 2011/12).

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 2014 is £2.37 million (£2.15 million for funded benefits and £0.22 million in respect of unfunded early retirements).

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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 principal assumptions used by the actuary in updating the valuation for the fund were:

	<b>Funded benefits</b>		<b>Unfunded benefits</b>	
	<b>2012/13</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Principle financial assumptions</u>				
Rate for discounting scheme liabilities	4.4%	4.7%	4.1%	4.6%
RPI inflation rate	3.6%	3.5%	3.5%	3.4%
CPI inflation rate	2.7%	2.5%	2.6%	2.4%
Rate of increase to pensions in payment	2.7%	2.5%	2.6%	2.4%
Rate of increase to deferred pensions	2.7%	2.5%	-	-
Rate of general increases in salaries	4.6%	5.0%	-	-
<u>Mortality assumptions</u>				
Future lifetime from 65 for current pensioners				
Males	24.0	23.9	24.0	23.9
Females	25.0	24.9	25.0	24.9
Future lifetime from 65 for future pensioners				
Males	25.7	25.6	-	-
Females	26.9	26.8	-	-
<u>Take up of option to commute pension to lump sum</u>				
Pre-2010 service	25%	25%	-	-
Post-2010 service	75%	75%	-	-
<u>Expected return on assets</u>				
Equities	7.8%	8.1%	-	-
Property	7.3%	7.6%	-	-
Government bonds	2.8%	3.1%	-	-
Corporate bonds	3.8%	3.7%	-	-
Cash	0.9%	1.8%	-	-
Other assets	7.8%	8.1%	-	-

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

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Equities	57.6%	55.1%
Property	7.8%	7.7%
Government bonds	24.9%	27.0%
Corporate bonds	1.3%	1.5%
Cash	2.3%	4.1%
Other	6.1%	4.6%
	<u>100.0%</u>	<u>100.0%</u>

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 2013.

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities:

	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Experience gains/(losses) on assets	(34.1)	20.6	(0.9)	(2.2)	7.6
Experience gains/(losses) on liabilities	(0.5)	1.0	3.8	(0.7)	0.1

### **32. Contingent Liabilities**

The Council is aware of a potential liability arising from its previous arrangement with the Municipal Mutual Insurance Company, relating to mesothelioma claims. Following unfavourable litigation in the Supreme Court, the directors have triggered the contingent scheme of arrangement under section 425 of the Companies Act 1985 as a solvent run off could not be foreseen. Ernst & Young LLP were appointed scheme administrators on the 13 November 2012. Following an actuarial review the administrator has notified the Council that an initial levy of £28,000 will be made. A provision for this amount has been made in the accounts (note 17). The Council has remaining exposure under the scheme of arrangement of £157,000. Given the nature of the claims, projections remain uncertain; therefore the Council is maintaining its earmarked reserve to fully cover its exposure.

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £175,000 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

As at the 1st April 2013 the funding arrangements with Central Government for National Non Domestic Rates (NNDR) have been changed. Previously the Council acted as an agent for Central Government and paid all NNDR over to Central Government, part of which was returned to the Council as a government grant. Under the new arrangement the Council directly keeps 40% of the NNDR it collects; subject to a protection scheme of top ups and tariffs. The NNDR that has previously been received by the Council, and paid over to Central Government, is subject to outstanding revaluation appeals and potential new appeals which will create a liability on the Council that previously would have been transferred to Central Government. The Council's 40% share of this liability is estimated to be £1,050,000. The funding of this liability has been taken fully into account by Central Government's new funding formula.

### **33. 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.

### **34. Nature and Extent of Risks Arising from Financial Instruments**

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the CLG Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

- Credit Risk: The possibility that one party to a financial instrument will fail to meet its contractual obligations, causing a loss for the other party.
- Liquidity Risk: The possibility that the Council might not have the cash available to make contracted payments on time.

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- Market Risk: The possibility financial loss will materialise because of changes in market variables such as interest rates or equity prices.

**Credit Risk: Investments**

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, and other local authorities without credit ratings. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment.

A limit of £3m / 15% of the total portfolio is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. No more than £5m / 15% in total can be invested for a period longer than one year.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £21 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. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

The table below summarises the credit risk exposures of the Council's investment portfolio by maturity:

Maturity	Long Term		Short term	
	31 Mar 13	31 Mar 12	31 Mar 13	31 Mar 12
	£000	£000	£000	£000
Cash within 7 days			14,645	3,754
up to 3 Months			0	9,058
up to 6 Month			1,040	34
up to 9 Months			4,003	34
up to 12 Months			3,089	33
Over 1 year	945	1,017		
	<u>945</u>	<u>1,017</u>	<u>22,777</u>	<u>12,913</u>

**Credit Risk: Trade Receivables**

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 13	31 Mar 12
	£000	£000
Less than three months	961	1,425
Three months to one year	329	316
More than one year	542	539
	<u>1,832</u>	<u>2,280</u>

**Liquidity Risk**

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 17% of the Council's borrowing matures in any one financial year. The maturity analysis of the principal sums borrowed is as follows:

	31 Mar 13	31 Mar 12
	£000	£000
6 -10 years	5,000	0
11-20 years	60,000	65,000
21-30 years	35,000	35,000
31-40 years	20,000	20,000
41-50 years	36,722	36,722
	<u>156,722</u>	<u>156,722</u>

Market Risks: Interest Rate Risk

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

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as “available for sale” will be reflected in Other Comprehensive Income and Expenditure.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2013, 100% of net principal borrowed (i.e. debt net of investments) was exposed to fixed rates.

If all interest rates had been 0.5% higher (with all other variables held constant) the financial effect would be:

- Increase interest receivable on variable rate investment (£141,000)
- Decrease in fair value of PWLB loans £13,776,000
- No impact on Comprehensive Income and Expenditure.

The approximate impact of a 0.5% fall in interest rates would be as above but with the movements being reversed.

Market Risks: Price Risk

The Council does not generally invest in equity shares but does have holdings that cost £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 units. The market risk associated is managed alongside interest rate risk. This investment is valued at £945k with an impairment charged to Income and Expenditure of £18k for 2012/13.

The Council does not invest in any other equity shares and therefore is not subject to equity price risk.

### 35. 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 contracts with the third parties have 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 a Finance Lease; more details are in note 29.

	<b>31 Mar 13</b>	<b>31 Mar 12</b>
	<b>£000</b>	<b>£000</b>
Fixed Assets	2,088	2,410
Liabilities within one year	307	300
Liabilities after more than one year	1,810	2,118

The joint venture does not create a group and therefore, consolidation for group accounts is not required.

**36. Exceptional Items**

There were no exceptional items in 2012/13.

During 2011/12 there was one material accounting transaction that the Council deemed to be exceptional. As part of the Government's reform of the Housing subsidy system, the Council has a charge in its Comprehensive Income and Expenditure statement (£156.722 million) for the settlement made to the Secretary of State in accordance with the determination.

**37. Heritage Assets: five year summary of transactions**

	2008/09	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000	£000
Value of Heritage Assets					
Archaeology	350	350	400	400	400
Art Collection	220	220	220	850	850
Civic Regalia	1,075	1,075	1,075	1,500	1,500

**38. 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's 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 the Council some are maintained privately and others by Hampshire County 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 to 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, 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 wives 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 Arnald which are both on display in the Guildhall and Drawings of Wren's Design For the Kings House by Christopher Wren and Nicholas Hawksmoor which are 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 22 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

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

**39. Changes in Accounting Policy required by the Code of Practice for Local Authority Accounting in the United Kingdom and correction of errors**

Correction of 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 2012/13 the non current assets, with the exception of Council dwellings and intangible assets, have been migrated from an Asset Register which was held on an excel spreadsheet to an off the shelf package. To enable the migration to take place errors were identified on the existing Asset Register which needed to be amended prior to migration.

The fully restated 1 April 2011 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 opening Balance Sheet 1 April 2011

	<b>Opening balance as at 1 April 2011 £000</b>	<b>Restatement £000</b>	<b>Restatement required to opening balances as at 1 April 2011 £000</b>
Property, Plant and Equipment	351,015	350,382	(633)
<b>Total Net Assets</b>	<b>355,397</b>	<b>354,764</b>	<b>(633)</b>
Usable Reserves	12,584	12,584	0
Unusable Reserves	342,813	342,180	(633)
<b>Net Worth / Total Reserves</b>	<b>355,397</b>	<b>354,764</b>	<b>(633)</b>

Comprehensive Income and Expenditure Statement

	<b>As previously stated £000</b>	<b>As Restated £000</b>	<b>Correction £000</b>
Corporate and democratic core	2,751	2,738	(13)
Cultural and related services	3,287	3,106	(181)
Local Authority Housing (HA)	(1,392)	(1,365)	27
<b>Cost of Services</b>	<b>176,227</b>	<b>176,060</b>	<b>(167)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>162,565</b>	<b>162,389</b>	<b>(176)</b>
<b>Total Comprehensive (income) and Expenditure</b>	<b>171,194</b>	<b>171,038</b>	<b>(156)</b>

Movement in Reserves Statement – Unusable Reserves 2011/12

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2012, as a result of the application of this new accounting policy is presented in the table below.

	<b>As previously stated £000</b>	<b>As Restated £000</b>	<b>Restatement £000</b>
<b>Balance at the end of the previous reporting period - 31 Mar 11</b>	<b>(342,813)</b>	<b>(342,180)</b>	<b>633</b>
Other Comprehensive Income and Expenditure	8,629	8,649	20
Adjustments between the accounting basis and the funding basis under regulations	164,092	163,915	(177)
Transfers to/(from) Earmarked Reserves	(524)	(523)	1
(Increase) / Decrease in the year	172,197	172,041	(156)
<b>Balance at the end of the current reporting period - 31 Mar 12</b>	<b>(170,616)</b>	<b>(170,139)</b>	<b>477</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

Movement in Reserves Statement – Usable Reserves 2011/12

	<b>As previously stated £000</b>	<b>As Restated £000</b>	<b>Restatement £000</b>
<b>Balance at the end of the previous reporting period - 31 Mar 11</b>	<b>(12,584)</b>	<b>(12,584)</b>	<b>0</b>
(Surplus) or Deficit on the Provision of Services	162,565	162,389	(176)
Adjustments between the accounting basis and the funding basis under regulations	(164,092)	(163,915)	177
Transfers to/ from Earmarked Reserves	524	523	(1)
(Increase) / Decrease in the year	(1,003)	(1,003)	0
<b>Balance at the end of the current reporting period - 31 Mar 12</b>	<b>(13,587)</b>	<b>(13,587)</b>	<b>0</b>

The Balance Sheet for 31 March 2012 has been restated in this document. The adjustments that have been made to the Balance Sheet over the version published in the 2011/12 Statement of Accounts are as follows:

	<b>As previously stated 31 Mar 12 £000</b>	<b>As Restated 31 Mar 12 £000</b>	<b>Restatement 31 Mar 12 £000</b>
Property, Plant and Equipment	346,652	346,176	(476)
<b>Total Net Assets</b>	<b>184,203</b>	<b>183,726</b>	<b>(477)</b>
Usable Reserves	13,587	13,587	0
Unusable Reserves	170,616	170,139	(477)
<b>Net Worth / Total Reserves</b>	<b>184,203</b>	<b>183,726</b>	<b>(477)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE FOR YEAR ENDED 31 MARCH 2013**

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

	<b>Note</b>	<b>2012/13 £000</b>	<b>Restated 2011/12 £000</b>
<b>Income</b>			
Dwelling Rents		(23,591)	(22,010)
Non-Dwelling Rents		(1,083)	(1,038)
Charges for Services & Facilities		(2,239)	(2,434)
<b>Total Income</b>		<b>(26,913)</b>	<b>(25,482)</b>
<b>Expenditure</b>			
Repairs & Maintenance		4,354	3,769
Supervision & Management		5,956	5,993
Rents, Rates, Taxes & Other Charges		386	412
Negative Housing Revenue Account Subsidy Payable	<b>H1</b>	(15)	9,866
Depreciation and Impairment of Non-Current Assets	<b>H6</b>	5,654	3,974
Revaluation Losses on Property, Plant and Equipment	<b>H6</b>	2,819	5,726
Amortisation of Intangible Assets	<b>H6</b>	17	4
Debt Management Costs		56	99
Self Financing Settlement Payment		0	156,722
<b>Total Expenditure</b>		<b>19,227</b>	<b>186,565</b>
<b>Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income &amp; Expenditure Statement</b>		<b>(7,686)</b>	<b>161,083</b>
HRA Services Share of Corporate & Democratic Core		60	131
HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services		10	26
<b>Net Expenditure or Income of HRA Services</b>		<b>(7,616)</b>	<b>161,240</b>
Net Gain on Sale of HRA Fixed Assets		(766)	(383)
Changes in Fair Valuations on Investment Properties		(104)	0
External Interest Payable		5,169	57
Capital Grants and Contributions		(50)	0
<b>(Surplus)/Deficit for year on HRA Services</b>		<b>(3,367)</b>	<b>160,914</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE**  
**FOR YEAR ENDED 31 MARCH 2013**

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

	Note	2012/13		Restated 2011/12	
		£000	£000	£000	£000
<b>(Surplus)/Deficit for the year on the Housing Revenue Account</b>			(3,367)		160,914
<u>Adjustments between accounting basis and funding basis under statute:</u>					
Reversal of Self Financing Settlement Payment		0		(156,722)	
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		32		264	
Reversal of items relating to retirement benefits and Employer's pensions contributions and direct payments to pensioners payable in the year	<b>H2</b>	61		108	
Reversal of revaluation losses on Property, Plant and Equipment and movements in the market value of Investment Properties		(2,716)		(5,726)	
Net Gain on sale of Fixed Assets		766		384	
Capital Expenditure funded from the HRA		948		532	
Reversal of Capital Grants and Contributions		50		0	
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals		(19)		(5)	
Charges for depreciation and impairment of non-current Assets		(5,654)		(3,974)	
Amortisation of intangible assets		(17)		(4)	
Transfer to Major Repairs Reserve		5,670		3,572	
			(879)		(161,571)
<b>Net increase in HRA Balance before transfers to or from Reserves</b>			(4,246)		(657)
Transfer from Insurance Reserve			0		(11)
Transfer to Capital Adjustment Account for Debt Repayment			3,500		0
Increase in HRA Balance			(746)		(668)
Housing Revenue Account Surplus Brought Forward			(1,957)		(1,289)
<b>Housing Revenue Account Surplus Carried Forward</b>			(2,703)		(1,957)

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**NOTES TO THE HOUSING REVENUE ACCOUNT FOR YEAR ENDED 31 MARCH 2013**

**H1. Housing Subsidy**

The HRA subsidy system was discontinued from 1 April 2012 when the new system of Self-Financing was introduced. In 2012/13 a final reconciliation of subsidy payments was undertaken which resulted in the Council receiving £14,891 from Government.

**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 conservation of the Housing Revenue Account (HRA) long term assets and it was, up to 31 March 2012, financed by depreciation to the limit of the major repairs allowance (MRA), within the housing subsidy. Adjustments were 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. Following the HRA finance reforms that came in to effect on the 1 April 2012 all HRA depreciation is placed into the reserve to the conservation of HRA long term assets.

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
HRA depreciation	(5,670)	(3,958)
HRA depreciation in excess of MRA	0	386
Net Charge to HRA	(5,670)	(3,572)
HRA capital financed	6,291	3,404
Movement in year	621	(168)
Balance brought forward at 1 Apr	(976)	(808)
Balance carried forward at 31 Mar	(355)	(976)

**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:

	<b>31 Mar 13</b>	<b>31 Mar 12</b>
	Number	Number
Houses	2,272	2,285
Bungalows	861	862
Flats & Maisonettes	1,908	1,932
Shared ownership	13	13
	<u>5,054</u>	<u>5,092</u>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**NOTES TO THE HOUSING REVENUE ACCOUNT FOR YEAR ENDED 31 MARCH 2013**

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

	<b>31 Mar 13</b>	<b>Restated 31 Mar 12</b>	<b>Restated 31 Mar 11</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Operational assets</u>			
Dwellings	283,384	285,245	290,717
Other Land & Buildings	8,841	8,419	8,200
Infrastructure	2,269	2,405	2,520
Community Assets	14	14	14
Under Construction	55	0	0
Plant & Equipment	69	77	7
Intangibles	127	86	0
	<u>294,759</u>	<u>296,246</u>	<u>301,458</u>
<u>Non-operational assets</u>			
Investment Properties	3,225	4,224	3,924
Total value	<u>297,984</u>	<u>300,470</u>	<u>305,382</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 2012/13 and 2011/12 was 32%.

The valuation for existing use for social housing, which is the value held in the Statement of Accounts, was £283 million at 31 March 2013 (£285 million at 31 March 2012) and the vacant possession value was £884 million (£891 million at 31 March 2012).

#### **H5. Capital Expenditure and Receipts**

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
<u>Capital Expenditure</u>		
Self Financing Settlement	0	156,722
Dwellings	7,330	4,372
Other Land & Buildings	173	173
Vehicles Plant & Equipment	0	75
Infrastructure	43	68
Assets Under Construction	54	0
Intangibles	58	54
Expenditure in year	<u>7,658</u>	<u>161,464</u>
Financed by:		
Capital receipts	(369)	(730)
Major repairs reserve	(6,291)	(3,404)
Contributions from revenue	(948)	(531)
Other Contributions	(50)	(77)
	<u>(7,658)</u>	<u>(4,742)</u>
Additional Capital Financing Requirement	0	156,722
Capital Financing Requirement B/F	166,853	10,131
Voluntary financing of capital investment	(3,500)	
Capital Financing Requirement C/F	<u>163,353</u>	<u>166,853</u>
<u>Capital Receipts</u>		
Operational Assets		
Dwellings	(1,702)	(633)
Other	(29)	0
Mortgages	(4)	(3)
Total	<u>(1,735)</u>	<u>(636)</u>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**NOTES TO THE HOUSING REVENUE ACCOUNT FOR YEAR ENDED 31 MARCH 2013**

**H6. Depreciation & Impairment**

	<b>2012/13</b>	<b>Restated</b>
	<b>£000</b>	<b>2011/12</b>
		<b>£000</b>
<u>Depreciation</u>		
Dwellings	5,240	300
Land and Buildings	226	0
Infrastructure	179	2
Vehicles, Plant and Equipment	8	(75)
Intangibles	17	4
	5,670	231
<u>Revaluation below Historic Cost</u>		
Dwellings	2,929	(801)
Land and Buildings	109	0
Total	8,708	(570)

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%, resulting in a downward revaluation of £104.0 million. Since the social housing factor has remained at 32% but value of Dwellings has fallen with further charges to the Comprehensive Income and Expenditure Account (£3.84 millions in 2012/13 and £5.726 million in 2011/12). Should Dwelling values rise in the future the charges made to the Comprehensive Income and Expenditure Statement will be reversed until values reach those of 1 April 2007 (historic cost), after which a revaluation reserve will be created

**H7. Rent Arrears**

	<b>31 Mar 13</b>	<b>31 Mar 12</b>	<b>31 Mar 11</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Rent Arrears	508	446	417
Provision for Bad Debts	(293)	(240)	(238)
Anticipated Collectable Arrears	215	206	179

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2013**

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.

	Note	2012/13		2011/12	
		£000	£000	£000	£000
<u>Income</u>					
Net Council Tax	C1	(64,367)		(63,932)	
Non-Domestic Rates	C2	(49,731)		(46,246)	
Council Tax Benefits		(5,201)		(5,254)	
			(119,299)		(115,432)
<u>Expenditure</u>					
Hampshire County Council Precept		50,154		49,798	
Winchester City Council Demand		9,261		9,129	
Police and Crime Commissioner for Hampshire Precept		7,067		7,017	
Hampshire Fire & Rescue Authority Precept		2,966		2,945	
Payment to National Pool		49,541		46,053	
Business Rate Cost of Collection Allowance		190		194	
			119,179		115,136
(Surplus) for year			(120)		(296)
<u>Adjustments for previous years</u>					
(Surplus)/Deficit brought forward			(200)		96
Distribution of previous year's estimated Council Tax Surplus	C3		210		0
(Surplus) carried forward	C4		(110)		(200)

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2013**

**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 £1,437) is then multiplied by the proportion specified for the particular band to give an individual amount due. For 2012/13 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	1.75	5/9	0.97
A	1,583.49	6/9	1,055.66
B	5,123.98	7/9	3,985.32
C	9,859.53	8/9	8,764.03
D	7,992.75	1	7,992.75
E	7,624.47	11/9	9,318.80
F	5,901.39	13/9	8,524.23
G	4,719.34	15/9	7,865.57
H	571.86	18/9	1,143.72
Ministry of Defence			353.88
	43,378.56		49,004.93
Less adjustment for collection rates			(681.10)
			48,323.83

**C2. National Non-Domestic Rates (NNDR)**

NNDR is organised on a national basis. The Government specified an amount (45.8p in 2012/13) 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 £18,000 a small business rate (45.0p in 2012/13). 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 2013 was £128.2 million and £126.62 million at 31 March 2012. After relief's and provisions, the NNDR income of £49.7 million (£46.2 million for 2011/12) was based on an average rateable value for the Council's area of £127.4 million for 2012/13 (£127.9 million for 2011/12) and was arrived at as follows:

	2012/13		2011/12	
	£000	£000	£000	£000
Gross Income - (£119,217,932 x 0.458)	(54,602)		(51,980)	
- (£ 8,161,350 x 0.450)	(3,673)		(3,341)	
		(58,275)		(55,321)
Less Voids and Revised Assessments		1,182		2,068
		(57,093)		(53,253)
Less:				
Transitional Reliefs	18		149	
Other Reliefs	6,899		6,434	
Interest Arising from Reduced Assessments	19		47	
Write Offs and Provisions for Write Offs	426		377	
		7,362		7,007
Total		(49,731)		(46,246)

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2012/13**  
**COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2013**

**C3. Distribution of previous year's estimated Council Tax Surplus**

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Winchester City Council	28	0
Hampshire County Council	152	0
Hampshire and Isle of Wight Police Authority	21	0
Hampshire Fire & Rescue Authority	9	0
	<u>210</u>	<u>0</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:

	<b>£000</b>
Surplus brought forward at 1 April 2012	(200)
Distribution made in the year of previous year's estimate	210
Surplus arising in 2012/13	(120)
Surplus carried forward at 31 March 2012	<u>(110)</u>

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

	<b>2012/13</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Winchester City Council	(15)	(27)
Hampshire County Council	(79)	(145)
Hampshire and Isle of Wight Police Authority	(11)	(20)
Hampshire Fire & Rescue Authority	(5)	(8)
	<u>(110)</u>	<u>(200)</u>



## **1. Scope of Responsibility**

Winchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Winchester City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Winchester City Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Winchester City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

This Statement explains how Winchester City Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the review of its system of internal control in accordance with best practice, and that the review be reported in an Annual Governance Statement.

## **2. The Purpose of the Governance Framework**

The purpose of the governance framework is to ensure that the authority directs and controls its activities in a way that meets standards of good governance and is accountable to the community. It does this by putting in place an organisational culture and values which drive a responsible approach to the management of public resources, supported by appropriate systems and processes, and ensuring that these work effectively. It works with the Council's Performance Management Framework to ensure that the Council has in place strategic objectives reflecting the needs of the community and is monitoring the achievement of these objectives through delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Winchester City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Winchester City Council for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts for the 2012/13 financial year.

## **3. The Governance Framework**

The core principles of good governance are:-

- Focusing on the purpose of the authority and on outcomes for the local community and creating and implementing a vision for the local area.
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managed risk.
- Developing the capacity and capability of Members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

The Council's Performance Management Framework translates the needs of the community and requirements of Government, into cost effective local services designed to deliver the shared vision for the District (economic prosperity, a high quality environment and active communities) and meet statutory requirements.

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## WINCHESTER CITY COUNCIL ANNUAL GOVERNANCE STATEMENT

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The Council engages with its communities through a number of mechanisms, including community planning, consultation events, surveys and campaigns relating to specific initiatives. Building on the views expressed and evidence of needs and future trends, the Council has worked with partner organisations to agree a shared vision and set of aims and outcomes for the District that is documented in the Winchester District Community Strategy 2010 - 2020.

The Council's Community Strategy is supplemented by more detailed information on the key projects and programmes of work that the authority will be delivering during the year – with actions to achieve priority outcomes set out in the Change Plans. More detailed business and service plans are drawn up by each of the Council's Teams, with targets set for individual members of staff through the annual appraisal process. This process also looks at the development and training needs of staff, with a programme of training then put in place to meet these needs.

Progress against Change Plans and budgets is monitored regularly by the Corporate Management Team, the Performance Management Team, Senior Managers and Portfolio Holders. The Overview and Scrutiny committee receives reports focusing on delivery of key projects and programmes of work and drawing attention to other areas where progress is exceeding, or falling short of targets. Cabinet also monitor progress in delivery.

The Council's performance management arrangements are regularly reviewed and were further developed in 2012/13 to better demonstrate progress against delivering the outcomes in the Winchester District Community Strategy and the Council's Change Plans. The National Performance Framework has been fully embedded in the Council's reporting mechanisms. The Council has an officer Performance Management Team to monitor and direct monthly financial performance, service performance, progress on key corporate projects and risk management and to oversee the implementation of recommendations from Internal Audit reports.

The Council publishes the Annual Financial Report (incorporating the Statement of Accounts) annually within the statutory timescales. The Annual Financial Report incorporates the full requirements of best practice guidance in relation to corporate governance, risk management and internal control.

The Council is subject to independent audit by Ernst and Young and receives an Annual Audit Letter reporting on findings. The Council supplements this work with a small internal audit team and ad hoc external peer reviews. The Audit Committee undertakes the core functions as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*.

The Council's Constitution explains existing policy making and delegation procedures and the matters which must be dealt with by the full Council. It documents the role and responsibilities of Cabinet, portfolio holders, each committee and members and officers. The Council has approved a protocol governing relationships between Members and Officers as part of its Constitution and has adopted codes of conduct for both Officers and Members which facilitate the promotion, communication and embedding of proper standards of behaviour. Officers have job descriptions and there are clearly defined schemes of delegation, all of which are reviewed from time to time.

The Council's Constitution incorporates clear guidelines to ensure that business is dealt with in an open manner except in circumstances when issues should be kept confidential. Meetings are open to the public except where personal or confidential matters are being discussed. All Cabinet /committee agendas, minutes and portfolio holder decisions are published promptly on the Council's website. In addition, senior officers of the Council can make some decisions under delegated authority. The over-arching policy of the Council is decided by the full Council. The Overview and Scrutiny Committee and Audit Committee hold Portfolio Holders to account for delivery of the Council's policy framework within the agreed budget, and protocols are in place for any departure from this to be properly examined.

Staff awareness training has been undertaken to ensure that the Council complies adequately with the provisions of the Data Protection and Freedom of Information Acts, and Equality requirements.

The Council has appointed the Head of Finance as the Section 151 officer with the statutory responsibility for the proper administration of the Council's financial affairs. CIPFA/SOLACE advise that the Chief Finance Officer should report directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. This has been the case with effect from 1 April 2013. However, for the year 2012/13, Winchester's organisational model had a strategic Corporate Management Team comprising the Chief

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**WINCHESTER CITY COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

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Executive and two Corporate Directors with responsibility for Operations and Governance, with the Head of Finance reporting to the latter.

During that year, the Head of Finance had an open invitation to all meetings of the Corporate Management Team, and made a contribution on a broad range of matters. The Chief Executive or Corporate Director (Governance) ensured she was involved in any follow-up to matters discussed where appropriate – and in practice, as with most District Councils, the 'Leadership Team' is not simply confined to CMT but includes other senior officers as appropriate. The Head of Finance / Chief Finance Officer is also a member of the Council's Performance Management Team alongside the Chief Executive, Corporate Directors and Assistant Directors.

The Council has appointed the Chief Operating Officer (previously Corporate Director (Governance)) as the statutory "Monitoring Officer" and has procedures to ensure that the Monitoring Officer is aware of any issues which may have legal implications.

All Cabinet reports are reviewed by the Chief Finance Officer and Monitoring Officer. All reports to Cabinet are required to demonstrate how the matter links to the Council's Community Strategy and Change Plans, and highlight resource implications. Officers are also asked to draw out risk, equality, sustainability, management and legal issues as appropriate. Similar procedures are in place for the Scrutiny and Regulatory Committees.

The Council has whistle-blowing and anti-fraud and corruption policies. It has a formal complaints procedure and seeks to address and learn from complaints. The Council's Standards Committee deals with complaints relating to the conduct of Members.

Members' induction training is undertaken after each election. Members receive regular updates and training on developments in local government.

#### **4. Review of Effectiveness**

Winchester City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements includes wide input:-

## INPUTS TO THE ANNUAL GOVERNANCE STATEMENT



- **Managers and staff** have responsibility for the development and maintenance of a sound governance environment.
- **Elected members** are collectively responsible for the governance of the Council and the full Council is responsible for agreeing the Constitution, policy framework and budget.
- **Internal Audit**'s remit includes the Council's entire control environment. The Internal Audit Manager takes account of the Council's assurance and monitoring mechanisms, including risk management arrangements, for achieving the Council's objectives. The Internal Audit Plan is based on the Corporate Risks Register and identifies Internal Audit's contribution to the review of the effectiveness of the control environment. The process includes reports to the Audit Committee on progress of audits. Regular summaries are also produced of the outcome of each audit, together with reviews of whether agreed recommendations have been implemented. Internal Audit provides an annual opinion on the internal control environment and issues that should be included in this Statement.

Part of this review process is an annual review report by the Internal Audit Manager of the effectiveness of the Council's internal audit function. In the light of feedback we have concluded that internal audit is an effective part of the Council's governance arrangements.

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**WINCHESTER CITY COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

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- **External Audit** provides an Annual Audit Letter, which includes a review of the Council's Annual Governance Statement and internal controls.
- **Corporate Directors, Assistant Directors and Heads of Teams** complete annual statements of assurance and implement action plans identified as a part of this process.
- **The Monitoring Officer** has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are followed. He also reviews this Statement. Amendments to the Constitution are considered by Cabinet, the Leader, The Overview and Scrutiny Committee, the Standards Committee and Council from time to time as required to reflect managerial and operational changes.
- An officer **Performance Management Team** is responsible for deploying risk management across the Council and the risk assessment of emerging issues, in addition to monitoring progress against Business Plans and budgets.
- An officer **Governance Group** co-ordinates the preparation of this statement and recommends the statement to the Corporate Management Team. The Group monitors compliance in the risk management arrangements and keeps the self-assessment of governance based on the Code of Corporate Governance under review.
- **The Corporate Management Team** reviews this statement and regularly deals with setting policy for risk management. It has a role in setting the culture and values, agreeing the Governance Framework, and implementing the framework throughout all its work.
- **The Audit Committee** monitors the internal control environment through receipt of audit reports and this Statement, and keeps an overview of arrangements for risk management. It also approves this Statement and the Statement of Accounts.
- The **Cabinet** manages risk in making operational and governance decisions together with proposing and implementing the policy framework, budget and key strategies.
- The **Leader and Chief Executive** review and sign this Statement on behalf of the Council.

**WINCHESTER CITY COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

**5. Current Issues**

There are a number of issues identified which significantly impact on the 2013/14 and / or future financial years. The Council has also stated how it plans to address them and the following plans have been integrated into the Council's performance management arrangements.

Issue	Action to be taken	Progress / Comments
Asset Management	Maintain an up to date Asset Management Plan and ensure that financial aspects of the Council's fixed assets are appropriately incorporated into the financial planning process, taking account of the possible impact of the current economic situation on the Council's properties.	<p>Significant capital expenditure was incurred on the Council's fixed assets in 2012/13 eg major works were completed on the former Hyde Historic Resources Centre with the property let to an architects firm. Work is well underway on the new Depot which will release the old site for development. Negotiations are at an advanced stage for renovation/conversion of Abbey Mill with a letting to a restaurateur. Other opportunities for maximising use/income generation of the portfolio are being considered,</p> <p>Earmarked reserves have been increased to fund future planned expenditure. However there are still some future capital requirements that will need funding identified including the River Park Leisure Centre, City Offices and IT. This will be considered further during 2013/14.</p>
Setting and achieving priorities within the context of recession and reduced resources for local government.	<p>Continued improvement in consultation on Council priorities/budget, for 2013/14 based on the refresh of the Community Strategy.</p> <p>Improvement of links between corporate and departmental business planning, aligning departmental business plans to priority outcomes derived from the Sustainable Community Strategy over a five year period.</p> <p>The financial strategy to be more effectively linked with Change Plans, and with asset, IT and human resource management.</p> <p>Effective Flexible Resource Management to achieve target savings.</p> <p>More effective use of officer capacity through agile working</p> <p>Developing a robust approach to Programme Management</p>	<p>The Council set a balanced budget for 2012/13, but there are a number of further challenges for the medium term financial plan. These include;</p> <ul style="list-style-type: none"> <li>- changes arising from the Spending Review</li> <li>- changes arising from the Government's Welfare Reforms I, including new arrangements for housing and council tax benefits;</li> <li>-changes implemented in the Government's Localism Act, including arrangements for funding social housing and for enabling local groups to take over community facilities and services; and</li> <li>-Government proposals to allow local authorities to keep their business rates.</li> </ul> <p>The process for delivering the Council's priorities, which are drawn from the SCS, has been strengthened by the Change Plans introduced from 2011/12.</p> <p>Employee cost savings targets for 2012/13 were achieved, and the "1team" approach is embedded.</p>

**WINCHESTER CITY COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

<b>Issue</b>	<b>Action to be taken</b>	<b>Progress / Comments</b>
Partnership arrangements	Continue to develop partnership arrangements where there is an efficiency or improvement led case for doing so.	<p>A number of delivery partnerships are in place to help realise priority outcomes, for example the Community Safety partnership, Health &amp; Wellbeing Partnership or Housing Forum.</p> <p>The Council continues to develop a range of partnership and shared services projects including:</p> <ul style="list-style-type: none"> <li>- Housing services (based on the Hampshire Home Choice service)</li> <li>- Fully Integrated Merger of Museums services</li> </ul> <p>Shared services already in place include IT, Revenues &amp; Benefits, Environment Services / Grounds Maintenance Contract and Internal Audit. Each will be developed further over time, including new arrangements for Internal Audit.</p> <p>During 2013/14 an Internal Audit Protocol on information sharing between parties and their respective assurance providers will be put in place.</p>
Housing Finance Reform	<p>Implementing the consequential changes to the Housing Revenue Account and the Treasury Management procedures, of the Government's Housing Finance Reform effective from 1 April 2013.</p> <p>Delivering the Council's new homes programme.</p>	<p>The Council took on debt and paid £157.622m to the government in March 2012 in accordance with the requirements of housing finance reform.</p> <p>Treasury management procedures for the management of the cashflow and the debt are under further development.</p> <p>Preparations are being made for accounting changes for depreciation and componentisation.</p>
Capacity	Ensure capacity to deliver priorities.	<p>Performance Management Team leads in monitoring progress with key projects and managing capacity to ensure delivery of priorities. The <i>1-team</i> approach to staff deployment is assisting with directing staff resource to priority areas.</p> <p>The budget target for vacancy management savings has been maintained for 2013/14, and resources have been identified for the Major Projects Team.</p>
Silver Hill	To work with the Council's development partner Henderson Global Investments to progress the scheme.	<p>The Secretary of State has confirmed the CPO for Silver Hill. This decision is subject to a legal challenge which will take some time to come before the High Court. In the meantime preparatory work on the scheme continues. A start on site in 2014 remains probable.</p>

**WINCHESTER CITY COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

<b>Issue</b>	<b>Action to be taken</b>	<b>Progress / Comments</b>
Democratic Change Review	A review of the Council's decision making process, including reviewing how the Portfolio Holder Decision making process can be used and how non-Executive Members can contribute to policy development at an early stage is planned for 2013/14.	This project is also included in the Efficient and Effective Council Change Plan and progress will be monitored and reported through the year.
Welfare Reform	The changes being implemented to the benefits system in relation to size criteria, benefit caps and the direct payment of universal credits may all impact on Housing rent arrears. Additional provision for bad debts as well as increased resources to support tenants to manage the impact of the change have been included within the Housing Revenue Account budget for 2013/14.	Government Provision for "discretionary housing payments" of £105,000 has been provided for the City Council. It is unlikely that this will be sufficient to meet all potential claims for assistance and each application will be assessed on their individual merits. A review of progress with regard to the impact of the changes and demand for discretionary payments will be provided to Cabinet and Cabinet (Housing) Committee.
Business Rates/NNDR	Respond appropriately to the implications of the changes to the system of National Non Domestic Rates (NNDR) from 1 April 2013, with 50% of any future growth in rates being retained by local authorities rather than collected centrally and redistributed. The risks/benefits associated with future NNDR income levels are shared between central and local government.	Income and expenditure is being monitored regularly during the year to identify financial pressures at an early stage.
Community Infrastructure Levy (CIL) implementation	The introduction of the Community Infrastructure Levy (CIL) will be a major change in the mechanism for collecting contributions from development to mitigate its impact on infrastructure.	A work programme has been established which enables the Council to implement CIL in a timely fashion. The report to Council on 20 March 2013 provided full details of the timetable and key milestones.
Local Public Audit – change in External Auditors	The outsourcing of external audit in 2012/13 to Ernst & Young, with a reduction in fees of 40%, is expected to provide a different approach to the audit which may result in additional work, initially	This is being closely monitored by the HIOWLA Chief Finance Officers.

We propose, over the coming year, to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

Signed:

Signed:

Simon Eden  
Chief Executive  
Winchester City Council  
Dated: 24 September 2013

Councillor K Wood  
Leader of the Council  
Winchester City Council  
Dated: 24 September 2013

**1. Building Control Account**

The Building (Local Authority Charges) Regulations 2010 require the setting of a scheme of charges, the recovery of costs and the disclosure of an annual statement in respect of the Building Regulation function. This scheme is renewed annually and the fee structure published on the Council's website.

Some of the activities of the Building Control Unit cannot be recharged: these include enforcement, advisory, consultative and public protection activities. The Council is expected to set the fee level to ensure that, taking one financial year with another, the fees as nearly as possible equate to the expenses incurred in performing its chargeable Building Control activities.

	<b>2012/13</b>
	<b>£000</b>
Chargeable costs	534
Chargeable income	<u>(492)</u>
Net (surplus) or deficit	42

In order to support compliance with 'the Building (Local Authority Charges) Regulations 2010 (SI 2010/404) an earmarked reserve was created in 2011/12 to hold surpluses made on chargeable activity. The 2012/13 deficit of £42,000 has been released from this earmarked reserve at the end of 2012/13. Local Authorities are required to monitor the break-even position on chargeable activities and demonstrate taking 'one financial year with another' to ensure the chargeable service 'as nearly as possible equates to the costs incurred'.

This information has been approved by the Chief Finance Officer, being the responsible officer under Section 151 of the Local Government Act 1972(4).

Signature: ..... Date: 26 June 2013

**Alexis Garlick, FCCA**  
**Chief Finance Officer**

**2. Charges for Property Searches**

The Local Authorities (England) (Charges for Property Searches) Regulations 2008 Regulation 5 allows the Council to impose charges for the granting of access to property records. Over the course of any period of three consecutive financial years, these charges should be no more than the total cost of granting access to property records.

In addition, Regulation 8 allows the Council to charge for answering enquiries about a property. These charges are at the Council's discretion, but must have regard to the costs involved. With respect to both these sets of charges, the following information is required to be published for every financial year beginning with that which ends on 31 March 2013

**2012/13**  
**£000**

Income from charges under Regulation 5 (access to property records)	(26)
Expenditure related to the above access	<u>26</u>
Net cost of access	<u>0</u>

The number of requests to which these net costs relate was 2,676.

**2012/13**  
**£000**

Income from charges under regulation 8 (answering queries)	<u>(319)</u>
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This information has been approved by the Chief Finance Officer, being the responsible officer under Section 151 of the Local Government Act 1972(4).

Signature: ..... Date: 26 June 2013

**Alexis Garlick, FCCA**  
**Chief Finance Officer**

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**WINCHESTER CITY COUNCIL**  
**GLOSSARY OF TERMS**

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**Accounting Policies** – Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through: Recognising; selecting measurement bases for: and presenting assets, liabilities, gains, losses and changes to reserves. Accounting Policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an example for a particular type of expenditure may specify whether an asset or a loss is to be recognised, the basis on which it is to be measured, and where in the accounts it is to be presented.

**Accruals** – the concept that income and expenditure is recognised as it is earned or incurred, not as money is received or paid.

**Actuarial Gains and Losses (Pensions)** – For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because: events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or the actuarial assumptions have changed.

**Agency Expenditure** – is expenditure relating to functions or activities that the Council is carrying out under delegated powers on behalf of other public sector organisations.

**Allowances for Doubtful Debts** – is the amount of outstanding debt which is not expected to be collected, based on the history of debt collection. It is charged against the income recognised and reduces the outstanding debt. The debt reported in the Statement of Accounts is then the debt expected to be collected.

**Amortisation** – is the writing down of an asset's value over its useful life (similar to depreciation). This is applied to intangible fixed assets and some types of investments.

**Area Based Grants (ABG)** – is a general grant allocated directly to Local Authorities as additional revenue funding to areas. It is allocated according to specific policy criteria rather than a general formula. Local Authorities are free to use all of this non-ring-fenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

**Asset Revaluation Reserve** – This is an unusable reserve to reflect movements in Property, Plant and Equipment assets resulting from upward revaluations, and downward revaluations to the extent that there has been a previous upward revaluation, restricted to the amount in the revaluation reserve. All other revaluations are recognised in the Comprehensive Income and Expenditure Account.

**Available for Sale Financial Assets / Instruments** – This is a category of financial instruments (usually investments) that has a quoted market price and/or does not have fixed or determinable payments.

**Budget** – The Council's aims and policies set out in financial terms against which performance is monitored.

**Capital Adjustment Account (Reserve)** – An unusable reserve which absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

**Capital Charges** – Charges to revenue accounts to reflect the cost of long term assets used in the provision of services. The cost includes the cost of borrowing money and the charge for depreciation [see depreciation below]

**Capital Expenditure (Statutory)** – This is expenditure on the acquisition of long term assets, or expenditure which adds to and not merely maintains the value of existing long term assets. The statutory definition also includes capital grants to other bodies and expenditure on the acquisition of some long term investments (e.g. corporate bonds).

**Capital Financing Requirement (CFR)** – This is the Council's underlying need to borrow to finance capital expenditure.

**Capital Investment** – expenditure on long term assets.

**Capital Investments** – are financial instruments that under statute are deemed to count as capital expenditure when acquired and on disposal or maturity gives rise to a capital receipt (e.g. corporate bonds).

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**Capital Receipts** –proceeds from the sale of (or reduction in the Council’s interest in) long term assets such as property, plant and equipment, investment property and capital investments.

**Capital Receipts Reserve** –is a usable reserve consisting of capital receipts that have not yet been used to finance Capital Investment.

**Cash and Cash Equivalents** –are highly liquid financial instruments (cash and very short term investments) that are repayable without penalty on notice of not more than 30 days and are convertible to known amounts of cash with insignificant risk of change in value.

**Collection Fund** – an account maintained by the Council to record the amounts collected in Council Tax and National Non Domestic Rates and how the amounts have been distributed.

**Community Assets** – a category of long term assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. For example: parks and community buildings.

**Components** – are parts of property assets that have different useful lives to the main asset (e.g. a roof)

**Contingent Assets /Liabilities** – a potential asset / liability that is uncertain because it depends on an outcome of a future event.

**Corporate Bonds** - are financial instruments that re very similar in nature to gilts except rather than being issued by the government they are issued by other organisations e.g. banks and commercial companies in order to raise capital.

**Corporate and Democratic Core (CDC)** – is defined as comprising two divisions of service: Democratic Representation and Management (DRM) and Corporate Management (CM). If anything does not fall within the definitions given for either DRM or CM, then it cannot be within CDC.

DRM concerns corporate policy making and all other member-based activities. CM concerns those activities and costs that relate to the general running of the council. These provide the infrastructure that allows services to be provided, whether by the authority or not, and the information required for public accountability. Activities relating to the provision of services, even indirectly, are overheads on those services, not CM.

**Council Tax** - a local tax levied by local authorities on its citizens.

**Creditor** –an individual or body to whom, at the Balance Sheet date, the Council owes money.

**Current Asset** – an asset that is realisable or disposable within one year of the Balance Sheet date.

**Current Liability** - a liability that is due to be settled within one year of the Balance Sheet date.

**Current Service Cost (Pensions)** – The value of the standard benefits promised to members over the last accounting period, after offsetting the members’ contributions, i.e. it is the Employer’s share of the cost

**Curtailement (Pensions)** – an event that reduces the expected years of future service of present employees; or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include: termination of an employee’s services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

**Debtor** –an individual or body whom, at the Balance Sheet date, owes money to the Council.

**Defined Benefit Scheme (Pension)** - is a scheme whereby the employer promises a specified monthly benefit on retirement that is predetermined by a formula based on the employees earning history, tenure of service and age, rather than depending on investment returns.

**Depreciated Replacement Cost (DRC)** – a valuation used as a proxy for the market value of a specialised property. It consists of the estimated market value of any land in existing use and the replacement cost of any buildings.

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**Depreciation** – is the measure of the wearing out, consumption, or other reduction in value or the useful economic life of a long term asset, whether arising from use, passage of time, obsolescence or other changes.

**Direct Revenue Financing** – is the term used for funding from revenue sources such as earmarked revenue reserves and revenue grants or contributions.

**Discretionary Benefits (Pensions)** – are retirement benefits for which the employer has no legal, contractual or constructive obligation and to which the Council has restricted powers to make such discretionary awards 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 of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

**Doubtful Debt** – is a debt that the Council is unlikely to recover. An allowance is made in the financial statements for doubtful debts each year based on how long debts have been outstanding.

**Earmarked Revenue Reserves** – are usable reserves consisting of amounts set aside from revenue (General Fund and Housing Revenue Account) to fund future expenditure.

**Effective Interest Rate** – the implied rate of interest in an arrangement calculated by reference to the cash flows within the arrangement as opposed to quoted rates of interest.

**Estimated Market Value / Fair Value** – the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**Existing Use Value (EUV)** – the estimated amount for which a property should exchange on the date of a valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had accepted knowledgeably, prudently, and without compulsion. Assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost

**Existing Use Value Social Housing (EUV – SH)** - the estimated amount for which a property should exchange on the date of a valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had accepted knowledgeably, prudently, and without compulsion subject to the following further assumptions that:

- i) the property will continue to be let by a body pursuant to delivery of a service for the existing use;
- ii) at the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor's ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements;
- iii) properties temporary vacant pending re-letting should be valued, if there is letting demand, on the basis that the prospective purchaser intends to re-let them rather than with vacant possession; and
- iv) any subsequent sale would be subject to all the above assumptions.

**Expected Rate of Return on Pension Assets (Pension)** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return.

**Experience Gains / Losses (Pensions)** – shows the impact of actual experience differing from the accounting assumptions, such as pension increases and salary increases differing from those assumed, and unexpected membership movements.

**Fair Value / estimated Market Value** - the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**Finance Lease** – a lease where substantially all of the risks and rewards of ownership of a fixed asset are transferred to the lessee. The transfer is presumed to occur at the inception of the lease if the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Financial Instruments - are any contracts that give rise to a financial asset in one entity and a financial liability in another (e.g. borrowings, creditors, debtors and investments)

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**Financial Instrument Revaluation Reserve** – is a usable reserve to reflect movements in the market value of available for sale financial instruments.

**Financial Reporting Standards (FRS)** – Accounting Standards issued by the Accounting Standards board (ASB) that the Council is required to follow subject to the requirement to follow International Financial Reporting Standards (IFRS)

**Financing Activity** – This is income and expenditure relating to long term borrowing

**General Fund** – is a statutory division of the Council's accounts covering the cost of services. The general fund is a usable reserve which can apply to the provision of services, either by incurring expenses or undertaking capital investment, whether or not there are particular restrictions on exactly what the resources can be applied to.

**Gilts** – are UK Government sterling denominated bonds issued by HM Treasury. The term gilt (or gilt-edged) is a reference to the primary characteristic of gilts as an investment - their security. They are financial instruments issued in order to finance public expenditure. Gilts are generally issued for a set period and attract a set rate of interest during the agreed investment period. Interest is payable at set agreed periods and the principal is repaid at the end of the period. There are several types of gilts available from the UK Debt Management Office.

**Government Grants** – are government assistance in either the form of cash or transfer of assets. Grants either attract a condition or a restriction. A condition being; stipulations that specify that the future economic benefits or service potential; a restriction specifies the purpose of the grant.

**Grants and Capital Contributions Unapplied (Reserve)** – is a usable reserve consisting of capital grants and contributions that have been received but have yet to be used /applied to finance capital expenditure.

**Grants and Contributions (Receipts in Advance)** – are grants and contributions received which have conditions on their use that might require the Council to return them to the contributor. Examples include time limited developer contributions.

**Heritage Assets** – are a category of long term assets principally held for their cultural, environmental or historical associations and held in trust for future generations.

**Impairment** – is a reduction in a long term asset below the carrying value in the Balance Sheet.

**Infrastructure Assets** - are a category of long term assets that are inalienable, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Examples of infrastructure assets include highways and footpaths.

**Intangible Assets** – are a category of long term assets that are identifiable, have physical substance and controlled by the council. For example Software licences

**Interest Costs (Pensions)** – represents the unwinding of the discounting on the value placed on the benefits over the period, as they become closer to being paid. For an employer where the net cash-flow over the period is small relative to the defined benefit obligation, the figure will approximate to the product of the 'discount rate at the start of the period' and 'the defined benefit obligation at the start of the period.'

**International Financial Reporting Standard (IFRS)** – govern the accounting treatment and reporting of transactions in an organisation's accounts.

**Inventories** – are assets in the form of materials or supplies to be consumed in a production process or rendering of services, held for sale or distribution in the ordinary course of operations or in the process of production for sale or distributions.

**Investing Activity** – is expenditure and income relating to long term assets.

**Investment Premiums** – is the amount above the face value that a purchaser pays to obtain a financial instrument and its income.

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**Investment property** – a category of long term assets, which is held for its investment potential and not used in the delivery of services.

**Lease (Financing and Operating)** – an arrangement that involves payment or a series of payments of the use of an asset.

**Loans and Receivables** – a category of financial instrument that has fixed or determinable payments but are not quoted on an active market.

**Long Term Assets** – the value of the Council's property, equipment and other capital assets minus depreciation, which are expected to be useable for more than one year.  
[Source various internet definitions]

**Long term borrowing** – a loan repayable after one year from the Balance Sheet date

**Long Term Debtor** – an individual or body that owes money to the Council, but which is not due within one year of the Balance Sheet date.

**Long Term Investments** – are financial instruments with a maturity date after one year of the Balance Sheet date.

**National Non Domestic Rate (NNDR)** – a national tax levied on business premises (also known as business rates)

**Net Assets** – the amount by which the total assets exceed the total liabilities.

**Net Book Value** – this is the cost or valuation of an asset less cumulative depreciation.

**Net Current Replacement Cost** – the cost of replacing or recreating the particular asset in its existing condition and in its existing use (i.e. the cost of replacing an asset with the nearest equivalent assets adjusted to reflect the current condition of the existing asset)

**Non Distributed Costs** – are overheads for which no direct service benefits and which are therefore, not apportioned to services (e.g. past service pension costs).

**Operating Leases** – a lease which is not a finance lease.

**Portfolio Services** - groupings of services determined by members of the Council.

**Past Service Cost (Pensions)** - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Those decisions may include additional enhanced benefits on retirement or any discretionary benefits granted.  
[Source AON Pensions and the Code guidance]

**Pension Scheme Reserve** – an unusable reserve that reflects the net liability/asset in the Council employee's pension fund.

**Post Balance Sheet Events** – event which occur, both favourable and unfavourable, between the Balance Sheet date and the date that the Statement of Accounts is signed by the responsible financial officer.

**Precepts / Preceptors** – amounts levied on the Council, by other Local Authorities (preceptors), which the Council is required to collect and distribute council tax for.

**Prior Period Adjustment** – adjustments to the opening Balance Sheet, as a result of errors or misstatement relating to previous years. Changes may be made to correct an error or to reflect a new Accounting Policy.

**Protected Unit Method (Pensions)** – an accrued benefits method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

i) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases; and

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ii) the accrued benefits for members in service on the valuation date.  
The accrued benefits for service up to a given point in time, whether vested rights or not.

Property, Plant and Equipment (PPE) – a category of long term assets that are used in the provision of services as opposed to investment property which is used to generate income of for capital growth purposes.

**Provisions** – where the council has a legal or constructive obligation an estimation of that obligation is set aside to meet liabilities.

**Related Parties** – two or more parties are related parties when at any time during the financial period:

- i) one party has direct or indirect control of the other party; or
- ii) the parties are subject to common control from the same source; or
- iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

**Related Party Transactions** – is the transfer of assets and liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made.

**Remuneration** – amounts paid to or receivable by an employee and amounts due by way of expenses allowances (as far as those amounts are chargeable to UK Income Tax) and the money value of any other benefits received other than in cash.

Residual Value – is the net realisable value of an asset at the end of its useful life. Residual values are based on process prevailing at the date of the acquisition, or revaluation, of the asset and do not take account of the expected future price changes.

Retirement Benefits – all forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either

- i) an employer's decision to terminate an employee's employment before normal retirement date; or
- ii) an employer's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

**Revenue Expenditure Funded from Capital Under Statute (REFCUS)** – expenditure which may properly be capitalised in accordance with statutes, but where no tangible long term asset is created and therefore, under IFRS is deemed to be revenue expenditure. For example improvement grants and social housing grants.

**Revenue Expenditure / income** – the cost of income associated with the day-to-day running of the Council's services.

**Revenue Support Grant (RSG)** – a government grant (financial support) that is not ring-fenced (i.e. does not have to be spend on a particular service) It is based on the Government's assessment of the Council's spending need, it's receipt from NNDR and its ability to generate income from council tax.

**Scheme Liabilities (Pensions)** – the liabilities of a defined pension scheme for outgoings due after the valuation date. Scheme liabilities are measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

**Service Reporting Code of Practice (SeRCOP)** – the statutory 'proper practice' with regard to Local Authority consistent financial reporting below the Statement of Accounts level.

**Settlement (Pensions)** – arises when a council enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan. Settlements have the effect of extinguishing a portion of the plan liabilities, usually by transferring plan assets to or on behalf of plan members to their new employer or an insurance company in settlement of the obligation.

**Short Term Borrowing** – is a loan repayable in less than one year from the Balance Sheet date.

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**Short Term Debtors** – an individual or body that owes money to the Council that is due for payment within one year from the Balance Sheet date.

**Short Term Investments** – are financial instruments with maturity dates of less than one year at the Balance Sheet date.

**Statutory Adjustment Accounts (Reserves)** – unusable reserves relating to statutory adjustments made in the Statement of Accounts. For example Collection Fund Adjustment Account.

**Straight Line Basis** – a method used to divide an amount equally over an number of periods.

**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

**Unusable Reserves** – amounts set aside that the Council is not able to use to fund expenditure.

**Usable Reserves** – amounts set aside that the Council is able to use to fund expenditure.

**Useful Life** – the period over which the Council will derive benefits from the use of a long term asset.

**Value in Use** – the net present value of future cash flows obtainable as a result of an asset's continued use, including those resulting from its ultimate disposal.

**Vested Rights (Pensions)** – in relation to a defined benefit scheme, these are;

- i) for active members, benefits to which they would unconditionally be entitled on leaving the scheme.
- ii) for deferred pensioners, their preserved benefits; or
- iii) for pensioners, pensions to which they are entitled.

Vested rights include, where appropriate, the related benefits for spouses or other dependents.