

WINCHESTER CITY COUNCIL

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2016**

(PRE-AUDIT)

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1. Introduction

The Statement of Accounts contains all the financial statements and disclosure notes required by statute. They have been prepared in accordance with the 2015/16 Code of Practice on Local Authority Accounting (the Code) together with guidance notes as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The information contained in these accounts can be technical and complex to follow. The aim of this foreword, therefore, is to provide a narrative context to the accounts by presenting a clear and simple summary of the Council's financial position and performance for the year and its prospects for future years. This will give electors, local Winchester residents, Council Members, partners, other stakeholders and interested parties confidence that public money which has been received and spent, has been properly accounted for and that the financial standing of the Council is secure.

The Accounts and Audit Regulations 2015 came into force on 1 April 2015, setting out the detailed requirements in relation to the duties and rights specified in the Local Audit and Accountability Act 2014. These regulations introduce earlier deadlines for publication of the accounts – bringing forward current dates by one month from 30th June to 31st May for the unaudited statement of accounts and by two months from 30th September to 31st July for the audited statement of accounts. These earlier deadlines will be in effect from the 2017/18 financial year. In order to meet these proposed timescales, the Council plans to quicken the production and subsequent publishing of the draft and audited accounts over the next two years.

As the financial statements demonstrate, the financial standing of the Council is sound. We have established good financial management disciplines and processes and operate in an environment of continuous improvement.

This explanatory foreword to the statement of accounts is structured as follows:

2. Summary of Financial Performance of the Council
3. Borrowing and Investments
4. Significant Events During the Year
5. Future Plans
6. Explanation of the Financial Statements
7. Annual Governance Statement

2. Summary of Financial Performance of the Council

Financial Position

At 31 March 2016 the Council had net assets of £312 million.

The £312 million consisting of: a portfolio of Council Dwellings valued at £361 million; Investment properties of £44 million; Cash and Investments of £43 million; other assets (mainly operational land and buildings) of £134 million; Long-Term Borrowing of £158 million, a potential future liability of £50 million in its employees' pension fund; Other Short-Term Liabilities of £14 million (creditors and provisions); and grants and contributions in advance of £5 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 £40 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 £38 million has been set aside for specific purposes based on agreed spending plans.

WINCHESTER CITY COUNCIL ANNUAL FINANCIAL REPORT 2015/16
NARRATIVE STATEMENT

Current Expenditure

The General Fund Cost of Services was £3.4 million lower than the budgeted cost of £19.9 million.

The main variations to the General Fund Budget were:

	Favourable /(Adverse) £000
Income	
Volume of business achieved greater income from Fees and Charges	855
Other Income (e.g. grants, etc)	903
Expenditure	
Management of staff turnover reduced overall costs	291
Reduction in Transport Costs	98
Premises Costs less than planned	406
Management of day to day Supplies and Services reduced costs	334
Actual Inflation on Service Contracts less than budgeted	73
Administration of benefits and related debt reduced net cost	338
Reduction of Support Service Costs	101
Total	<u>3,399</u>

Together with a surplus generated on the Housing Revenue Account, the reserves for the Council can be increased to fund delivery of the outcomes as articulated in the Community Strategy: Active Communities (People); High Quality Environment (Place); Prosperous Economy (Prosperity); and, Efficient and Effective Council (Process).

The main increases in reserves are: Earmarked Reserves £3.074million and the Housing Revenue Account £2.928million.

Capital Expenditure

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 2015/16 was £18.5million.

Capital expenditure during the year was financed from the Major Repairs Reserve (£5.9million); revenue reserves (£7.0million); grants and contributions (£3.4million) and capital receipts (£1.5million). As the capital programme was not fully matched by capital financing, there was a slight increase in the Council's capital financing requirement to fund 2015/16 capital expenditure of just £59,000.

3. Borrowing and Investments

Borrowing

At 31 March 2016 Long Term Borrowing stood at £157.6million (£157.9million at 31 March 2015), Short Term Borrowing (i.e. payable within 12 months) was £0.384million (£0.377million at 31 March 2015). All of the borrowing was used to fund Council Housing via the Housing Revenue Account.

Investments

At 31 March 2016 Short-Term Investments were £18.1million (£17.0million at 31 March 2015), and Long-Term Investments were £11.7million (£4.4million at 31 March 2015). The Council also had cash and cash equivalents of £13.2million (£15.0million at 31 March 2015).

4. Significant Events During the Year

The decision to stop the Silver Hill development in the planned form was a significant event during the financial year, more information can be obtained at <http://www.winchester.gov.uk/planning/major-sites/silver-hill-central-winchester-regeneration/>. The key timeline was:

February 2015	Judicial Review ruled that proposed variations to the Development Agreement in August 2014 were unlawful
March 2015	Council Independent Silver Hill Review commissioned by Council
July 2015	Cabinet Decision to continue with project using original Development Agreement
July 2015	December 2015 – ongoing discussions with Developer
January 2016	Publication of the Independent Silver Hill Review
February 2016	Cabinet decision to withdraw from existing development plan. Notice of termination of the Development Agreement issued to developer Developer appeals termination notice
March 2016	Commitment to formulate a new proposal for Central Winchester
April 2016	Developer withdraws appeal on notice of termination

This leaves the Council with no outstanding financial obligations, however costs have been incurred during the process, the costs have been accounted for in the appropriate financial periods.

5. Future Plans

The Medium Term Financial Strategy

The budget for 2016/17 was set against further reductions in Government Grant. The major influence on the budget going forward into 2016/17 and beyond is the continued reduction in central Government financial support, the Medium Term Financial Strategy is formed on these on-going reductions.

The fundamental principle to be applied to the Medium Term Financial Strategy is that Members should seek to attain a balanced revenue budget. Accordingly, the following principles will be applied to setting the budget:

- The revenue budget for the forthcoming year will be balanced;
- Reserves will not be used to fund annual, recurring expenditure;
- Savings and income proposals will be sufficient to eliminate any projected deficit and to fund Growth proposals
- Growth proposals will not create a revenue deficit in future financial years without equivalent forward savings also being identified;
- Growth, savings and income proposals will be considered in relation to the Council’s corporate objectives and priorities;
- Inflation will be applied only to budgets for external contracts;
- The Council will seek to optimise income from services and assets.
- The Current Medium Term Financial Strategy identifies that should the continued

The projected deficit should savings and income proposals not be made are currently forecast to be:

2016/17	2017/18	2018/19	2019/20	2020/21
£000	£000	£000	£000	£000
Nil	154	1,262	2,212	2,848

Business Rates cash flows are subject to fluctuations due to both local and national economic factors and the appeals system for rateable values. The Council has created a reserve to help smooth these fluctuations in cash flow over the medium term, however the annual accounts will potentially show large fluctuations in the annual funding on a year on year basis.

The Government is currently consulting on the 100% retention of Business Rates by local government, replacing Revenue Support and other Grants which should be in place by 2020. The Government is working on the assumption that the overall public purse isn’t adversely affected by the change, so we have made no assumption in the MTFS on any potential gain or loss from the new scheme.

The change above will result in further duties being devolved to local government, in addition the Government is looking for Local Councils to come forward with proposals for groups of Councils working together to deliver further services and initiatives locally rather than by Central Government (The Localism Agenda). This includes the creation of "Combined Authorities", Winchester City Council is currently part of the "Heart of Hampshire" proposal, further details can be found at <http://www.winchester.gov.uk/about/devolution/devolution/>

Capital Programme 2016/17 – 2020/21

The Capital Programme has been framed to deliver significant investment in infrastructure in the future. It is funded by various sources including Reserves, Capital Receipts, Specific Government Grants and Borrowing. The Capital Programme for 2016/17 to 2020/21 was prepared to mirror the 5 year timeframe of the MTF5.

In summary the Council had £76.5 million, made up of approved and committed expenditure of £10.9 million; approved but not committed £1.6 million; and programmed but not approved £64.0 million. Forecast Housing Revenue Account expenditure is £91.5 million.

Included in the Capital Programme are the development of Station Approach, the Leisure Centre (currently sited at River Park) and the development of a new business unit at Bar End. The Council is also revisiting its approach for the City Centre, in light of the decision not to proceed with the Silver Hill Development, to ascertain an appropriate way to enhance the City Centre where required. All of these projects are further proof of the commitment of the Council to meet the outcomes as articulated in the Community Strategy: Active Communities (People); High Quality Environment (Place); Prosperous Economy (Prosperity); and, Efficient and Effective Council (Process).

2016/17 Budget and Council Tax

The Council approved net expenditure of £18.34 million of which £2.521 million was for Parish Council precepts and £0.843 million for Winchester Town special expenses. After deducting Government grants and collection fund adjustments £6.962 million was required to be raised from Council Tax. This resulted in an average Council Tax Band D charge of £202.47, of which £130.65 is for District services (i.e. excluding the Parish Council precepts and Winchester Town special expenses). This compares with 2015/16 Band D rates of £195.60 and £126.67.

The average Band D total for Winchester City Council residents, also including the County Council, the Police Authority and the Fire and Rescue Authority is £1,504.81 (£1,452.15 for 2015/16).

6. 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 – 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 is usable reserves, i.e. those reserves that the Council may readily 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 readily 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 – 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.

7. 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.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

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

The Responsibilities of the Head of Finance

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting.

The Head of Finance has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of Winchester City Council as at 31 March 2016 and its income and expenditure for the year then ended.

Signature:

Date:

28 June 2016

Simon Little FCCA, CPFA

Head of Finance, Section 151 Officer

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

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 (HRA) 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 HRA balance before any discretionary transfers to or from earmarked reserves.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2015 Brought Forward	(2,000)	(16,511)	(4,187)	(70)	(1)	(4,268)	(739)	(27,776)	(230,050)	(257,826)
Movement in Reserves during 2015/16										
(Surplus) or Deficit on Provision of Services	(333)	0	(33,715)	0	0	0	0	(34,048)	0	(34,048)
Other Comprehensive (Income) and Expenditure								0	(20,398)	(20,398)
Total Comprehensive (Income) and Expenditure	(333)	0	(33,715)	0	0	0	0	(34,048)	(20,398)	(54,446)
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 6)	(2,741)	0	30,787	0	(10)	(6,413)	598	22,221	(22,221)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(3,074)	0	(2,928)	0	(10)	(6,413)	598	(11,827)	(42,619)	(54,446)
Transfers to/(from) Earmarked Reserves (Note 7)	3,074	(3,074)	0	0	0	0	0	0	0	0
(Increase)/Decrease in Year	(0)	(3,074)	(2,928)	0	(10)	(6,413)	598	(11,827)	(42,619)	(54,446)
Balance at 31 March 2016 Carried Forward	(2,000)	(19,585)	(7,115)	(70)	(11)	(10,681)	(141)	(39,603)	(272,669)	(312,272)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2014	(2,000)	(12,183)	(3,643)	(70)	(17)	(2,681)	(811)	(21,405)	(210,651)	(232,056)
Movement in Reserves During 2014/15										
(Surplus) or Deficit on Provision of Services	(2,397)		(28,119)					(30,516)		(30,516)
Other Comprehensive (Income) and Expenditure	0	0	0	0	0	0	0	0	4,746	4,746
Total Comprehensive (Income) and Expenditure	(2,397)	0	(28,119)	0	0	0	0	(30,516)	4,746	(25,770)
Adjustments between Accounting Basis & Funding Basis Under Regulations (Note 6)	(1,931)		27,575		16	(1,587)	72	24,145	(24,145)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(4,328)	0	(544)	0	16	(1,587)	72	(6,371)	(19,399)	(25,770)
Transfers to/(from) Earmarked Reserves (Note 7)	4,328	(4,328)	0	0				0	0	0
(Increase)/Decrease in Year	(0)	(4,328)	(544)	0	16	(1,587)	72	(6,371)	(19,399)	(25,770)
Balance at 31 March 2015 Carried Forward	(2,000)	(16,511)	(4,187)	(70)	(1)	(4,268)	(739)	(27,776)	(230,050)	(257,826)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

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 Statement 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 Statement 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.

	2015/16			2014/15		
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Corporate and Democratic Core	3,913	(63)	3,850	3,579	(33)	3,546
Central Services	2,565	(734)	1,831	2,649	(572)	2,077
Cultural and Related Services	4,058	(376)	3,682	4,255	(537)	3,718
Environment and Regulatory Services	6,846	(770)	6,076	5,720	(1,130)	4,590
Planning Services	9,652	(2,927)	6,725	5,255	(2,388)	2,867
Highways, Roads and Transport Services	4,533	(6,749)	(2,216)	3,858	(6,457)	(2,599)
Local Authority Housing (HRA)	17,365	(29,330)	(11,965)	18,217	(29,063)	(10,846)
Property Revaluation (HRA)	(23,611)	0	(23,611)	(20,588)	0	(20,588)
Other Housing Services	30,419	(27,881)	2,538	30,857	(28,869)	1,988
Non Distributed Costs	174	0	174	(237)	0	(237)
Cost Of Services	55,914	(68,830)	(12,916)	53,565	(69,049)	(15,484)
(Surplus)/Deficit on Trading Accounts (Note 20)			27			438
Other Operating Income and Expenditure						
Parish Council Precepts			2,567			2,423
Payments to the Government Housing Capital Receipts Pool			110			949
(Gains)/Losses on the Disposal of Non Current Assets			(1,785)			(1,534)
Financing and Investment Income and Expenditure						
Interest Payable and Similar Charges (Note 12)			5,197			5,204
Net Interest on the Net Defined Benefit Liability (Note 29)			1,660			1,920
Interest Receivable and Similar Income (Note 12)			(580)			(274)
Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value (Note 10)			(7,056)			(5,175)
Taxation and Non-Specific Grant Income						
Non-Domestic Rates Income and Expenditure			(3,724)			(3,205)
Non-Ringfenced Government Grants (Note 24)			(4,893)			(5,428)
Capital Grants and Contributions (Note 24)			(3,468)			(1,346)
Council Tax Income			(9,187)			(9,004)
(Surplus) or Deficit on Provision of Services			(34,048)			(30,516)
Other Comprehensive (Income) and Expenditure						
(Surplus)/Deficit on Revaluation of Non Current Assets			(15,306)			(658)
(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets			(142)			(367)
Re-measurements on the Net Defined Benefit Liability (Note 29)			(4,950)			5,770
Total Comprehensive (Income) and Expenditure			(54,446)			(25,771)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
BALANCE SHEET AS AT 31 MARCH 2016

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 (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 16 £000	31 Mar 15 £000
Property, Plant and Equipment	8	440,367	397,896
Heritage Assets	9	2,770	2,770
Investment Property	10	44,061	44,536
Intangible Assets	11	373	504
Long-Term Investments	12	11,690	4,367
Long-Term Debtors	12	431	329
Long-Term Assets		499,692	450,402
Short-Term Investments	12	18,130	17,028
Inventories		30	23
Short-Term Debtors	13	7,621	6,136
Cash and Cash Equivalents	14	13,251	14,966
Current Assets		39,032	38,153
Short-Term Borrowing	12	(384)	(377)
Short-Term Creditors	15	(10,876)	(13,645)
Provisions	16	(2,608)	(2,002)
Current Liabilities		(13,868)	(16,024)
Long-Term Borrowing	12	(157,572)	(157,899)
Pension Scheme Liability	29	(50,460)	(53,470)
Grants and Contributions in Advance	24	(4,552)	(3,336)
Long-Term Liabilities		(212,584)	(214,705)
Net Assets		312,272	257,826
Usable Reserves	17	39,603	27,776
Unusable Reserves	18	272,669	230,050
Total Reserves		312,272	257,826

Signature _____

Date: 28 June 2016

Simon Little FCCA CPFA

Head of Finance

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

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.

	2015/16		2014/15	
	£000	£000	£000	£000
(Surplus) or Deficit on the Provision of Services		(34,048)		(30,516)
Adjustments for Non-Cash Movements				
Depreciation of Non-Current Assets	(8,523)		(8,327)	
Impairment and Downward Valuations	24,410		23,060	
Amortisation of Intangible Fixed Assets	(184)		(178)	
Pension Fund Adjustments	(1,940)		(1,550)	
(Increase)/Decrease in Impairment for Bad Debts	(455)		(330)	
Contributions (to)/from Provisions	(606)		(769)	
Carrying Amount of Non Current Assets and Non Current Assets Held for Sale, Sold or Derecognised	(3,769)		(1,814)	
Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	(633)		7	
Accruals adjustments:				
Increase/(Decrease) in Inventories	7		(8)	
Increase/(Decrease) in Debtors	1,485		(1,132)	
(Increase)/Decrease in Creditors	2,769		1,455	
		(21,487)		(20,102)
<u>Adjust for Items that are Investing and Financing Activities</u>				
Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	7,977		3,550	
		7,977		3,550
Net Cash Flows from Operating Activities		(13,510)		(16,552)
<u>Net Cash Flows from Investing Activities</u>				
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	15,187		10,876	
Purchase of Short Term and Long Term Investments	67,265		61,932	
Proceeds from the Sale or Property, Plant, Equipment, Investment Property and Intangible Assets	(7,977)		(3,550)	
Proceeds from the Sale of Short Term and Long Term Investments	(59,564)		(51,010)	
		14,911		18,248
<u>Net Cash Flows from Financing Activities</u>				
Other Receipts from Financing Activities	(6)		(8)	
Cash Payments for the Reduction of the Outstanding Liabilities Relating to Finance Leases	320		313	
Net Cash Flow from Financing Activities		314		305
Net (Increase) / Decrease In Cash		1,715		2,001
Total Cash (Opening)	14,966		16,967	
Total Cash (Closing)	13,251		14,966	
Movement in Cash Increase /(Decrease)		(1,715)		(2,001)

1. Accounting Policies

1.1 General Principles

The Financial Statements summarise the Council's transactions for the 2015/16 financial year and its position at 31 March 2016. 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 2015/16 and the Service Reporting Code of Practice 2015/16, 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 are 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 charged 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 such losses can be written off
- amortisation of intangible fixed assets attributable to the service.

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

1.7 Employee Benefits

Benefits Payable During Employment

Short-Term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as 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 services 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 3.2% for both funded and unfunded liabilities. The discount rate is based on the indicative rate of return on high quality corporate bonds – for 2015/16 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; unitised securities at current bid price; and property at market value.
- The change in the net pensions liability is analysed into the following components:
 - Service costs comprising
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.

Net Interest on the Net Defined Benefit Liability – 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.

- Re-measurements
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.

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 Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Valuation techniques use categories within the fair value hierarchy, as follows:

- Level 1 – quoted prices
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

1.10 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 loans 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.

1.11 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 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.

1.12 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).

1.13 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.

1.14 Inventories

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

1.15 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. 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.

1.16 Jointly Controlled Operations and Jointly Controlled Assets

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

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

1.17 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.

1.18 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.

1.19 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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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 current 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 in 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).
- Assets of a specialised nature – depreciated replacement cost (DRC)

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 Housing Revenue Account 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 Housing Revenue Account.

The Council is able to retain in full all other housing capital receipts providing it has sufficient capital allowances.

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.

1.20 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.

1.21 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.

1.22 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.

1.23 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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

- Amendment to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Amendment to IAS 16 Property, Plant and Equipment and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative). This introduces changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and Introduction of the new Expenditure and Funding Analysis.

These amendments are not anticipated to have a material impact on the reported net cost of services or the Surplus or Deficit on the Provision of Services in the Council's financial statement. However, the comparator 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats in the 2016/17 financial statements.

3. Critical Judgements in Applying Accounting Policies

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

- Future funding for local government - there is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- 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 and a decision has been made. The accounting treatment for operating and finance leases is significantly different and could have a significant effect on the accounts.
- Asset reclassifications - the Council has made judgements on whether assets are classified as Investment Property, Heritage Assets or Property, Plant and Equipment. These judgements are based on the main reason that the Council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the Council they are deemed to be Property, Plant and Equipment assets. If there is no subsidy and/or full market rent is being charged this would indicate that the asset is an Investment Property, if held principally to be preserved, in trust, for future generations because of their cultural, environmental or historical associations, this would indicate a Heritage Asset. The classification determines the valuation method to be used.
- Contractual arrangements - the Council has made judgements on whether its contractual arrangements contain embedded leases (i.e. arrangements that are not legally leases but take the form of payments in return for the use of specific assets).

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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
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. The sensitivity of each of the assumptions used by the actuaries can be seen in Note 31 to the accounts.
Arrears/Debt Impairment	At 31 March 2016, the Council had a balance of sundry debtors of £2,714,049. A review of debtors, profiled by the age of the debt, suggested that an impairment of doubtful debts of 15% (£403,906) 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 £135,702 would need to be set aside as an allowance.
Provision for Non-Domestic Rates appeals	Since the introduction of the Business Rate Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2015/16 and earlier financial years, in their proportionate share. A provision has been recognised as the best estimate that businesses have been overcharged based on the Valuation Office ratings list of appeals, the analysis of previous appeals and other relevant information known about.	The Council's share of the total business rate appeal provision of £6.3m amounted to £2.5 million. A further 1% point provision rate increase, leading to a lower rateable value and reduced business rates income, would increase the Council's share of the liability by £0.46m.

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 Head of Finance as true and fair at the time of signing the accounts. 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 2016, the figures in the financial statements and notes have, in all material respects, been adjusted to reflect the impact of this information.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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.

2015/16	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
Adjustments Primarily Involving the Capital Adjustment Account:						
Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement:						
Charges for Depreciation and Impairment of Non-Current Assets	(2,601)	(5,922)	0	0	0	8,523
Revaluation Losses on Property, Plant and Equipment	(4,572)	23,611	0	0	0	(19,039)
Movements in the Market Value of Investment Properties	4,531	278	0	0	0	(4,809)
Amortisation of Intangible Assets	(158)	(25)	0	0	0	183
Capital Grants and Contributions	1,399	1,399	0	0	0	(2,798)
Revenue Expenditure Funded from Capital Under Statute	(906)	0	0	0	0	906
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	(4,435)	(1,662)	0	0	0	6,097
Insertion of Items not Debited or Credited to the Comprehensive Income and Expenditure Statement:						
Statutory Provision for the Financing of Capital Investment	588	0	0	0	0	(588)
Capital Expenditure Charged Against the General Fund and Housing Revenue Account Balances	3,190	3,781	0	0	0	(6,971)
Adjustments Primarily Involving the Capital Grants Unapplied Account:						
Capital Grants and Contributions Unapplied Credited to the Comprehensive Income and Expenditure Statement	6	0	0	0	(6)	0
Application of Grants to Capital Financing Transferred to the Capital Adjustment Account	0	0	0	0	605	(605)
Adjustments Primarily Involving the Capital Receipts Reserve:						
Transfer of Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	4,530	3,447	(7,977)	0	0	0
Use of the Capital Receipts Reserve to Finance New Capital Expenditure	0	0	1,527	0	0	(1,527)
Contribution from the Capital Receipts Reserve towards Administrative Costs of Non-Current Asset Disposals	0	(25)	25	0	0	0
Contribution from the Capital Receipts Reserve to Finance the Payments to the Government Capital Receipts Pool.	(110)	0	110	0	0	0
Transfer from Deferred Capital Receipts Reserve upon Receipt of Cash	0	0	(97)	0	0	97
Adjustment Involving the Major Repairs Reserve						
Depreciation Funding	0	5,947	0	(5,947)	0	0
Use of the Major Repairs Reserve to Finance New Capital Expenditure	0	0	0	5,937	0	(5,937)
Adjustments Primarily Involving the Financial Instruments Adjustment Account:						
Amount by which Finance Costs Charged to the Comprehensive Income and Expenditure Statement are Different from Finance Costs Chargeable in the Year in Accordance with Statutory Requirements	30	(30)	0	0	0	0

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Adjustments Primarily Involving the Pensions Reserve:

Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income and Expenditure Statement (see Note 31)	(4,194)	(496)	0	0	0	4,690
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Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year (see Note 31)	2,268	482	0	0	0	(2,750)
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Adjustments Primarily Involving the Collection Fund Adjustment Account:

Amount by which Council Tax and Non-Domestic Rates Income Credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax and Non-Domestic Rates Income Calculated for the Year in Accordance with Statutory Requirements	(2,306)	0	0	0	0	2,306
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Total Adjustments	(2,740)	30,785	(6,412)	(10)	599	(22,222)
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WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

2014/15	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
Adjustments Primarily Involving the Capital Adjustment Account:						
Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement:						
Charges for Depreciation and Impairment of Non-Current Assets	(2,472)	(6,239)	0	0	0	8,711
Revaluation Losses on Property, Plant and Equipment	(159)	20,588	0	0	0	(20,429)
Movements in the Market Value of Investment Properties	2,505	354	0	0	0	(2,859)
Amortisation of Intangible Assets	(153)	(25)	0	0	0	178
Capital Grants and Contributions	1,261	74	0	0	0	(1,335)
Revenue Expenditure Funded from Capital Under Statute	(960)	0	0	0	0	960
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	(212)	(1,602)	0	0	0	1,814
Insertion of Items not Debited or Credited to the Comprehensive Income and Expenditure Statement:						
Statutory Provision for the Financing of Capital Investment	530	0	0	0	0	(530)
Voluntary Provision for the Financing of Capital Investment	0	3,631	0	0	0	(3,631)
Capital Expenditure Charged Against the General Fund and Housing Revenue Account Balances	422	1,904	0	0	0	(2,326)
Adjustments Primarily Involving the Capital Grants Unapplied Account:						
Capital Grants and Contributions Unapplied Credited to the Comprehensive Income and Expenditure Statement	8	0	0	0	(8)	0
Application of Grants to Capital Financing Transferred to the Capital Adjustment Account	0	0	0	0	80	(80)
Adjustments Primarily Involving the Capital Receipts Reserve:						
Transfer of Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	465	3,085	(3,550)	0	0	0
Use of the Capital Receipts Reserve to Finance New Capital Expenditure	0	0	985	0	0	(985)
Contribution from the Capital Receipts Reserve towards Administrative Costs of Non-Current Asset Disposals	0	(31)	31	0	0	0
Contribution from the Capital Receipts Reserve to Finance the Payments to the Government Capital Receipts Pool.	(949)	0	949	0	0	0
Transfer from Deferred Capital Receipts Reserve upon Receipt of Cash	0	0	(2)	0	0	2
Adjustment Involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance Credited to the HRA	0	5,880	0	(5,880)	0	0
Use of the Major Repairs Reserve to Finance New Capital Expenditure	0	0	0	5,896	0	(5,896)
Adjustments Primarily Involving the Financial Instruments Adjustment Account:						
Amount by which Finance Costs Charged to the Comprehensive Income and Expenditure Statement are Different from Finance Costs Chargeable in the Year in Accordance with Statutory Requirements	16	(16)	0	0	0	0
Adjustments Primarily Involving the Pensions Reserve:						
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income and Expenditure Statement (see Note 31)	(3,454)	(636)	0	0	0	4,090
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year (see Note 31)	1,932	608	0	0	0	(2,540)
Adjustments Primarily Involving the Collection Fund Adjustment Account:						
Amount by which Council Tax Income Credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements	(711)	0	0	0	0	711
Total Adjustments	(1,931)	27,575	(1,587)	16	72	(24,145)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

7. Transfers (to)/from Earmarked Reserves

This note sets out the amounts set-aside from the General Fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans; and the amounts released from earmarked reserves to meet General Fund and Housing Revenue Account expenditure in 2015/16.

	Balance at 1 Apr 2014 £000	Net Transfers 2014/15 £000	Balance at 31 Mar 2015 £000	Transfers Out 2015/16 £000	Transfers in 2015/16 £000	Balance at 31 Mar 2016 £000
<u>General Fund</u>						
Major Investment Reserve	(8,339)	(718)	(9,057)	2,926	(1,735)	(7,866)
Building Control	(15)	15	0	0	0	0
Business Rate Retention	0	(1,000)	(1,000)	0	(1,217)	(2,217)
Car Parks Property	(545)	(633)	(1,178)	199	(547)	(1,526)
Community Grants	(12)	1	(11)	0	(162)	(173)
CIL - General Fund	0	0	(1)	0	(532)	(533)
Developer Contributions	0	(6)	(6)	0	0	(6)
Flood Support Schemes	(130)	25	(105)	15	0	(90)
Homelessness Gold Standard	(810)	(196)	(1,006)	1,121	(115)	0
Homelessness Prevention	(360)	(124)	(484)	66	(111)	(529)
Income Equalisation	0	(244)	(244)	244	0	0
Information, Management and Technology	(122)	(93)	(214)	114	(223)	(323)
Insurance	(40)	0	(40)	0	0	(40)
Land Charges - New Burdens	(34)	34	0	0	0	0
Local Development Framework	(173)	0	(173)	27	0	(146)
Local Elections Earmarked Reserve	(15)	(15)	(30)	0	0	(30)
Municipal Mutual Insurance	(157)	0	(157)	0	0	(157)
Museums Acquisitions	(11)	3	(8)	0	0	(8)
Museums Publications	(30)	(8)	(38)	0	0	(38)
Organisational Development	0	(432)	(432)	248	(1,408)	(1,592)
Planning Deposits (Interest)	(145)	54	(91)	6	(8)	(93)
Property Reserve	(968)	(970)	(1,938)	68	(1,839)	(3,709)
	(11,906)	(4,307)	(16,213)	5,034	(7,897)	(19,076)
Winchester Town Reserve	(277)	(21)	(298)	0	(126)	(424)
CIL Winchester Town	0	0	1	0	(86)	(85)
Total General Fund	(12,183)	(4,328)	(16,510)	5,034	(8,109)	(19,585)
<u>Housing Revenue Account</u>						
Insurance	(70)	0	(70)	0	0	(70)
Total Earmarked Reserves	(12,253)	(4,328)	(16,580)	5,034	(8,109)	(19,655)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

8. Property, Plant and Equipment (PPE)

Movements in 2015/16	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
<u>Cost or Valuation</u>	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2015	333,494	57,970	12,774	5,746	512	0	2,601	413,097
Additions	6,184	2,604	276	333	227	0	5,464	15,088
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	0	9,232	0	0	0	0	0	9,232
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	18,269	(4,742)	0	0	0	0	0	13,527
Derecognition - Disposals	(1,452)	(201)	(230)	(49)	0	0	0	(1,932)
Other Movements in Cost or Valuation	4,129	428	29	539	327	0	(2,229)	3,223
At 31 March 2016	360,624	65,291	12,849	6,569	1,066	0	5,836	452,235
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2015	0	(4,126)	(8,894)	(2,020)	(161)	0	0	(15,201)
Depreciation Charge	(5,512)	(1,950)	(830)	(229)	(2)	0	0	(8,523)
Accumulated Depreciation Written-Out to the Gross Carrying Amount on Depreciation Written-Out to the Revaluation Reserve	0	6,074	0	0	0	0	0	6,074
Depreciation Written Out to the Surplus/Deficit on the Provision of Services	5,512	0	0	0	0	0	0	5,512
Derecognition - Disposals	0	0	229	39	0	0	0	268
Other Movements in Depreciation and Impairment	0	2	0	0	0	0	0	2
At 31 March 2016	0	0	(9,495)	(2,210)	(163)	0	0	(11,868)
<u>Net Book Value</u>								
At 31 March 2016	360,624	65,291	3,354	4,359	903	0	5,836	440,367
At 31 March 2015	333,494	53,844	3,880	3,726	351	0	2,601	397,896

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Movements in 2014/15	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
<u>Cost or Valuation</u>	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2014	310,904	57,481	12,423	5,415	512	1,037	2,704	390,476
Additions	7,429	99	252	185	0	0	1,575	9,540
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	0	369	0	0	0	0	0	369
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	14,942	21	0	0	0	0	0	14,963
Derecognition - Disposals	(1,602)	0	(255)	0	0	0	0	(1,857)
Other Movements in Cost or Valuation	1,821	0	354	146	0	(1,037)	(1,678)	(394)
At 31 March 2015	333,494	57,970	12,774	5,746	512	0	2,601	413,097
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2014	0	(2,622)	(8,318)	(1,798)	(154)	0	0	(12,892)
Depreciation Charge	(5,466)	(1,801)	(831)	(222)	(7)	0	0	(8,327)
Accumulated Depreciation Written-Out to the Gross Carrying Amount on Depreciation Written-Out to the Revaluation Reserve	0	297	0	0	0	0	0	297
Depreciation Written Out to the Surplus/Deficit on the Provision of Services	5,466	0	0	0	0	0	0	5,466
Impairment losses /(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	(10)	0	(10)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	(384)	0	(384)
Derecognition - Disposals	0	0	255	0	0	0	0	255
Other Movements in Depreciation and Impairment	0	0	0	0	0	394	0	394
At 31 March 2015	0	(4,126)	(8,894)	(2,020)	(161)	0	0	(15,201)
<u>Net Book Value</u>								
At 31 March 2014	333,494	53,844	3,880	3,726	351	0	2,601	397,896
At 31 March 2013	310,904	54,859	4,105	3,617	358	1,037	2,704	377,584

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Depreciation and estimated useful lives

Depreciation on Housing Revenue Account dwellings is an amount equivalent to the Major Repairs Allowance element of the Housing Revenue Account Self-Financing Determination. For other types of assets the following useful lives have been used in the calculation of depreciation:

Other Land and Buildings	5 – 60 years
Vehicles, Plant, Furniture and Equipment	4 – 18 years
Infrastructure	5 – 60 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 2016, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years. The total commitments at 31 March 2016 were £17,982,000 (similar commitments at 31 March 2015 were £3,181,000) made up as follows:

	£000
Housing New Build (Extra Care Scheme)	12,147
Housing New Build (New Queens Head)	4,542
Housing New Build (Other)	778
Major Repairs	400
Improvements and Loft Conversions	84
Disabled Adaptions	31
	<hr/>
	17,982

Revaluations and Impairments

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment (PPE) required to be measured at current value, or in the case of surplus assets fair value, is carried out at least every five years. Investment Properties are valued annually.

During 2015/16, Wilks Head and Eve carried out a re-valuation of all the Council's properties, with the exception of Dwellings and HRA garages, with a valuation date of 31 December 2015. They undertook a Market Review in April 2016 confirming there had been no material change in asset values between the valuation date and the balance sheet date. The valuation of Council Dwellings and HRA Garages was carried out internally as at 31 March 2016, by Sue Grant BSc(Hons) MRICS, Senior Estates Surveyor; Amanda Dennis BSc(Hons) MRICS, Senior Valuer; and Melissa Jepson Estates Surveyor. The valuations were reviewed by Kevin Warren BSc MRICS Assistant Director of Estates and Regeneration. 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 Code).

Apart from infrastructure, community assets, and assets under construction, the basis of valuation for PPE assets is current value and there are four measurement approaches to calculating current value in the Code:

- For operational property, the asset is measured at its Existing Use Value (EUV) in accordance with the definitions in UKVS13.
- For social housing using the Beacon Method (as recommended in the Guidance on Stock Valuation for Resource Accounting revised April 2010) to arrive at the Market Value of the social housing stock, with an adjustment factor of 32% applied to arrive at EUV-Social Housing.
- For specialised assets Depreciated Replacement Cost (DRC) in accordance with UK VS 1.15 and UKGN2.
- For surplus assets, Fair Value as defined under IFRS 13 and as adopted by the Code.

The basis of valuation for Investment Properties is fair value, in accordance with IAS 40 Investment Property, and is subject to IFRS 13 Fair Value Measurement regarding the Fair Value hierarchy (input levels); consideration of the highest and best use; and amended disclosure requirements. To arrive at fair value, inputs include Market Value, Market Rental Value, yields, voids, contract duration, size, layout, location, access, condition, lease covenants, obsolescence, and income.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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).

	2015/16	2014/15	2013/14	2012/13	2011/12	Historical Cost	Total
	£000	£000	£000	£000	£000	£000	£000
Council Dwellings	360,624	0	0	0	0	0	360,624
Land & Buildings	65,291	0	0	0	0	0	65,291
Plant / Vehicles / Equipment	0	0	0	0	0	3,354	3,354
Infrastructure	0	0	0	0	0	4,359	4,359
Community	0	0	0	0	0	903	903
Assets Under Construction	0	0	0	0	0	5,836	5,836
Total	425,915	0	0	0	0	14,452	440,367

9. Heritage Assets

Reconciliation of the carrying value of heritage assets held by the Council:

	Art Collection	Civic regalia	Archaeology	Total
	£000	£000	£000	£000
Balance as at 1 April 2014	850	1,500	420	2,770
Balance as at 31 March 2015	850	1,500	420	2,770
Balance as at 31 March 2016	850	1,500	420	2,770

Art Collection (Topographical Art and Portraits)

The Council 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.

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.

Archaeological Collection

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

The marble head was most recently valued as at 30 June 2013 by the British Museum as part of the loan agreement and is reflected in the values above. The valuation is reviewed every three years as part of the museum's procedures.

Museum Collection Additions

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

- billheads;
- an overmantle; and
- several local history objects.

Disposals

There have been no disposals during this period.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

10. Investment Properties

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

	2015/16	2014/15
	£000	£000
<u>Income and Expenditure in Relation to Investment Properties</u>		
Rental Income from Investment Property	(2,858)	(2,574)
Direct Operating Expenses of Investment Property	706	461
(Gain)/Loss on Disposal of Investment Property	(95)	(203)
Net (Gain)/Loss on Revaluation of Investment Property	(4,809)	(2,859)
Net (Income)/Expenditure on Investment Properties	(7,056)	(5,175)

The Council's investment properties were revalued as part of the exercise undertaken by Wilks Head & Eve LLP (see note 8) .

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, there were no such disposals in 2015/16. The Council has no contractual obligations to repairs, maintenance or enhancement of investment property.

	2015/16	2014/15
	£000	£000
Opening Balance	44,536	40,657
Additions - Enhancements	46	1,232
Disposals	(2,105)	(212)
Net Gains/(Losses) from Fair Value Adjustments	4,809	2,859
<u>Transfers:</u>		
- (To)/From Property, Plant and Equipment	(3,225)	0
Closing Balance	44,061	44,536

Investment Properties Fair Value Measurements

	Retail	Offices	Industrial	Residential / Garages	Other	Total
	£000	£000	£000	£000	£000	£000
Level 2 Fair Value Measurements	29,340	8,153	3,574	1,704	1,290	44,061
Total	29,340	8,153	3,574	1,704	1,290	44,061

Valuation Techniques and Inputs Land, Office, Industrial, Residential, Garage and Retail assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

Typical valuation inputs that have been analysed in arriving at fair value include: market rental and sale values; yields; void and letting periods; size; configuration, proportions and layout; location, visibility and access; condition; lease covenants; and obsolescence.

Unobservable Inputs There are no assets within the Council's portfolio that are classed at Level 3 in the fair value hierarchy.

Sensitivity of Unobservable Inputs n/a

The Council holds 6 assets (parcels of land and garages) as investment properties where the highest and best use is greater than their current use. The Council is holding these assets for their future potential.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Capital Commitments for Investment Property Assets

As at 31 March 2016, the Council had not entered into contracts for the construction or enhancement of Investment Properties in 2016/17 and future years. The total commitment at 31 March 2015/16 was therefore £nil (similar commitments at 31 March 2015 were also £nil).

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 2015/16 totalled £184,000, 86% (£158,000) 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 14% (£26,000) was charged direct to the relevant service.

The movement on Intangible Asset balances during the year is as follows:

	2015/16	2014/15
	£000	£000
Gross Carrying Amounts	3,459	3,355
Accumulated Amortisation	(2,955)	(2,777)
Net Carrying Amount at Start of Year	504	578
Additions:		
Purchases	53	104
Amortisation for the Period	(184)	(178)
Net Carrying Amount at End of Year	373	504
 <u>Comprising:</u>		
Gross Carrying Amounts	3,512	3,459
Accumulated Amortisation	(3,139)	(2,955)
	373	504

Capital Commitments for Intangible Assets

As at 31 March 2015, the Council had not entered into contracts for the acquisition or enhancement of Intangible Assets in 2016/17 and future years. The total commitment at 31 March 2016 was therefore £nil (similar commitments at 31 March 2015 were £36,000).

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

12. Financial Instruments

Financial instruments are contractual arrangements that give rise to a financial asset of one entity and a financial liability or equity instrument of another.

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

	<u>Long Term</u>		<u>Current</u>	
	31 Mar 16 £000	31 Mar 15 £000	31 Mar 16 £000	31 Mar 15 £000
<u>Investments</u>				
Loans and Receivables	3,115	2,000	18,130	17,028
Available-for-Sale Financial Assets	8,512	2,367	0	0
Equity instruments with no quoted price	63	0	0	0
Cash and Cash Equivalents	0	0	13,251	14,966
Total Investments	11,690	4,367	31,381	31,994
<u>Debtors</u>				
Loans and Receivables	431	329	0	0
Financial Assets Carried at Contract Amounts	0	0	6,033	4,085
Total Debtors	431	329	6,033	4,085
<u>Borrowings</u>				
Financial Liabilities at Amortised Cost	(156,722)	(156,722)	(57)	(56)
<u>Other Liabilities</u>				
Finance Lease Liabilities	(850)	(1,177)	(327)	(321)
Total Long-Term Borrowing	(157,572)	(157,899)	(384)	(377)
<u>Creditors</u>				
Financial Liabilities Carried at Contract Amount	0	0	(4,301)	(3,874)
Total Creditors	0	0	(4,301)	(3,874)

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

Financial Liabilities	<u>Long Term</u>		<u>Short Term</u>	
	31/03/16	31/03/15	31/03/16	31/03/15
Loans at amortised cost:				
- Principal sum borrowed	156,722	156,722		
- Accrued interest			57	57
Total Borrowing	156,722	156,722	57	57

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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

2015/16	Financial Liabilities at Amortised Cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale Assets £000	Total £000
Interest Expense	5,197	0	0	5,197
Interest Income	0	(446)	(134)	(580)
Net (Gain)/Loss for the Year	5,197	(446)	(134)	4,617

2014/15	Financial Liabilities at Amortised Cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale Assets £000	Total £000
Interest Expense	5,204	0	0	5,204
Impairment Losses	0	156	0	156
Interest Income	0	(300)	(130)	(430)
Net (Gain)/Loss for the Year	5,204	(144)	(130)	4,930

The Council has no material soft loans.

Fair Value of Assets and Liabilities

Financial assets classified as available for sale and all non-derivative financial liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds and shares in money market funds and other pooled funds, the fair value is taken from market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31 March 2016, using the following methods and assumptions:

- Certificates of deposit have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2016, using the following methods and assumptions:

- Loans borrowed by Winchester City Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying amount.
- The fair values of other long-term investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Fair values are shown in the tables below, split by their level in the fair value hierarchy:

Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, for example; bond prices

Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, for example; interest rates or yields for similar instruments

Level 3 – fair value is determined using unobservable inputs, for example; non-market data such as cash flow forecasts or estimated creditworthiness

	Fair Value Level	Balance Sheet 31/03/16 £'000	Fair value 31/03/16 £'000	Balance Sheet 31/03/15 £'000	Fair value 31/03/15 £'000
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	(156,779)	(172,001)	(156,779)	(175,467)
Total		(156,779)	(172,001)	(156,779)	(175,467)
Recorded on balance sheet as:					
Long-term borrowing		(156,722)		(156,722)	
Short-term borrowing		(57)		(57)	
Total		(156,779)		(156,779)	

	Fair Value Level	Balance Sheet 31/03/16 £'000	Fair Value 31/03/16 £'000	Balance Sheet 31/03/15 £'000	Fair Value 31/03/15 £'000
Financial assets held at fair value:					
Bond, equity and property funds	1	2,509	2,509	2,367	2,367
Certificates of deposit	2	14,056	14,056	10,083	10,083
Corporate, covered and government bonds	2	11,192	11,192	6,945	6,945
Unquoted equity investment at cost	2	63	63	0	0
Financial assets held at amortised cost:					
Long-term investments with local authorities	2	2,000	2,018	2,000	2,008
Total		29,820	29,838	21,395	21,403
Recorded on balance sheet as:					
Long-term investments		11,690		4,367	
Short-term investments		18,130		17,028	
Total		29,820		21,395	

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the balance sheet date. The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

13. Short-Term Debtors

	31 Mar 16	31 Mar 15
	£000	£000
Central Government Bodies	13	1,110
Council Tax	197	192
Housing Rents	237	204
NHS Bodies	94	70
Other Entities and Individuals	4,509	2,749
Other Local Authorities	1,598	1,401
Prepayments	957	410
Public Corporations and Trading Funds	16	0
Total	7,621	6,136

14. Cash and Cash Equivalents

	31 Mar 16	31 Mar 15
	£000	£000
Bank Accounts and Deposits	13,224	14,930
Cash Held by the Authority	27	36
Total Cash and Cash Equivalents	13,251	14,966

15. Short-Term Creditors

	31 Mar 16	31 Mar 15
	£000	£000
Amounts Received in Advance	(1,295)	(1,827)
Central Government Bodies	(1,495)	(4,781)
Other	(1,104)	(588)
Other Local Authorities	(3,582)	(2,993)
Public Corporations and Trading Funds	(329)	(23)
Trade Creditors	(3,071)	(3,433)
Total	(10,876)	(13,645)

16. Provisions

The 2014/15 provision consists of an amount for insurance (representing the excesses payable in respect of liabilities existing at the Balance Sheet date); and other provisions being the NNDR Provision for Appeals; for liabilities that were probable at the Balance Sheet date but where the timing and amount was uncertain.

	Insurance	NNDR	Total
	£000	£000	£000
Balance at 1 April 14	(90)	(1,143)	(1,233)
Additional Provisions made in 2014/15	0	(1,775)	(1,775)
Amounts Used in 2014/15	16	990	1,006
Balance at 1 April 15	(74)	(1,928)	(2,002)
Additional Provisions made in 2015/16	(33)	(1,908)	(1,941)
Amounts Used in 2015/16	33	1,302	1,335
Balance at 31 March 16	(74)	(2,534)	(2,608)

17. Usable Reserves

Movements in usable reserves are detailed in the Movement in Reserves Statement (page 10).

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

General Fund

This is the resources available to meet the future running costs of Council services. The balance is maintained at £2.0 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.

18. Unusable Reserves

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

	31 Mar 16	31 Mar 15
	£000	£000
Revaluation Reserve	(34,742)	(22,346)
Available for Sale Financial Instruments Reserve	(509)	(367)
Capital Adjustment Account	(290,098)	(260,624)
Financial Instruments Adjustment Account	185	185
Pensions Reserve	50,460	53,470
Deferred Capital Receipts Reserve	(186)	(283)
Collection Fund Adjustment Account	2,221	(85)
Total Unusable Reserves	(272,669)	(230,050)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

18.1. 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.

	2015/16	2014/15
	£000	£000
Balance at 1 April	(22,346)	(22,443)
Upward Revaluation of Assets	(21,185)	(784)
Downward Revaluation of Assets and Impairment Losses not Charged to the Surplus/Deficit on the Provision of Services	5,879	127
Surplus or Deficit on Revaluation of Non-Current Assets not Posted to the Surplus or Deficit on the Provision of Services	(15,306)	(657)
Difference between Fair Value Depreciation and Historical Cost Depreciation	723	754
Accumulated Gains on Assets Sold or Scrapped	2,187	0
Amount Written Off to the Capital Adjustment Account	2,910	754
Balance at 31 March	(34,742)	(22,346)

18.2. Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

	2015/16	2014/15
	£000	£000
Balance at 1 April	(367)	0
Upward Revaluation of Investments	(142)	(367)
Balance at 31 March	(509)	(367)

18.3. 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 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

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

	2015/16 £000	2014/15 £000
Balance at 1 April	(260,624)	(233,461)
<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	8,523	8,711
Revaluation Losses on Property, Plant and Equipment	(19,039)	(20,429)
Amortisation of Intangible Assets	183	178
Revenue Expenditure Funded from Capital Under Statute	906	960
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	6,097	1,814
	<u>(3,330)</u>	<u>(8,766)</u>
Adjusting Amounts Written-Out of the Revaluation Reserve	(2,910)	(754)
Net Written Out Amount of the Cost of Non-Current Assets Consumed in the Year	<u>(6,240)</u>	<u>(9,520)</u>
<u>Capital Financing Applied in the Year:</u>		
Use of the Capital Receipts Reserve to Finance New Capital Expenditure	(1,527)	(985)
Use of the Major Repairs Reserve to Finance New Capital Expenditure	(5,937)	(5,896)
Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(605)	(80)
Capital Grants and Contributions Credited to the Comprehensive Income and Expenditure Statement that have been Applied to Capital Financing	(2,798)	(1,335)
Statutory Provision for the Financing of Capital Investment	(588)	(530)
Voluntary Provision for the Financing of Capital Investment	0	(3,631)
Capital Expenditure Charged Against the General Fund and HRA Balances	(6,971)	(2,327)
	<u>(18,426)</u>	<u>(14,784)</u>
Movements in the Market Value of Investment Properties Debited or Credited to the Comprehensive Income and Expenditure Statement	(4,809)	(2,859)
Balance at 31 March	<u>(290,099)</u>	<u>(260,624)</u>

18.4. 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.

	2015/16 £000	2014/15 £000
Balance at 1 April	185	185
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	0
Balance at 31 March	<u>185</u>	<u>185</u>

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

18.5. 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.

	2015/16	2014/15
	£000	£000
Balance at 1 April	53,470	46,150
Actuarial Gains or Losses on Pensions Assets and Liabilities	(4,950)	5,770
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 (Note 31)	4,690	4,090
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year (Note 31)	(2,750)	(2,540)
Balance at 31 March	50,460	53,470

18.6. 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.

	2015/16	2014/15
	£000	£000
Balance at 1 April	(283)	(285)
Transfer to the Capital Receipts Reserve upon Receipt of Cash	97	2
Balance at 31 March	(186)	(283)

18.7. 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.

	2015/16	2014/15
	£000	£000
Balance at 1 April	(85)	(796)
Amount by which Council Tax and Business Rates Income Credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax and Business Rates Income Calculated for the Year in Accordance with Statutory Requirements	2,306	711
Balance at 31 March	2,221	(85)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

19. 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 2015/16. 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 **year 2015/16** is as follows:

	Active Communities £000	Prosperous Economy £000	High Quality Environment £000	Efficient & Effective £000	Total £000
<u>Expenditure:</u>					
Employees	4,458	839	4,254	7,633	17,184
Premises	5,629	90	1,752	905	8,376
Transport	383	61	13	303	760
Supplies & services	1,961	545	1,203	3,642	7,351
Third party payments	1,048	485	4,219	224	5,976
Transfer payments				26,833	26,833
Depreciation Impairment Costs	(16,206)	94	1,515	5,389	(9,208)
Support Services	2,462	405	1,398	(5,345)	(1,080)
	(265)	2,519	14,354	39,584	56,192
<u>Income</u>	(29,643)	(1,006)	(8,977)	(29,482)	(69,108)
Cost of Services	(29,908)	1,513	5,377	10,102	(12,916)

The income and expenditure of the Council's outcomes recorded in the budget reports for the **year 2014/15** was as follows:

	Active Communities £000	Prosperous Economy £000	High Quality Environment £000	Efficient & Effective £000	Total £000
<u>Expenditure:</u>					
Employees	5,219	1,065	4,073	6,825	17,182
Premises	5,348	115	1,434	861	7,758
Transport	420	73	63	316	872
Supplies & services	1,221	695	1,120	2,896	5,932
Third party payments	1,188	227	3,979	341	5,735
Transfer payments				28,032	28,032
Depreciation Impairment Costs	(12,929)	111	1,203	845	(10,770)
Support Services	2,414	691	1,135	(5,416)	(1,176)
	2,881	2,977	13,007	34,700	53,565
<u>Income</u>	(29,411)	(1,022)	(8,987)	(29,629)	(69,049)
Cost of Services	(26,530)	1,955	4,020	5,071	(15,484)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

20. Trading Operations

The Council has a single trading unit that operates in a commercial environment and is required to generate income from other parts of the Council and/or other organisations.

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.

	2015/16	2014/15
	£000	£000
Turnover	(1,080)	(1,068)
Expenditure	1,107	1,506
Deficit	27	438

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.

21. Members' Allowances

The payments made directly to members under the Council's Members' Allowance Scheme during 2015/16 totalled £428,546 (£437,497 in 2014/15). The Mayor and Deputy Mayor also received allowances for their additional mayoral duties - these totalled £4,541 in 2015/16 (£5,635 in 2014/15).

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.

22. Officers' Remuneration

Employees' remuneration

Information relating to employees' remuneration is required to be published under the Accounts and Audit Regulations 2015. The following note shows the number of employees whose total remuneration exceeded £50,000 in 2015/16. For this purpose, remuneration includes gross pay, all taxable benefits and redundancy payments but excludes employer pension contributions.

2015/16				2014/15			
Ongoing employees	Employees left in year	Total Employees	Remuneration Band	Ongoing employees	Employees left in year	Total Employees	
11		11	£ 50,000-£ 54,999	7	0	7	
1		1	£ 55,000-£ 59,999	1	0	1	
5		5	£ 60,000-£ 64,999	8	0	8	
5		5	£ 65,000-£ 69,999	2	0	2	
1		1	£ 70,000-£ 74,999	2	0	2	
0		0	£ 75,000-£ 79,999	1	0	1	
0		0	£ 80,000-£ 84,999	2	0	2	
1		1	£ 85,000-£ 89,999	1	0	1	
0		0	£ 90,000-£ 94,999	0	0	0	
0		0	£ 95,000-£ 99,999	1	0	1	
1		1	£100,000-£104,999	1	0	1	
0	1	1	£105,000-£109,999	0	0	0	
0	1	1	£185,000-£189,999	0	0	0	
25	2	27		26	0	26	

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 2015/16 Winchester City Council contributed £42,500 towards the post (£41,400 2014/15).

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

The Council shares its Assistant Director (Commissioning) with East Hampshire District Council as part of the Joint Environmental Services Contract. The full cost of this post is included above as the officer was employed by Winchester City Council. During 2015/16 East Hampshire District Council contributed £35,000 towards the post (£31,300 in 2014/15).

The remuneration of the Chief Operating Officer includes payments that this officer receives in his capacity as Returning Officer. These totalled £17,800 (including pension payments) for elections conducted during 2015/16 (£14,400 in 2014/15).

The banding note also includes the senior officer posts detailed below.

Senior officers' remuneration

Further details relating to individual senior employees' remuneration is required to be published under the Accounts and Audit Regulations 2015. This note gives the details of the salary, allowances, benefits-in-kind and pension payments for senior employees whose salary exceeded £50,000 in 2015/16.

2015/16	Salary £000	Taxable expenses & benefits £000	Pension Payments £000	Compensation for loss of office £000	Total £000
Chief Executive	98	4	13	0	115
Chief Operating Officer ¹	79	25	13	118	234
Corporate Director	84	4	11	0	99
Chief Finance Officer ²	67	5	9	95	175

¹ The Chief Operating Officer post was removed from the structure and the postholder left in March 2016. Returning Officer duties previously carried out by this officer have now transferred to the Head of Legal and Democratic Services. Compensation for loss of office includes a payment to the Pension Fund for early retirement costs.

² The Chief Finance Officer post was removed from the structure and the postholder left in March 2016. Section 151 Officer duties are now the responsibility of the new Head of Finance. Compensation for loss of office includes a payment to the Pension Fund for early retirement costs.

2014/15	Salary £000	Taxable Expenses and Benefits £000	Pension Payments £000	Total Remuneration £000
Chief Executive	96	3	13	112
Chief Operating Officer	83	18	13	114
Corporate Director	83	3	11	97
Chief Finance Officer	69	4	9	82

23. 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:

	2015/16 £000	2014/15 £000
Fees Payable to External Auditor with Regard to the External Audit Services Carried Out by the Appointed Auditor for the Year	56	75
External Audit Services - Audit Commission Rebate	0	(6)
Fees Payable to the External Auditor for the Certification of Grant Claims and Returns for the Year	11	11
Fees Payable in Respect of the Other Services Provided by the External Auditor During the Year	7	2
Total	74	82

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

24. Grant Income

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

	2015/16	2014/15
	£000	£000
Credited to Services		
Arts Council England	0	(10)
Bellwin Scheme (Flooding Emergency Assistance)	0	(14)
Benefit Administration	(420)	(449)
Bus Service Operators Grant	(45)	0
Contributions	(190)	(830)
Council Tax Benefits	(96)	(101)
Developers' Contributions	(589)	(163)
Hampshire County Contributions	(646)	(578)
Hampshire Supporting People	0	(364)
Leader Project Funding	(41)	(40)
Other Grants and Reimbursements	(78)	(108)
Other Service Specific Grants	(55)	(122)
Rent Allowance	(14,903)	(15,912)
Rent Rebates	(12,753)	(12,766)
Total	(29,816)	(31,457)
	2015/16	2014/15
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Capital Grants and Contributions	(725)	(776)
Community Infrastructure Levy	(663)	(10)
Council Tax Freeze Grant	(72)	(71)
Council Tax Support Grant	0	(2)
Disabled Facilities Grant	(445)	(390)
DWP Local Authority Data Sharing	0	(9)
Homelessness Gold Standard Challenge	0	(582)
New Burdens Grant	(248)	(317)
New Homes Bonus	(2,837)	(2,105)
Other	(1,471)	(12)
Repair and Renewal Grant	(172)	(170)
Revenue Support Grant	(1,728)	(2,330)
Total	(8,361)	(6,774)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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

	31 Mar 16	31 Mar 15
	£000	£000
<u>Grants and Contributions in Advance</u>		
Developers' Contributions - Social Housing	(2,130)	(1,025)
Developers' Contributions - Open Spaces	(967)	(1,071)
Developers' Contributions - Whiteley	(63)	(72)
Developers' Contributions - West of Waterlooville	(782)	(763)
Developers' Contributions - Barton Farm	(23)	(27)
St. Catherine's Hill Nature Reserve	(158)	(169)
Open Spaces Commuted Payments	(338)	(125)
Supporting Troubled Families	(81)	(74)
Other	(10)	(10)
Total	(4,552)	(3,336)

25. 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. In this context, related parties include:

- Central Government
- Elected Members of the Council
- Officers of the Council

Central Government

Central 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 24.

Elected members of the Council

Members of the Council have direct control over the Council's financial and operating policies. The payments made to members in 2015/16 (and 2014/15) are shown in Note 21. During 2015/16 three members declared a material interest (two in 2014/15) being:

Councillor D Hiscock is a director of Keystone Housing. Keystone Housing has a soft loan of £127,000 and three mortgages with the combined value of £58,537 at 31 March which attract an interest rate of 12.375%. There was also an invoice for £10,000 for Homelessness prevention grant funding paid by the Council to Keystone Housing in the year.

Councillor L Thompson is the spouse of a board member and trustee of Keystone Housing (see comment above for the Council's financial relationship with Keystone Housing).

Councillor M Southgate is a trustee at the new Hampshire Cultural Trust for which Winchester has a 16.7% voting right and paid a grant for the year of £400,965.

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.

Officers

Chief Officers have the ability to influence the Council. During 2015/16 there were no material transactions between the Council and Chief Officers.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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.

26. 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.

	2015/16	2014/15
	£000	£000
Opening Capital Financing Requirement	162,736	165,684
<u>Capital Expenditure</u>		
Property, Plant and Equipment	17,417	9,540
Investment Properties	46	1,232
Intangible Assets	53	104
Revenue Expenditure Funded from Capital Under Statute	906	960
Acquisition of Share Capital	63	0
	18,485	11,836
<u>Sources of finance</u>		
Capital Receipts	(1,527)	(985)
Government Grants and other contributions	(3,403)	(1,415)
HRA Major Repairs Reserve	(5,937)	(5,896)
HRA Revenue Provision	(3,781)	(1,904)
GF Reserves	(3,190)	(422)
	(17,838)	(10,622)
Unfinanced capital expenditure in year	647	1,214
Statutory provision for the financing of capital investment	(588)	(531)
Voluntary provision for the financing of capital investment	0	(3,631)
	162,795	162,736
<u>Explanation for Movement in year</u>		
Increase/(decrease) in underlying need to borrow	59	(2,948)

27. 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:

	2015/16	2014/15
	£000	£000
Vehicles Plant and Equipment	1,124	1,446

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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

Finance Lease Liabilities (net present value of minimum lease payments)

	£000	£000
Current	327	320
Non-Current	850	1,177
Finance Costs Payable in Future Years	46	75
Minimum Lease Payments	<u>1,223</u>	<u>1,572</u>

	Minimum Lease payments 2015/16	Finance Lease Liability 2015/16
	£000	£000
Not later than one year	349	327
Later than one year but not later than five years	874	850
	<u>1,223</u>	<u>1,177</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 2015/16 was £688,900 (£769,500 in 2014/15).

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

	2015/16	2014/15
	£000	£000
Due within one year	402	378
Due later than one year and not later than five years	531	502
Due after five years	364	418
Total future minimum lease rentals payable	<u>1,297</u>	<u>1,298</u>

Council as Lessor

The Council leases out the majority of its investment properties 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:

	2015/16	2014/15
	£000	£000
Due within one year	2,234	2,263
Due later than one year and not later than five years	7,479	7,673
Due after five years	76,816	74,969
Total future minimum lease rentals receivable	<u>86,529</u>	<u>84,905</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 2015/16 £946,500 of contingent rents were receivable by the Council.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

28. Termination Benefits and Exit Packages

The Council terminated the contracts of 17 employees (18 posts), incurring liabilities (for compensation for loss of office and employer's pension contributions for enhanced benefits) in 2015/16 of £330,015 (£475,053 in 2014/15).

2015/16				2014/15		
Compulsory Redundancy	Other Termination	Amount Paid (£)	Total Package	Compulsory Redundancy	Other Termination	Amount Paid (£)
2	13	116,330	£0 - £20,000	14	5	166,492
1	0	20,122	£20,001 - £40,000	2	2	87,818
2	0	193,564	£40,001-£120,000	3	0	220,743
5	13	330,016		19	7	475,053

29. 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.

The Pension Scheme is operated under the LGPS (Benefits, Membership and Contributions) Regulations 2007 and the governance of the scheme is the responsibility of the pension committee of Hampshire County Council. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the fund are appointed by the committee.

The principal risks to the Council of the scheme are the longevity assumptions; statutory changes to the scheme; structural changes to the scheme; and changes in inflation, bond yields and performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the Council's General Fund the amounts required by statute.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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:

	2015/16	2014/15
	£000	£000
<u>Included in the Cost of Services</u>		
Current Service Cost	2,860	2,420
Past Service Cost	170	0
Settlement Cost	0	(250)
<u>Included in Financing and Investment Income and Expenditure</u>		
Net Interest on the Net Defined Benefit Liability	1,660	1,920
<u>Included in Other Comprehensive Income and Expenditure</u>		
Remeasurement of the Net Defined Benefit Liability	(4,950)	5,770
Total Included in Comprehensive Income and Expenditure	(260)	9,860
<u>Included in the Movement in Reserves</u>		
Removal of Notional Charges Made for Retirement Benefits	(4,690)	(4,090)
Inclusion of Actual Employer's Contributions Payable	2,750	2,540
Total Included in the Movement in Reserves	(1,940)	(1,550)
<u>Actual Employer's Contributions Charged Against Council Tax</u>		
Normal Funded Contributions	2,390	2,340
Lumps Sums for Early Retirements	160	0
Discretionary / Unfunded Added Years	200	200
Total Amount Charged to Council Tax	2,750	2,540

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Assets and liabilities in relation to post-employment benefits

The movement in scheme liabilities was:

	2015/16 Funded Liabilities £000	2015/16 Unfunded Liabilities £000	2014/15 Funded Liabilities £000	2014/15 Unfunded Liabilities £000
Opening Present Value of Liabilities	(140,950)	(3,020)	(123,590)	(2,970)
Current Service Cost	(2,860)	0	(2,420)	0
Interest Expense on Benefit Obligation	(4,450)	(90)	(5,230)	(120)
Contributions by Scheme Participants	(810)	0	(830)	0
Actuarial Gains / (Losses) - Financial Assumptions	5,050	50	(14,420)	(160)
Actuarial Gains / (Losses) - Demographic Assumptions	0	0	0	0
Actuarial Gains / (Losses) - Experience	1,400	50	760	30
Net Benefits Paid Out	4,400	200	4,040	200
Past Service Cost	(170)	0	0	0
Settlements	0	0	740	0
Closing Present Value of Liabilities	(138,390)	(2,810)	(140,950)	(3,020)

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

	2015/16 £000	2014/15 £000
Opening Fair Value of Assets	90,500	80,410
Interest Income on Assets	2,880	3,430
Contributions by Scheme Participants	810	830
Contributions by the Employer	2,550	2,340
Remeasurement Gains / Losses on Assets	(1,600)	8,020
Net Benefits Paid Out	(4,400)	(4,040)
Settlement	0	(490)
Closing Fair Value of Assets	90,740	90,500

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 2015/16 was £1.28 million (£11.45 million in 2014/15).

Impact on the Council's cash flow

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 and the recent changes to the scheme introduced on 1 April 2014 which will increase the amount paid into the scheme by employees and employers.

The total contributions expected to be made to the scheme by the Council in the year to 31 March 2017 is £2.7 million (£2.5 million for funded benefits and £0.2 million in respect of unfunded early retirements).

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Basis for estimating assets and liabilities

The latest actuarial valuation of the Council's liabilities took place as at 31 March 2013. 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:

	Funded Benefits		Unfunded Benefits	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
<u>Principal Financial Assumptions</u>				
Rate for Discounting Scheme Liabilities	3.4%	3.2%	3.4%	3.2%
RPI Inflation Rate	2.9%	2.9%	2.9%	2.9%
CPI Inflation Rate	1.8%	1.8%	1.8%	1.8%
Pension Increases	1.8%	1.8%	1.8%	1.8%
Pension Accounts Revaluation Rate	1.8%	1.8%	-	-
Rate of General Increases in Salaries	3.3%	3.3%	-	-
<u>Mortality Assumptions</u>				
Future lifetime from 65 for members aged 65 at 31 Mar 16				
Males	24.6	24.5		24.5
Females	26.4	26.3		26.3
Future lifetime from 65 for members aged 45 at 31 Mar 16				
Males	26.7	26.6		-
Females	28.7	28.6		-
<u>Take Up of Option to Commute Pension to Lump Sum</u>				
All Service (inc pre-2008 Service)	70%	70%		

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

	2015/16 £000			2014/15 £000		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equities	52.9%	3.4%	56.3%	54.9%	2.9%	57.8%
Property	0.9%	7.3%	8.2%	1.1%	6.9%	8.0%
Government Bonds	25.7%	0.0%	25.7%	25.0%	0.4%	25.4%
Corporate Bonds	2.0%	0.1%	2.1%	1.5%	0.1%	1.6%
Cash	4.7%	0.0%	4.7%	3.7%	0.0%	3.7%
Other	-0.2%	3.2%	3.0%		3.5%	3.5%
	86.0%	14.0%	100.0%	86.2%	13.8%	100.0%

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 2016.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Sensitivity of Actuarial Assumptions

The following table shows the sensitivity of the actuarial assumptions and what impact a 0.1% change would have for each of the assumptions.

Change in Assumptions as at 31 March 2015	Present Value of Total Obligation £000	Change in Present Value of Total Obligation %	Projected Service Cost £000	Approximate Change in Projected Service Cost %
0.1% Increase in Discount Rate	135,940	-1.8%	2,690	-3.2%
0.1% Decrease in Discount Rate	140,890	1.8%	2,870	3.3%
0.1% Increase in the Salary Increase Rate	138,850	0.3%	2,780	0.0%
0.1% Decrease in the Salary Increase Rate	137,930	-0.3%	2,780	0.0%
0.1% Increase in the Pensions Increase Rate	140,420	1.5%	2,870	3.3%
0.1% Decrease in the Pensions Increase Rate	136,390	-1.4%	2,690	-3.2%
1 year Increase in Post Retirement Mortality	134,860	-2.5%	2,690	-3.3%
1 year Decrease in Post Retirement Mortality	141,910	2.5%	2,870	3.3%

30. 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 were appointed scheme administrators on the 13 November 2012. At the 31 March 2016 the Council's exposure under the scheme of arrangement is £157,000. Given the nature of the claims, projections remain uncertain and the Council is maintaining its earmarked reserve to fully cover its exposure.

A group of Property Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The parties have reached agreement on the claims. The Council has agreed to pay the property search companies legal costs to be subject to detailed assessment by way of costs only proceedings if not agreed. The Council is in discussions with the claimants about the costs aspect of the claim. At present it is not possible to put a final value on these potential liabilities and so the Council has instead recognised a contingent liability.

31. Contingent Assets

The Council 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 stands with a number of other similar claims, behind the lead case involving Littlewoods. The Court of Appeal decided against HMRC in March 2015, in what was a long and complex judgement. In December 2015 it was announced that the Supreme Court has granted permission to appeal and therefore this case will now progress to a hearing. It may still be some time before there is a final resolution to this case and in the meantime HMRC confirmed that they would apply for any claims for compound interest already lodged (and new claims) with the High Court or County Court to continue to be stayed pending the final determination of the Littlewoods litigation. Therefore the Council's claim will continue to be stayed behind the Littlewoods case.

32. 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.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Communities and Local Government Guidance on Local Government Investment. 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 the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity Risk: the possibility that the Council might not have the cash available to make contracted payments on time.
- Market Risk: the possibility that an unplanned 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 BBB+, the UK government, other local authorities and organisations without credit ratings upon which the Council has received independent investment advice. 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 £5 million of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). The Council also sets limits on investments in certain sectors. No more than £15 million 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, building societies 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 2016 that this was likely to crystallise.

The credit quality of the £11 million of the Council's investments is enhanced by collateral held in the form of covered bonds collateralised by UK residential mortgages. The collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments.

The table below summarises the credit exposures of the Council's bank deposits and investment portfolio by credit rating:

<u>Credit Rating</u>	Long-Term		Short-Term	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	£'000	£'000	£'000	£'000
AAA	7,114	0	4,078	0
AA+	0	0	0	3,035
AA-	0	0	1,810	4,161
A+	0	0	2,004	3,721
A	0	0	7,066	10,196
A-	0	0	0	6,018
AAA Money Market Funds	0	0	7,313	6,623
Unrated local authorities	2,011	2,011	11,019	0
Unrated pooled funds	2,509	2,367	0	0
	11,634	4,378	33,290	33,753

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 16	31 Mar 15
	£000	£000
Less than three months	2,072	913
Three months to one year	306	596
More than one year	337	369
	<u>2,715</u>	<u>1,878</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 a significant proportion does not mature in any one financial year.

The maturity analysis of the principal sums borrowed is as follows:

	31 Mar 16	31 Mar 15
	£000	£000
6 -10 years	20,000	15,000
11-20 years	60,000	65,000
21-30 years	20,000	20,000
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:

- 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 2016 all of the net principal borrowed (i.e. debt net of investments) was exposed to fixed rates. The Council’s investments with less than one year to maturity (£33.12 million at 31 March 2016); floating rate notes held with more than one year to maturity (£6.00 million at 31 March 2016); and pooled property funds (£2.00 million at 31 March 2016) are classed as being held at variable rates and exposed to interest rate risk.

If all interest rates had been 1.0% higher (with all other variables held constant) the financial effect would be:

- Increase interest receivable on variable rate investment (£411,000)
- Impact on the surplus or deficit on the Provision of Services (£411,000)
- Decrease in fair value of available for sale financial assets £21,000
- Impact on Comprehensive Income and Expenditure £21,000

The approximate impact of a 1.0% fall in interest rates would be as above but with the movements being reversed.

Market Risks: Price Risk

The market prices of the Council's fixed rate bond investments are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk. The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. The risk is limited by the Council's investment strategy. A fall in commercial property prices would result in a charge to Other Comprehensive Income and Expenditure – this would have no impact on the General Fund until the investment was sold.

33. 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, a 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.

The Museum's Collections

Archaeology

The bulk of the archaeological collection derives from excavations beginning in the 1960s, though important earlier material is held. 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 City Council has commissioned the Hampshire Cultural Trust to act as a repository for archaeological material of all periods and types excavated by external contractors. This material is normally only accepted where there is documentation and where title can be obtained.

The archaeological collection contains over one million objects, with many pieces being on public display at City Museum and The 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.

Local History

This is material collected because of its direct relevance to Winchester and its surrounding area. The collection contains over 9,000 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.

In the past, Winchester focused on city and village life due to the strong agricultural expertise of the then County Museums Service. Some major pieces from the collection are on public display on the ground floor of 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 City Council's Museums Service of the time. 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 City Museum. Images are frequently used in temporary exhibitions at City Space (at Winchester Discovery Centre) 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 and 20th centuries.

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.

The criteria for the artwork are that it should: be interesting or previously undocumented information; be by an artist working in or associated with the Winchester area, or show a person or event associated with Winchester.

Some of the works in the collection do not meet the criteria set, but have been kept for historic or civic reasons; however, relocation to an appropriate accredited museum will be considered.

Other works of interest include: a painting by John Opie, Lady Elizabeth Woodville Pleading for her Children before Edward IV, which is on loan to the University of Winchester; King Charles II by Peter Lely and Cromwell's Troops Entering Winchester by George Arnald, both of which are on display in the Guildhall; and Drawings of Wren's Design for the King's 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.

There are 22 civic regalia items on permanent display in the Guildhall and other 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 comprises 7,600 objects including coins ranging from pre-Roman to post medieval, 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. Coins, tokens and jettons from the collection are displayed at the City Museum and Westgate Museum. Those not on display are held in the museum 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. The collection is held at the museum 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 and the remainder includes pieces from the Mediterranean, Middle East, and the Americas. The collection is in store but elements, such as the Egyptian antiquities, are occasionally used in temporary exhibitions at City Space, the museum's temporary exhibition gallery at Winchester Discovery Centre.

Preservation and Management

With effect from the 1 November 2014 the operational management of the City Council's museums was transferred to the Hampshire Cultural Trust (the Trust), along with the museums, galleries and arts centre formerly run by Hampshire County Council. The intention is to boost the county's cultural offering and make Hampshire a world-class destination for art and culture. Further information about the Trust can be found on its website www.hampshireculturaltrust.org.uk. The City and County Council are the main funders of the Trust.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Clear standards for management, conservation, security and display of the museum collections are set out in a series of legal agreements between the Council and the Trust.

The artefacts and the museum buildings remain in the ownership of the Council, and the collections are loaned to the Trust (with the exception of several excluded items and the entire Civic Regalia collection). The Assistant Director (Economy & Communities) has day to day responsibility for liaison with the Trust and for the assets which remain managed in the Council's care.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE FOR YEAR ENDED 31 MARCH 2016

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).

	Note	2015/16	2014/15
		£000	£000
<u>Income</u>			
Dwelling Rents		(26,416)	(25,852)
Non-Dwelling Rents		(1,087)	(1,086)
Charges for Services and Facilities		(1,826)	(2,125)
Total Income		<u>(29,329)</u>	<u>(29,063)</u>
<u>Expenditure</u>			
Repairs and Maintenance		4,849	4,418
Supervision and Management		6,110	7,123
Rents, Rates, Taxes and Other Charges		432	377
Depreciation and Impairment of Non-Current Assets	H5	5,922	6,239
Revaluation Losses/(Gains) on Property, Plant and Equipment	H5	(23,611)	(20,588)
Amortisation of Intangible Assets	H5	25	25
Debt Management Costs		26	35
Total Expenditure		<u>(6,247)</u>	<u>(2,371)</u>
Net Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		(35,576)	(31,434)
HRA share of Corporate and Democratic Core		124	56
HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to Specific services		31	3
Net Income of HRA Services		(35,421)	(31,375)
Net Gain on Sale of HRA Non-Current Assets		(1,785)	(1,484)
Changes in Fair Valuations on Investment Properties		(278)	(354)
External Interest Payable		5,168	5,168
Capital Grants and Contributions		(1,399)	(74)
Surplus for year on HRA Services		(33,715)	(28,119)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE
FOR YEAR ENDED 31 MARCH 2016

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

	2015/16	2014/15
Note	£000	£000
Surplus for the year on the Housing Revenue Account	(33,715)	(28,119)
<u>Adjustments between Accounting Basis and Funding Basis under Statute:</u>		
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	(29)	(16)
Reversal of Items Relating to Retirement Benefits and Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	H1 (14)	(28)
Reversal of Revaluation(Losses)/Gains on Property, Plant and Equipment and Movements in the Market Value of Investment Properties	23,889	20,942
Net Gain on Sale of Non-Current Assets	1,785	1,484
Capital Expenditure Funded from the HRA	3,781	1,904
Reversal of Capital Grants and Contributions	1,399	74
Contribution from the Capital Receipts Reserve towards Administrative costs of Non-Current Asset Disposals	(24)	(31)
Charges for Depreciation and Impairment of Non-Current Assets	(5,922)	(6,239)
Amortisation of Intangible Assets	(25)	(25)
Transfer to Major Repairs Reserve	5,947	5,880
	<u>30,787</u>	<u>23,945</u>
Net increase in HRA Balance before transfers to or from Reserves	(2,928)	(4,174)
Transfer to Capital Adjustment Account for Debt Repayment	<u>0</u>	<u>3,630</u>
Increase in HRA Balance	(2,928)	(544)
Housing Revenue Account Surplus Brought Forward	<u>(4,187)</u>	<u>(3,643)</u>
Housing Revenue Account Surplus Carried Forward	<u>(7,115)</u>	<u>(4,187)</u>

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

H1. 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 Housing Revenue Account Balance, so its effect on the account is neutral.

H2. 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 exceeded or was less than the MRA, so that any charge on the HRA was 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.

	2015/16	2014/15
	£000	£000
HRA Depreciation and Amortisation	(5,947)	(5,880)
Net Charge to HRA	(5,947)	(5,880)
HRA Capital Financed	5,937	5,896
Movement in year	(10)	16
Balance brought forward at 1 Apr	(1)	(17)
Balance carried forward at 31 Mar	(11)	(1)

H3. Housing Stock

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

	31 Mar 16	31 Mar 15
Bungalows	863	862
Flats & Maisonettes	1,885	1,881
Houses	2,252	2,249
Shared ownership	11	13
	<u>5,011</u>	<u>5,005</u>

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

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

	31 Mar 16	31 Mar 15
	£000	£000
<u>Operational Assets</u>		
Dwellings	360,624	333,494
Other Land and Buildings	9,170	9,604
Vehicles Plant Furniture and Equipment	45	53
Infrastructure	3,196	2,671
Community Assets	14	14
Assets Under Construction	5,828	2,553
Intangibles	79	104
	<u>378,956</u>	<u>348,493</u>
<u>Non-Operational Assets</u>		
Investment Properties	2,744	2,974
	<u>2,744</u>	<u>2,974</u>
Total value	<u>381,700</u>	<u>351,467</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 2015/16 was 32% (2014/15 - 32%) with the exception of affordable housing for which a figure of 48% has been applied.

The valuation for existing use for social housing, which is the value held in the Statement of Accounts, was £361 million at 31 March 2016 (£333 million at 31 March 2015) and the vacant possession value was £1,121 million (£1,040 million at 31 March 2015).

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

H4. Capital Expenditure and Receipts

	2015/16 £000	2015/16 £000	2014/15 £000	2014/15 £000
Opening Capital Financing Requirement		156,722		160,353
<u>Capital Expenditure</u>				
Dwellings	6,184		7,429	
Infrastructure	221		178	
Assets Under Construction	7,788		1,306	
Intangibles	0		5	
Expenditure in year		14,193		8,918
<u>Financed by</u>				
Capital Receipts	(1,339)		(712)	
Major Repairs Reserve	(5,937)		(5,896)	
Contributions from Revenue	(3,781)		(1,904)	
Grants and Contributions	(2,505)		(406)	
		(13,562)		(8,918)
Unfinanced Capital Expenditure in Year		631		0
Voluntary Financing of Capital Investment		0		(3,631)
Closing Capital Financing Requirement		157,353		156,722
<u>Capital Receipts</u>				
<u>Operational Assets</u>				
Dwellings	(2,527)		(1,678)	
Other	(765)		(25)	
Mortgages	0		0	
Total		(3,292)		(1,703)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

H5. Depreciation and Impairment

	2015/16	2014/15
	£000	£000
<u>Depreciation</u>		
Dwellings	5,512	5,465
Other Land and Buildings	250	238
Vehicles, Plant, Furniture and Equipment	8	8
Infrastructure	152	144
Surplus Assets	0	0
Total Depreciation	<u>5,922</u>	<u>5,855</u>
 <u>Amortisation</u>		
Intangibles	25	25
Total Amortisation	<u>25</u>	<u>25</u>
 <u>Impairment</u>		
Surplus Assets	0	384
	<u>0</u>	<u>384</u>
 <u>Revaluation Below Historic Cost</u>		
Dwellings	(23,781)	(20,408)
Other Land and Buildings	170	(180)
Surplus	0	0
Total	<u>(23,611)</u>	<u>(20,588)</u>

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 then, the social housing factor has remained at 32%. The value of dwellings has increased in 2015/16, by £23.781m, reducing the overall reduction to the 2007/08 historic cost as set in April 2007. The 2015/16 upward valuation has reversed some of the charges made to the Comprehensive Income and Expenditure Statement. When the historic cost values are reached and downward valuations reversed from the Comprehensive Income and Expenditure Statement, a revaluation reserve will be created.

H6. Rent Arrears

	31 Mar 16	31 Mar 15	31 Mar 14
	£000	£000	£000
Rent Arrears	593	535	446
Provision for Bad Debts	(355)	(331)	(289)
Anticipated Collectable Arrears	<u>238</u>	<u>204</u>	<u>157</u>

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2016

The **Collection Fund** is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

	2015/16			2014/15		
	Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
Income						
Council Tax Receivable	0	(68,134)	(68,134)	0	(67,155)	(67,155)
Council Tax Benefits	0	0	0	0	0	0
Amounts collected in respect of previous	0	0	0	(177)	0	(177)
Business Rates Receivable	(56,552)	0	(56,552)	(55,115)	0	(55,115)
Business Rates Receivable	(56,552)	0	(56,552)	(55,292)	0	(55,292)
	(56,552)	(68,134)	(124,686)	(55,292)	(67,155)	(122,447)
Expenditure						
Precepts and Shares						
Central Government	28,352	0	28,352	26,188	0	26,188
Hampshire County Council	5,103	48,210	53,313	4,714	47,496	52,210
General Fund (WCC)	22,682	9,084	31,766	20,950	8,846	29,796
Fire and Rescue Authority	567	2,851	3,418	524	2,809	3,333
Police Authority	0	7,308	7,308	0	7,059	7,059
Distribution of Previous Year Surplus						
Central Government	2,033	0	2,033	971	0	971
Hampshire County Council	366	646	1,012	175	187	362
General Fund (WCC)	1,626	158	1,784	777	95	872
Fire and Rescue Authority	41	38	79	19	11	30
Police Authority	0	96	96	0	27	27
Charges to Collection Fund						
Interest due to ratepayers on refunds	0	0	0	12	0	12
Less Write-Off of Uncollectable Amounts	97	31	128	25	21	46
Allowance for Impairment	138	128	266	161	138	299
Provision for Appeals	1,516	0	1,516	1,961	0	1,961
Cost of Collection	198	0	198	198	0	198
Transitional Protection Payment	(344)	0	(344)	200	0	200
Renewable Energy cost	286	0	286	85	0	85
	62,661	68,550	131,211	56,960	66,689	123,649
(Surplus) / Deficit Arising During the Year	6,109	416	6,525	1,668	(466)	1,202
Opening Fund Balance at 1 April	(81)	(1,180)	(1,261)	(1,749)	(714)	(2,463)
Closing Fund Balance at 31 March	6,028	(764)	5,264	(81)	(1,180)	(1,261)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2015/16
COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2016

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 £1,452.15) is then multiplied by the proportion specified for the particular band to give an individual amount due. For 2015/16, Council Tax bills were based on the following dwellings and proportions:

Band	Estimated Number of Taxable Properties after Discounts and Exemptions	Ratio Equivalent	Number of Band D Equivalent Dwellings
Disabled A	1.75	5/9	0.97
A	1,691.97	6/9	1,127.98
B	5,367.82	7/9	4,174.97
C	10,258.04	8/9	9,118.26
D	4,649.37	1	4,649.37
E	7,810.37	11/9	9,546.00
F	6,058.77	13/9	8,751.56
G	4,911.01	15/9	8,185.01
H	598.86	18/9	1,197.73
Ministry of Defence			353.07
	41,347.96		47,104.92
Less adjustment for collection rates			(654.54)
			46,450.38

C2. Non-Domestic Rates (NDR)

For 2015/16, the standard Non Domestic Rate multiplier was 49.3p (48.2p in 2014/15) and the small business multiplier was 48.0p (47.1p in 2014/15). The total estimated non-domestic rateable value in the district as at 31 March 2016 was £134.6 million (£133.9 million as at 31 March 2015).

C3. Share of estimated Collection Fund (Surplus) / Deficit

	2015/16		
	Business Rates £000	Council Tax £000	Total £000
City Council Share - Collection Fund Adjustment Account	2,410	(104)	2,306
Preceptors' Share - Included within Creditors	3,618	(660)	2,958
Closing Fund balance as at 31 March 2016	6,028	(764)	5,264
	2014/15		
	Business Rates £000	Council Tax £000	Total £000
City Council Share - Collection Fund Adjustment Account	(32)	(158)	(190)
Preceptors' Share - Included within Creditors	(49)	(1,022)	(1,071)
Closing Fund balance as at 31 March 2015	(81)	(1,180)	(1,261)

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS ~~2014/15~~
INDEPENDENT AUDITOR'S REPORT**

**WINCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT**

Signed:

Simon Eden
Chief Executive
Winchester City Council
Dated: 30 June 2016

Signed:

Councillor S. Godfrey
Leader of the Council
Winchester City Council
Dated: 30 June 2016

WINCHESTER CITY COUNCIL
GLOSSARY OF TERMS

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).

**WINCHESTER CITY COUNCIL
GLOSSARY OF TERMS**

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 are 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.

Curtailed (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.

WINCHESTER CITY COUNCIL
GLOSSARY OF TERMS

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).

WINCHESTER CITY COUNCIL
GLOSSARY OF TERMS

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 (e.g. 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.

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

WINCHESTER CITY COUNCIL
GLOSSARY OF TERMS

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.

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

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.

WINCHESTER CITY COUNCIL
GLOSSARY OF TERMS

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 or 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 spent on a particular service). It is based on the Government's assessment of the Council's spending need, its 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.

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.

WINCHESTER CITY COUNCIL
GLOSSARY OF TERMS

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.

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.

	2015/16
	£000
Chargeable Costs	529
Chargeable Income	<u>(547)</u>
Net (surplus) or deficit	(17)
Building Control Earmarked Reserve (deficit brought forward)	135
Deficit carried over to 2016/17	<u>118</u>

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. 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 Head of Finance, being the responsible officer under Section 151 of the Local Government Act 1972(4).

Signature: Date: 28 June 2016

Simon Little FCCA CPFA
Head of Finance

2. Charges for Property Searches

The Local Authorities (England) (Charges for Property Searches) 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 these charges the following information is required to be published for every financial year:

	2015/16
	£000
Income from charges under regulation 8 (answering queries)	380

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

Signature: Date: 28 June 2016

Simon Little FCCA CPFA
Head of Finance