

REPORT TITLE: ANNUAL FINANCIAL REPORT 2016/17

28 SEPTEMBER 2017

REPORT OF PORTFOLIO HOLDER: Cllr Guy Ashton

Contact Officer: Liz Keys Tel No: 01962 848226 Email LKeys@winchester.gov.uk

WARD(S): ALL

PURPOSE

This report presents the audited Annual Financial Report 2016/17 which includes

- a narrative statement (for noting);
- the audited Statement of Accounts for the year ended 31 March 2017 (for approval); and
- the Annual Governance Statement (for reapproval following updates requested by Audit Committee at its meeting on 29th June 2017, AUD190).

Legislation requires the Statement of Accounts to be approved by Members by the 30th September 2017. Audit Committee has delegated powers to review and approve the annual Statement of Accounts. The Committee has specific responsibility to consider the appropriateness and application of accounting policies and whether there are any concerns arising from the financial statements audit.

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

It is important that Members have considered the key issues contained in the Accounts. Members have had the opportunity to raise any queries regarding the financial statements in the period since the pre-audit accounts were issued and are once again requested to raise any matters of detail with the Finance Manager (Financial Reporting) in advance of the meeting.

RECOMMENDATIONS:

1. That Audit Committee approves the Statement of Accounts 2016/17 as set out in appendix 1.

2. That the Chairman of this meeting signs the Statement of Responsibilities on page 10 of appendix 1 to certify the accounts and authorise their issue.
3. That Committee reapproves the Annual Governance Statement 2016/17 for publication in the Annual Financial Report (pages 68-75 of appendix 1).

IMPLICATIONS:

1 COUNCIL STRATEGY OUTCOME

- 1.1 The preparation of the Annual Financial Report is fundamental to the requirement for accountability for public finances. Ensuring that there is strong financial reporting and stewardship of public funds underpins the Council's ability to delivery the outcomes of the Council Strategy.

2 FINANCIAL IMPLICATIONS

- 2.1 None

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None

4 WORKFORCE IMPLICATIONS

- 4.1 None

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None

6 CONSULTATION AND COMMUNICATION

- 6.1 None

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None

8 EQUALITY IMPACT ASSESSMENT

- 8.1 None

9 RISK MANAGEMENT

- 9.1 None

10 SUPPORTING INFORMATION:

- 10.1 The financial statements have been subject to external audit by EY. In accordance with the statutory requirements, it is planned that the audited Statement of Accounts will be published together with the auditor's opinion, narrative statement and Annual Governance Statement by the 30th September.

- 10.2 EY have advised that, subject to completion of some areas of their work, an unqualified audit opinion on the financial statements will be issued.

10.3 Since the preparation of the pre-audit Statement of Accounts and its publication in June, a number of adjustments have been agreed with the auditors. In addition to some rounding adjustments and formatting corrections the following were amended:

i. Financial Instruments

Adjustment to the categorisation of some available for sale financial instruments (£4.17m of long term and £9.16m of short term investments) that were miscategorised as loans and receivables in note 12 (page 41). This has not resulted in any change to the total value of investments.

ii. Leases

Adjustment to increase the lease rentals receivable in note 26 (page 53) which had been understated by £135k.

iii. Central Government debtor and creditor balances

A balance of £302k owed to the Council by the Department for Work and Pensions in relation to benefit rent rebates was misstated as a creditor balance. This adjustment has resulted in an increase to both the short term debtors and short term creditors values of £302k (see the balance sheet on page 14 and notes 13 and 15 on pages 43 and 44 respectively).

In addition, the disclosure regarding events after the balance sheet date (note 5, page 31) has been update to reflect the purchase of the Bus Station for £4.23m on 25 April 2017 which, while significant, is a non-adjusting event.

10.4 Public Inspection

As required by the Accounts and Audit Regulations 2015, the 2016/17 Statement of Accounts has been made available for public inspection for 30 working days. This was achieved over two periods: from the 1st to 30th July and 8th to 21st September. During these same periods the auditor was available for electors to question them about the accounts. No questions or objections to the accounts have been received.

10.5 Approval of the Statement of Accounts

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

The Council's Statement of Accounts has been signed by the Corporate Director (Professional Services), in his capacity as Section 151 Officer, to certify that they give a true and fair view of the financial position of the Council as at 31 March 2017.

In addition, the Chairman of the Audit Committee is required to sign the Statement of Accounts to certify that they have been approved by a resolution of the Audit Committee and that they are authorised for issue.

10.6 Annual Governance Statement

The Committee considered at its last meeting on 29 June 2017, the Council's Annual Governance Statement (AGS) for 2016/17.

Members commented at the meeting that they would welcome within the AGS the inclusion of the linkage between Internal Audit Actions and the Annual Governance Statement, with the officer roles and responsibilities for actions being better defined, and also the inclusion of timelines and deadlines so that points of slippage of actions could be identified.

Based on Members comments, officers have updated the AGS which is included in the Annual Financial Report, pages 68-75 of appendix 1 to this report.

11 OTHER OPTIONS CONSIDERED AND REJECTED

11.1 N/A

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

None

Other Background Documents:-

None

APPENDICES:

Appendix 1 Annual Financial Report 2016/17

WINCHESTER CITY COUNCIL

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2017**

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1. Introduction

Winchester City Council is a District authority within the County of Hampshire. The District covers an area of 250 square miles and serves a population of 122,000 residents. 33 percent of residents live within the town area of Winchester, with a further 17 percent in the towns of Bishops Waltham and Alresford and the village of Denmead.

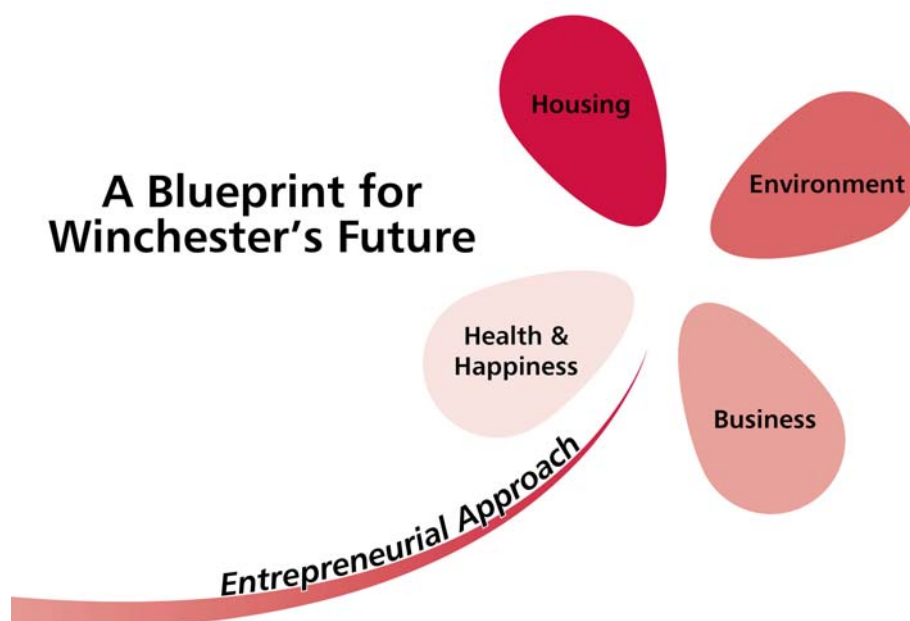
Winchester City Council manages a wide variety of services. We have responsibility for planning, housing, waste collection, Council Tax and business rates collection, leisure services, tourism, benefits administration and many more services. The Council also owns and manages over 5,000 properties across the district; operates the Guildhall in Winchester as an events venue; and provides tourism services (Winchester has seen a 29 percent rise in visitors in recent years, from 4.2m in 2011 to 5.4m in 2016).

2. New management team & leadership.

Winchester City Council has seen some major changes over the 2016/17 financial year. In January 2017, a new political and officer leadership team started with Cllr Caroline Horrill and Laura Taylor, the new Chief Executive. During the year, the Council also adopted a new Council Strategy that sets out the five core outcomes the Council wishes to achieve over the next three years. The Council had a peer review in February 2017 (details of the outcome are at www.winchester.gov.uk) and this includes nine key recommendations to progress and gives the leadership some key challenges to respond to.

3. Council Strategy

The Council strategy has identified five outcomes highlighted below.



Behind each outcome is a series of measures that support its delivery. The Council is operating in a very changeable environment at present, and this document will be updated to reflect where internal and external factors change.

There are a number of strategic risks that the Council faces. The political and economic uncertainties following the result of the recent general election will have an impact on the Council's policy and financial framework. Some of the volatility this has caused such as the pause in planning fee increases and the discretionary relief on business rates due to the 2017 revaluation exercise, will lead to risk in the implementation of these policies. There is also uncertainty over the future of devolution. During 2016/17 there were various reports from Hampshire Councils on potential options for combined authorities and re-organisation of local government, though as at the balance sheet date, there are no firm Government backed proposals across the county.

Financially, the continued funding reduction to local government impacts the Council significantly. During 2016/17 the cabinet approved the efficiency plan for the Council which provided stability in the Council's funding from government over a four year period to 2019/20.



The efficiency plan sets out the four key strands that seek to address the financial challenge. We will use outcomes based budgeting over a four year period to establish options for Members to consider late in the Autumn 2017. The financial situation is such that we cannot continue to deliver our services in exactly the same way as we do now. Through good financial management over recent years, the Council has established suitable reserves to help over the coming four years and enable a long term approach to finding additional income and cost base reductions to secure the Council's services into the next decade.

The Council also continues to have a clear ambition for the District. The capital programme (<http://www.winchester.gov.uk/data/financial/budget-book/>) is substantial and includes a wide range of major projects. There are a number of schemes that require delivery, from redeveloping sites in Winchester city through to a major Leisure Centre project, and a considerable housing programme across the entire District.

New in 2016/17 was the establishment of a £15 million strategic asset purchase scheme for investment; as well as an open market shared ownership scheme of £4.5m. Both of these present new risks to the Council, but also new opportunities. The Council used the strategic asset purchase scheme to buy the Winchester Bus Station in April 2017 as its first purchase through this route.

As highlighted above, utilising the Council's Balance Sheet is a core part of the future strategic intent of the Council. It is likely that the Council's investment property holdings will increase in the medium term through acquisitions and new schemes. This needs to be financed; at present the Council has not needed to externally borrow in the General Fund to finance capital schemes, though with the advent of the capital ambitions planned, it is likely that the Council will undertake external borrowing in the medium term. For the Housing Revenue Account (HRA), the Council is only £6.5 million away from reaching our maximum debt cap that is allowable by Government, but plans to continue to invest to build new homes. The Council Strategy includes an ambition for 300 new homes over the next three years - in 2016-17 there were 12 new homes financed and delivered through the HRA.

There are a variety of specific reserves held in the Council's Balance Sheet. These earmarked reserves cover items such as major investment support and organisational transformation, as well as car parking, ICT and asset management. These reserves are expected to reduce over the medium term, though this will depend upon the rate of delivery of projects and income fluctuations (from car parking, for example).

4. Our Services

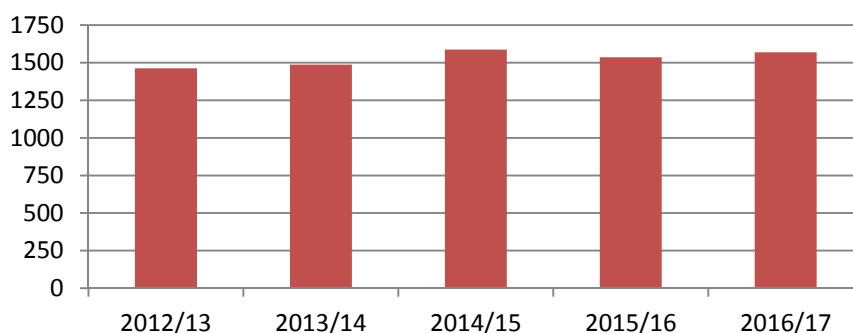
Service innovations / improvements during 2016/17 included:

- Continued roll out of corporate document management system across the whole Council supporting efficient and effective working practices
- Successful Market Towns Development Programme which has seen a number of events and initiatives taking place in the market towns and villages across the District
- Over 142 referrals to the Employment Mentoring Service since it began in February 2015, with 15 people finding full/part time employment and a further 16 starting training courses or volunteering.
- Introduction of a Strategic Acquisition Strategy to enable the Council to undertake asset investment through the acquisition of land or property to generate income

Some indicators of the Council's performance in delivering its services are:

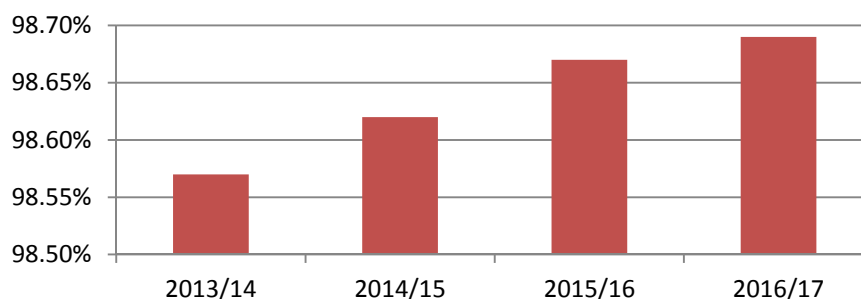
- Council home building programme launched with over 100 homes on site and a further 100 subject to planning.
- Another busy year for the Planning Team with over 1,500 applications received during 2016/17

Planning Applications Received



- 100% of Council homes achieving decent home standard
- Percentage of Council Tax collected by the authority during 2016/17 was 98.69%

Collection Rate - Council Tax



During 2016/17 the Council approved a new Partnership Home Purchase scheme to support local residents take their first step onto the property ladder.

5. How are we financing our services?

The medium term

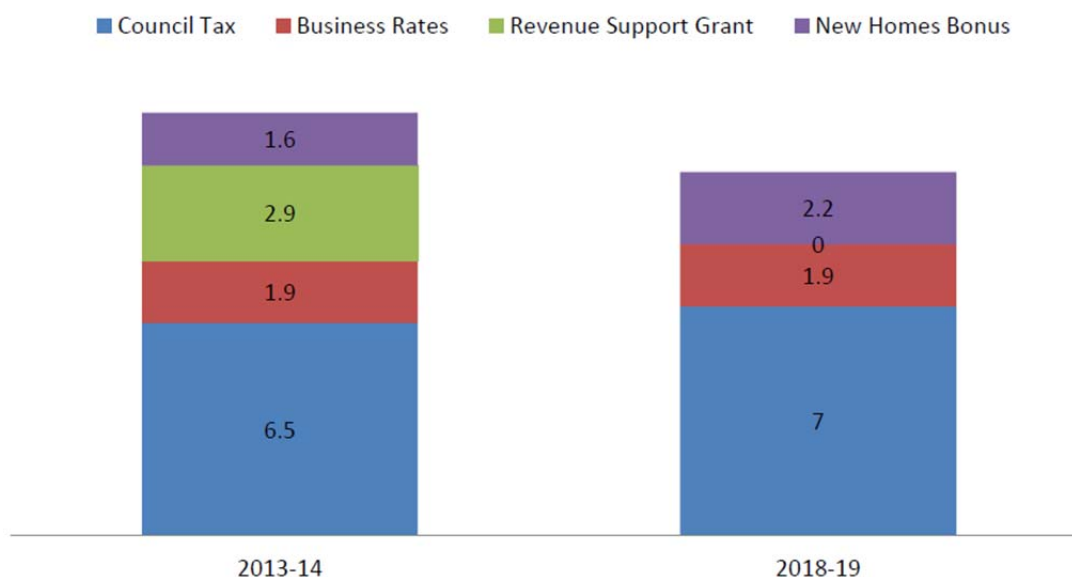
As highlighted, the Council has articulated its plans for the coming three years but there are a number of 'unknowns' that will influence how this is delivered. The year ahead is full of key initiatives. The workforce strategy is due over the summer 2017 as is a review of the Council's Constitution. There are some great opportunities for the Council with its emerging digital approach to consider new ways of delivering services. The Council's Vanguard process, of reviewing services to maximise their effectiveness and customer approach, will incorporate more services following the successful review of the Planning Service.

**WINCHESTER CITY COUNCIL ANNUAL FINANCIAL REPORT 2016/17
NARRATIVE STATEMENT**

Externally, the outcome of the General Election and the Government's 'Brexit' negotiation, will impact the Council. Any changes to the Country's public finances will impact funding coming to local government (for example, the planned implementation of full retention of business rates across the local government sector has now been put on hold). The impact of these are all unknown at present, but will present opportunities and challenges for the Council.

Utilising Outcomes Based Budgeting will be key for the Council in matching its aspirations, articulated through the Council Strategy, to the available financial resources. We know that our financial position is changing rapidly with our core income sources changing as illustrated below.

Changes in Council funding 2013-19



The long term

The challenge will be to not just rely upon fixed income resources, with general Government grant disappearing before the end of this decade, but to seek new ways of generating longer term revenue streams to support the Council's finances in the long term well into the next decade, acting in a more entrepreneurial and commercially-minded way. This will involve longer term financial planning, and the movement of the capital strategy to a longer timeframe has signalled the Council's intent to be focussed more on the future finances for taxpayers.

6. Financial position

The 2016/17 revenue resource requirement outturn of £17.2m is £0.95m lower than the final resources available of £18.2m. This was achieved through higher income received (such as car parking) and lower expenditure (such as managed payroll savings).

		Variance (to Original Estimate)	
			£000
Resources available for the provision of services			773
Baseline Net Expenditure			
Gross Income	870		
Gross Expenditure	501		
Baseline net expenditure		1,371	
Net Benefits Income	145		
Deficit on Guildhall Trading Account	(162)		
		(17)	
Forecast baseline resource requirements¹			1,354
One-off net expenditure & reversal of depreciation.			1,647
Community Infrastructure Levy			846
Collection Fund Adjustments			(388)
Net Surplus (before reserve transfers)			4,232
Financing & IAS19 Adjustments			(215)
Other Transfers to / (from) earmarked reserves			(2,785)
Transfers to / (from) Major Investment Reserve			(283)
Net Surplus (after reserve transfers)			949

**WINCHESTER CITY COUNCIL ANNUAL FINANCIAL REPORT 2016/17
NARRATIVE STATEMENT**

¹ The net baseline expenditure outturn (for service delivery and ongoing budgets) was £13.1m, against an original budget estimate of £14.5m. The £1.4m positive variance resulted from the following:

	Variance to original budget £000
Income	
Car Parking and Enforcement income (due to higher than anticipated car park usage)	450
Provision for doubtful debts reduction (for debts which had previously been written down as unlikely to be collected)	240
Other increase in income	325
Expenditure	
Managed Payroll Savings (employee savings made during the year)	180
Revenues Benefits (additional recovery of rent allowances)	150
Legal & Democratic Services (lower than budgeted Members' allowances and electoral registration)	140
Guildhall (additional expenditure on property maintenance / improvements and temporary staff; and higher than budgeted cost of services)	(160)
Other expenditure savings	29
Net total	1,354

General Fund capital expenditure in 2016/17 of £4.99m enabled the Council to deliver the strategic acquisition of the Garrison Ground (£2.3m), the demolition of Friarsgate multi-storey car park (£0.5m), and Strategic Acquisitions (£0.4m). These projects will help the Council to deliver the Council Strategy.

At the 31 March 2017 the Council had net assets of £351m. This consisted of:

Assets:	
Council dwellings	£391m
Investment properties	£46m
Cash & Investments	£47m
Other assets	£99m
Liabilities	
Long term borrowing	£157m
Potential future pension liability	£56m
Other short term liabilities	£15m
Grants possibly repayable	£4m

7. The Statement of Accounts

The Statement of Accounts, within this Annual Financial Report, contains all the financial statements and disclosure notes required by statute. They have been prepared in accordance with the 2016/17 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).

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.

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.

WINCHESTER CITY COUNCIL ANNUAL FINANCIAL REPORT 2016/17
NARRATIVE 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.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
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.

The Head of Finance held these responsibilities during the 2016/17 financial year but left the authority prior to the production of the accounts. The responsibilities of the Head of Finance under S151 of the Local Government Act 1972 have transferred to the Corporate Director (Professional Services).

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 2017 and its income and expenditure for the year then ended.

Signature: Date: 28 September 2017

Joseph Holmes
Corporate Director (Professional Services), Section 151 Officer

I certify that the Statement of Accounts for the year ended 31 March 2017 has been approved by a resolution of the Audit Committee at its meeting on the 28 September 2017, and is authorised for issue.

Signature: Date: 28 September 2017

Councillor Neil Cutler
Chair of the Audit Committee

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

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 RESTATE			2016/17			
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
9,875	(8,233)	1,642	Built Environment	11,844	(8,457)	3,387
4,584	(1,180)	3,404	Economy and Communities	4,427	(1,274)	3,153
21,523	(29,596)	(8,073)	Housing	20,493	(29,592)	(9,099)
(23,611)	0	(23,611)	Property Revaluation (HRA)	(27,611)	0	(27,611)
3,420	(74)	3,346	Neighbourhoods and Environment	3,472	(713)	2,759
835	(50)	785	Policy and Planning	1,007	(25)	982
32,307	(28,023)	4,284	Professional Services	33,459	(28,795)	4,664
174	(380)	(206)	Organisational and Service Development	245	(330)	(85)
5,852	(1,255)	4,597	Estates and Regeneration	518	(843)	(325)
955	(39)	916	Corporate Management	809	(68)	741
55,914	(68,830)	(12,916)	Cost Of Services	48,663	(70,097)	(21,434)
		27	(Surplus)/Deficit on Trading Accounts (Note 19)			557
			Other Operating Income and Expenditure			
		2,567	Parish Council Precepts			2,675
		110	Payments to the Government Housing Capital Receipts Pool			762
		(1,785)	(Gains)/Losses on the Disposal of Non Current Assets			(2,889)
			Financing and Investment Income and Expenditure			
		5,197	Interest Payable and Similar Charges (Note 12)			5,190
		1,660	Net Interest on the Net Defined Benefit Liability (Note 28)			1,670
		(580)	Interest Receivable and Similar Income (Note 12)			(551)
		(7,056)	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value (Note 10)			(3,707)
			Taxation and Non-Specific Grant Income			
		(3,724)	Non-Domestic Rates Income and Expenditure			(4,053)
		(4,893)	Non-Ringfenced Government Grants (Note 23)			(4,678)
		(3,468)	Capital Grants and Contributions (Note 23)			(4,957)
		(9,187)	Council Tax Income			(9,563)
		(34,048)	(Surplus) or Deficit on Provision of Services			(40,978)
			Other Comprehensive (Income) and Expenditure			
		(15,306)	(Surplus)/Deficit on Revaluation of Non Current Assets			(1,614)
		(142)	(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets			207
		(4,950)	Re-measurements on the Net Defined Benefit Liability (Note 28)			4,150
		(54,446)	Total Comprehensive (Income) and Expenditure			(38,235)

The comparative figures for 2015/16 above have been restated to reflect the Council's directorates; the structure used for strategic decision making and to internally monitor performance. Previously the net cost of services was reported in accordance with the standard Service Expenditure Analysis in the Service Reporting Code of Practice.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

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 2016 Brought Forward	(2,000)	(19,585)	(7,115)	(70)	(11)	(10,681)	(141)	(39,603)	(272,669)	(312,272)
Movement in Reserves during 2016/17										
(Surplus) or Deficit on Provision of Services	(2,992)	0	(37,986)	0	0	0	0	(40,978)	0	(40,978)
Other Comprehensive (Income) and Expenditure	0	0	0	0	0	0	0	0	2,743	2,743
Total Comprehensive (Income) and Expenditure	(2,992)	0	(37,986)	0	0	0	0	(40,978)	2,743	(38,235)
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 6)	1,635	0	36,103	0	(2)	(4,182)	(323)	33,231	(33,231)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(1,357)	0	(1,883)	0	(2)	(4,182)	(323)	(7,747)	(30,488)	(38,235)
Transfers to/(from) Earmarked Reserves (Note 7)	1,357	(1,357)	0	0	0	0	0	0	0	0
(Increase)/Decrease in Year	0	(1,357)	(1,883)	0	(2)	(4,182)	(323)	(7,747)	(30,488)	(38,235)
Balance at 31 March 2017 Carried Forward	(2,000)	(20,942)	(8,998)	(70)	(13)	(14,863)	(464)	(47,350)	(303,157)	(350,507)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	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	(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	0	0	0	0	0	0	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 & 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 2016/17
BALANCE SHEET AS AT 31 MARCH 2017

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.

31 Mar 16		Note	31 Mar 17
£000			£000
440,367	Property, Plant and Equipment	8	479,409
2,770	Heritage Assets	9	2,770
44,061	Investment Property	10	46,369
373	Intangible Assets	11	229
11,690	Long-Term Investments	12	11,540
431	Long-Term Debtors	12	324
499,692	Long-Term Assets		540,641
18,130	Short-Term Investments	12	32,751
30	Inventories		33
7,091	Short-Term Debtors	13	6,953
13,251	Cash and Cash Equivalents	14	2,635
38,502	Current Assets		42,372
(384)	Short-Term Borrowing	12	(391)
(10,346)	Short-Term Creditors	15	(13,115)
(2,608)	Provisions	16	(1,597)
(13,338)	Current Liabilities		(15,103)
(157,572)	Long-Term Borrowing	12	(157,237)
(50,460)	Pension Scheme Liability	28	(56,410)
(4,552)	Grants and Contributions in Advance	23	(3,756)
(212,584)	Long-Term Liabilities		(217,403)
312,272	Net Assets		350,507
39,603	Usable Reserves	17	47,350
272,669	Unusable Reserves	18	303,157
312,272	Total Reserves		350,507

These financial statements replace the unaudited financial statements certified by Joseph Holmes on 28 June 2017.

Signature:

Date: 28 September 2017

Joseph Holmes
Corporate Director (Professional Services), Section 151 Officer

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

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		2016/17	
£000	£000	£000	£000
Cash Flows from Operating Activities			
(34,048)	Surplus on the Provision of Services		(40,977)
	Adjustments for Non-Cash Movements		
(8,523)	Depreciation of Property, Plant and Equipment	(8,311)	
23,848	Revaluation gains on property, plant and equipment and investment property	27,839	
(184)	Amortisation of Intangible Assets	(151)	
(1,940)	Pension Fund Adjustments	(1,800)	
(455)	(Increase)/Decrease in Impairment for Bad Debts	460	
(606)	Contributions (to)/from Provisions	1,011	
(3,769)	Carrying Amount of Property, Plant and Equipment sold or derecognised	(3,120)	
	Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services		-
(71)			
	Accruals adjustments:		
7	Increase in Inventories	3	
955	Decrease/(Increase) in Short-term and Long-term Debtors	(663)	
3,299	Increase/(Decrease) in Short-term Creditors	(2,769)	
-	Decrease in Grants and Contributions	796	13,295
			(27,682)
	<u>Adjust for Items that are Investing and Financing Activities</u>		
7,977	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	6,009	
			6,009
	(13,510) Net Cash Flows from Operating Activities		(21,673)
Cash Flows from Investing Activities			
15,187	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	23,335	
67,265	Purchase of Short Term and Long Term Investments	41,831	
(7,977)	Proceeds from the Sale of Property, Plant, Equipment, Investment Property and Intangible Assets	(6,009)	
(59,564)	Proceeds from the Sale of Short Term and Long Term Investments	(27,196)	
	14,911 Net Cash Flows from Investing Activities		31,961
Cash Flows from Financing Activities			
(6)	Other Receipts from Financing Activities		-
320	Cash Payments for the Reduction of the Outstanding Liabilities Relating to Finance Leases	328	
	314 Net Cash Flows from Financing Activities		328
	1,715 Net Decrease In Cash and Cash Equivalents		10,616
	(14,966) Cash and cash equivalents at the beginning of the year		(13,251)
	(13,251) Cash and cash equivalents at the end of the year		(2,635)

1. Accounting Policies

1.1 General Principles

The Financial Statements summarise the Council's transactions for the 2016/17 financial year and its position at 31 March 2017. The Accounts and Audit Regulations 2015 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 2016/17 and the Service Reporting Code of Practice 2016/17, 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 2.6% for both funded and unfunded liabilities. The discount rate is based on the indicative rate of return on high quality corporate bonds – for 2016/17 this used the Aon Hewitt GBP Select 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 1.19).

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 1.19).

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 1.19 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.

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 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. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how the Council has used the funding available to it (Government grants, rents, Council Tax, business rates, etc.) to deliver our services, compared with those resources consumed or earned by the Council in accordance with International Accounting Standards (IAS). It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under IAS is presented more fully in the Comprehensive Income and Expenditure Statement.

The analysis shows adjustments for the differences between the costs under statutory provisions that are charged to the General Fund and HRA and those charged under proper accounting practice to the Comprehensive Income and Expenditure Statement. They are divided between the following categories:-

- **Capital Accounting Adjustments:**
For services this represents depreciation, amortisation and revaluation losses on assets used in the provision of services; and an adjustment for revenue expenditure funded from capital under statute (typically grants to third parties for capital works). In other income and expenditure this represents revaluation gains and losses on investment property; gains or losses on the disposal of assets; the payments made to the pool on housing asset disposals; statutory provision for the repayment of debt and voluntary provision for the repayment of debt; capital expenditure funded from the General Fund & HRA; and an adjustment for the Major Repairs Allowance credited to the HRA.
- **Pension Adjustments:**
For services this represents the removal of employer pension contributions and replacing them with current service cost and past service cost as required by International Accounting Standard 19, *Employee Benefits* (IAS19). For Pension Interest Costs this represents the interest payable on the pension liability in accordance with IAS19.
- **Other Statutory Adjustments:**
This represents the separation of Council Tax between amounts collected on behalf of Parishes from the Council's own requirement. It also includes the timing differences between the way that Council Tax and Business Rates are accounted for under statute and proper accounting practice under IFRS.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2016/17	Net charge to the General Fund & HRA under statutory funding provisions £000	Adjustments for Capital Purposes £000	Net change for Pensions Adjustments £000	Other Net costs in the Adjustments Comprehensive Income and Expenditure Statement £000	£000
Built Environment	755	2,457	175	0	3,387
Economy and Communities	2,953	66	134	0	3,153
Housing	(16,487)	(20,295)	72	0	(36,710)
Neighbourhoods and Environment	2,331	383	45	0	2,759
Policy and Planning	916	3	63	0	982
Professional Services	4,914	285	(535)	0	4,664
Organisational and Service Development	(159)	0	74	0	(85)
Estates and Regeneration	(325)	(39)	39	0	(325)
Corporate Management	704	0	37	0	741
Cost of Services	(4,398)	(17,140)	104	0	(21,434)
Other income & expenditure	(17,505)	(3,735)	1,696	0	(19,544)
Other General Fund & HRA items	18,661	(15,920)	0	(2,742)	0
(Surplus)/deficit on the General Fund & HRA	(3,242)	(36,795)	1,800	(2,742)	(40,978)
Opening General Fund and HRA balance at 1 April 16	(28,781)				
Surplus on General Fund and HRA	(3,242)				
Closing General Fund and HRA balance at 31 March 17	(32,023)				
2015/16	Net charge to the General Fund & HRA under statutory funding provisions £000	Adjustments for Capital Purposes £000	Net change for Pensions Adjustments £000	Other Net costs in the Adjustments Comprehensive Income and Expenditure Statement £000	£000
Built Environment	525	930	187	0	1,642
Economy and Communities	2,963	300	141	0	3,404
Housing	(15,460)	(16,326)	102	0	(31,684)
Neighbourhoods and Environment	2,953	383	10	0	3,346
Policy and Planning	643	100	42	0	785
Professional Services	4,404	331	(451)	0	4,284
Organisational and Service Development	(286)	0	80	0	(206)
Estates and Regeneration	(511)	5,073	35	0	4,597
Corporate Management	808	0	108	0	916
Cost of Services	(3,961)	(9,209)	254	0	(12,916)
Other income & expenditure	(16,023)	(6,795)	1,686	0	(21,132)
Other General Fund & HRA items	13,972	(16,278)	0	2,306	0
(Surplus)/deficit on the General Fund & HRA	(6,012)	(32,282)	1,940	2,306	(34,048)
Opening General Fund and HRA balance at 1 April 15	(22,769)				
Surplus on General Fund and HRA	(6,012)				
Closing General Fund and HRA balance at 31 March 16	(28,781)				

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

The following table shows the nature of the income and expenditure on Council services that are reported in the Comprehensive Income and Expenditure Statement:

2015/16		2016/17
£000		£000
17,185	Employees	17,903
8,374	Premises	8,334
758	Transport	840
7,453	Supplies & services	6,384
6,172	Third party payments	6,466
26,836	Transfer payments	27,758
(9,207)	Capital Charges	(17,140)
(1,607)	Support Services	(1,832)
(68,830)	External income	(70,097)
(50)	Internal Charges	(50)
(12,916)	Cost Of Services	(21,434)

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

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

The 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:

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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 28 to the accounts.
Arrears/Debt Impairment	At 31 March 2017, the Council had a balance of sundry debtors of £3,416,438. A review of debtors, profiled by the age of the debt, suggested that an impairment of doubtful debts of 23% (£779,795) 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 £170,822 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 2016/17 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 £3.809m amounted to £1.524 million. A further 1 percentage 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 £0.304m.

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 Corporate Director (Professional Services) 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 2017, the figures in the financial statements and notes have, in all material respects, been adjusted to reflect the impact of this information.

On the 25 April 2017 the Council completed the purchase of Winchester Bus Station at a cost of £4.23m (including £229,500 of Stamp Duty Land Tax).

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.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2016/17	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 & Impairment of Non-Current Assets	(2,269)	(6,042)	0	0	0	8,311
Revaluation Losses on Property, Plant and Equipment	(1,524)	27,611	0	0	0	(26,087)
Movements in the Market Value of Investment Properties	1,745	7	0	0	0	(1,752)
Amortisation of Intangible Assets	(126)	(25)	0	0	0	151
Capital Grants and Contributions	2,717	569	0	0	0	(3,286)
Revenue Expenditure Funded from Capital Under Statute	(630)	0	0	0	0	630
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)	(3,114)	0	0	0	3,120
Insertion of Items not Debited or Credited to the Comprehensive Income and Expenditure Statement:						
Statutory Provision for the Financing of Capital Investment	429	0	0	0	0	(429)
Voluntary Provision for the Financing of Capital Investment	0	631	0	0	0	(631)
Capital Expenditure Charged Against the General Fund and Housing Revenue Account Balances	586	4,463	0	0	0	(5,049)
Adjustments Primarily Involving the Capital Grants Unapplied Account:						
Capital Grants and Contributions Unapplied Credited to the Comprehensive Income and Expenditure Statement	323	0	0	0	(323)	0
Adjustments Primarily Involving the Capital Receipts Reserve:						
Transfer of Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	0	6,009	(6,009)	0	0	0
Use of the Capital Receipts Reserve to Finance New Capital Expenditure	0	0	1,076	0	0	(1,076)
Contribution from the Capital Receipts Reserve towards Administrative Costs of Non-Current Asset Disposals	0	(48)	48	0	0	0
Contribution from the Capital Receipts Reserve to Finance the Payments to the Government Capital Receipts Pool.	(762)	0	762	0	0	0
Transfer from Deferred Capital Receipts Reserve upon Receipt of Cash	0	0	(59)	0	0	59
Adjustment Involving the Major Repairs Reserve						
Depreciation Funding	0	6,067	0	(6,067)	0	0
Use of the Major Repairs Reserve to Finance New Capital Expenditure	0	0	0	6,065	0	(6,065)
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	221	(36)	0	0	0	(185)
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 28)	(4,092)	(528)	0	0	0	4,620
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year (see Note 28)	2,281	539	0	0	0	(2,820)
Adjustments Primarily Involving the Collection Fund Adjustment Account:						
Amount by which Council Tax and Non-Domestic Rates (NDR) Income Credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax and NDR Income Calculated for the Year in Accordance with Statutory Requirements	2,742	0	0	0	0	(2,742)
Total Adjustments	1,635	36,103	(4,182)	(2)	(323)	(33,231)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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 & 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)
Movement in the Donated Assets Account	0	0	0	0	0	0
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						
Reversal of Major Repairs Allowance Credited to the HRA	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
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 28)	(4,194)	(496)	0	0	0	4,690
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year (see Note 28)	2,268	482	0	0	0	(2,750)
Adjustments Primarily Involving the Collection Fund Adjustment Account:						
Amount by which Council Tax and Non-Domestic Rates (NDR) Income Credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax and NDR Income Calculated for the Year in Accordance with Statutory Requirements	(2,306)	0	0	0	0	2,306
Total Adjustments	(2,740)	30,785	(6,412)	(10)	599	(22,222)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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 2016/17.

	Balance at 1 Apr 2015 £000	Net Transfers 2015/16 £000	Balance at 31 Mar 2016 £000	Transfers Out 2016/17 £000	Transfers in 2016/17 £000	Balance at 31 Mar 2017 £000
<u>General Fund</u>						
Major Investment Reserve	(9,057)	1,191	(7,866)	286	0	(7,579)
Business Rate Retention	(1,000)	(1,217)	(2,217)	975	0	(1,242)
Car Parks Property	(1,178)	(348)	(1,526)	142	(585)	(1,969)
Community Grants	(11)	(162)	(173)	0	0	(173)
CIL - General Fund	0	(532)	(532)	0	(1,190)	(1,722)
Council Strategy Support	0	0	0	0	(649)	(649)
Developer Contributions	(6)	0	(6)	6	0	0
Flood Support Schemes	(105)	15	(90)	5	0	(85)
Homelessness Gold Standard	(1,006)	1,006	0	0	0	0
Homelessness Prevention	(484)	(45)	(529)	39	0	(490)
Income Equalisation	(244)	244	0	0	0	0
Information, Management & Technology	(215)	(109)	(324)	70	(240)	(494)
Insurance	(40)	0	(40)	0	0	(40)
Landscape Mitigation	0	0	0	0	(100)	(100)
Local Development Framework	(173)	27	(146)	0	(308)	(454)
Local Elections Earmarked Reserve	(30)	0	(30)	30	0	0
Municipal Mutual Insurance	(157)	0	(157)	18	0	(139)
Museums Acquisitions	(8)	0	(8)	0	0	(8)
Museums Publications	(38)	0	(38)	0	0	(38)
New Burdens	0	0	0	0	(217)	(217)
Organisational Development	(432)	(1,160)	(1,592)	255	0	(1,337)
Planning Deposits (Interest)	(91)	(2)	(93)	70	(8)	(31)
Property Reserve	(1,938)	(1,771)	(3,709)	327	(157)	(3,539)
	(16,213)	(2,863)	(19,076)	2,223	(3,454)	(20,306)
Winchester Town Reserve	(298)	(126)	(424)	0	(44)	(468)
CIL Winchester Town	0	(86)	(86)	0	(82)	(168)
Total General Fund	(16,511)	(3,075)	(19,585)	2,223	(3,580)	(20,942)
<u>Housing Revenue Account</u>						
Insurance	(70)	0	(70)	0	0	(70)
Total Earmarked Reserves	(16,581)	(3,075)	(19,655)	2,223	(3,580)	(21,012)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

8. Property, Plant and Equipment (PPE)

Movements in 2016/17	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
<u>Cost or Valuation</u>	£000	£000	£000	£000	£000	£000	£000
At 1 April 2016	360,624	65,291	12,849	6,569	1,066	5,836	452,235
Additions	9,684	3,601	152	66	6	9,263	22,772
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	0	1,206	0	0	0	0	1,206
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	21,900	(1,449)	0	0	0	0	20,451
Derecognition - Disposals	(2,937)	(163)	(283)	0	0	(20)	(3,403)
Other Movements in Cost or Valuation	1,790	(50)	0	150	0	(1,890)	0
At 31 March 2017	391,061	68,436	12,718	6,785	1,072	13,189	493,261
<u>Accumulated Depreciation and Impairment</u>							
At 1 April 2016	0	0	(9,495)	(2,210)	(163)	0	(11,868)
Depreciation Charge	(5,636)	(1,581)	(838)	(254)	(2)	0	(8,311)
Accumulated Depreciation Written-Out to the Gross Carrying Amount on Depreciation Written-Out to the Revaluation Reserve	0	408	0	0	0	0	408
Depreciation Written Out to the Surplus/Deficit on the Provision of Services	5,636	0	0	0	0	0	5,636
Derecognition - Disposals	0	4	279	0	0	0	283
At 31 March 2017	0	(1,169)	(10,054)	(2,464)	(165)	0	(13,852)
<u>Net Book Value</u>							
At 31 March 2017	391,061	67,267	2,664	4,321	907	13,189	479,409
At 31 March 2016	360,624	65,291	3,354	4,359	903	5,836	440,367

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
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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 2017, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years. The total commitments at 31 March 2017 were £19,520,000 (similar commitments at 31 March 2016 were £17,982,000) made up as follows:-

	£000
Housing New Build (Chesil Lodge)	8,278
Winchester Bus Station	3,830
Housing New Build (Victoria House)	2,477
Housing New Build (Hillers Way)	1,093
Housing New Build (Mitford Road)	1,077
Major Repairs (HRA)	1,045
Improvements and Conversions (HRA)	791
Housing New Build (Bailey Close)	702
Friarsgate Car Park	94
Other - Vehicles Plant Furniture and Equipment	68
Other - Land and Buildings	38
Housing New Build (Other)	27
	19,520

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 2016/17, Wilks Head and Eve carried out a re-valuation of all of the Council's investment properties and three PPE assets with a valuation date of 31 December 2016 with the exception of the Garrison Ground and the Kayac Building both of which were acquired during the year and valued as at 31 March 2017. They undertook a Market Review in April 2017 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 on 31 December 2016, by Sue Grant BSc(Hons) MRICS, Senior Estates Surveyor and Amanda Dennis BSc(Hons) MRICS, Senior Valuer who undertook a market review in April confirming that there was no change to the valuation as at 31 March 2017. The valuations were reviewed by Kevin Warren BSc MRICS Assistant Director (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 November 2016) to arrive at the Market Value of the social housing stock, with an adjustment factor of 33% 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.

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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.

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).

	2016/17	2015/16	2014/15	2013/14	2012/13	Historical Cost	Total
	£000	£000	£000	£000	£000	£000	£000
Council Dwellings	391,061	0	0	0	0	0	391,061
Land & Buildings	23,053	43,814	0	0	0	400	67,267
Plant / Vehicles / Equipment	0	0	0	0	0	2,664	2,664
Infrastructure	0	0	0	0	0	4,321	4,321
Community	0	0	0	0	0	907	907
Assets Under Construction	0	0	0	0	0	13,189	13,189
Total	414,114	43,814	0	0	0	21,481	479,409

9. Heritage Assets

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

	<i>Archaeological collection</i>	<i>Art collection</i>	<i>Civic Regalia</i>	<i>Total</i>
	£000	£000	£000	£000
Cost or Valuation				
As at 1 April 2015	420	850	1,500	2,770
As at 31 March 2016	420	850	1,500	2,770
As at 31 March 2017	420	850	1,500	2,770

Art Collection (Topographical Art and Portraits)

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

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.

Archaeology

The Archaeology 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.

Museum Collection Additions

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

- a medieval seal;

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

- a medieval gold ring; and
- several local history objects.

Disposals

There have been no disposals during this period.

10. Investment Properties

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

2015/16		2016/17
£000		£000
	<u>Income and Expenditure in Relation to Investment Properties</u>	
(2,858)	Rental Income from Investment Property	(2,551)
706	Direct Operating Expenses of Investment Property	596
(95)	(Gain)/Loss on Disposal of Investment Property	0
<u>(4,809)</u>	Net (Gain)/Loss on Revaluation of Investment Property	<u>(1,752)</u>
<u>(7,056)</u>	Net (Income)/Expenditure on Investment Properties	<u>(3,707)</u>

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 2016/17. The Council has no contractual obligations to repairs, maintenance or enhancement of investment property.

2015/16		2016/17
£000		£000
44,536	Balance at start of the year	44,061
	Additions:	
0	- Acquisitions	430
46	- Enhancements	126
(2,105)	Disposals	0
4,809	Net gains/losses from fair value adjustments	1,752
	Transfers:	
(3,225)	- to/from Property, Plant and Equipment	0
<u>44,061</u>	Balance at end of the year	<u>46,369</u>

Investment Properties Fair Value Measurements

	Retail	Offices	Industrial	Residential / Garages	Other	Total
	£000	£000	£000	£000	£000	£000
Level 2 Fair Value Measurements	30,537	8,709	4,056	1,775	1,292	46,369
Total	<u>30,537</u>	<u>8,709</u>	<u>4,056</u>	<u>1,775</u>	<u>1,292</u>	<u>46,369</u>

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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.

Capital Commitments for Investment Property Assets

As at 31 March 2017, the Council had entered into contracts for the construction or enhancement of Investment Properties in 2017/18 and future years. The total commitment at 31 March 2017 was £0.01 million (similar commitments at 31 March 2016 were £nil) and is made up as follows:

	31 Mar 17
	£000
Casson Block enhancements	10
	<u>10</u>

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 2016/17 totalled £151,000, 83% (£125,000) 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 17% (£26,000) was charged direct to the relevant service.

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

2015/16		2016/17
£000		£000
3,459	Gross Carrying Amounts	3,512
(2,955)	Accumulated Amortisation	(3,139)
<u>504</u>	Net Carrying Amount at Start of Year	<u>373</u>
	Additions:	
53	Purchases	7
0	Disposals - Gross Carrying Amount	(905)
0	Disposals - Accumulated Amortisation	905
(184)	Amortisation for the Period	(151)
<u>373</u>	Net Carrying Amount at End of Year	<u>229</u>
	<u>Comprising:</u>	
3,512	Gross Carrying Amounts	2,614
(3,139)	Accumulated Amortisation	(2,385)
<u>373</u>		<u>229</u>

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Capital Commitments for Intangible Assets

As at 31 March 2017, the Council had not entered into contracts for the acquisition or enhancement of Intangible Assets in 2017/18 and future years. The total commitment at 31 March 2017 was therefore £nil (similar commitments at 31 March 2016 were also £nil).

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> 31 Mar 16 £000	<u>Current</u> 31 Mar 16 £000		<u>Long Term</u> 31 Mar 17 £000	<u>Current</u> 31 Mar 17 £000
		<u>Investments</u>		
3,115	18,130	Loans and Receivables	0	23,595
8,512	0	Available-for-Sale Financial Assets	11,477	9,156
63	0	Unquoted Equity Instruments at cost	63	0
11,690	18,130	Total Investments	11,540	32,751
		<u>Cash and Cash Equivalents</u>		
0	13,251	Cash and Cash Equivalents	0	2,635
0	13,251	Total Cash and Cash Equivalents	0	2,635
		<u>Debtors</u>		
431	0	Loans and Receivables	324	0
0	6,033	Financial Assets Carried at Contract Amounts	0	5,022
431	6,033	Total Debtors	324	5,022
		<u>Borrowings</u>		
(156,722)	(57)	Financial Liabilities at Amortised Cost	(156,722)	(57)
		<u>Other Liabilities</u>		
(850)	(327)	Finance Lease Liabilities	(515)	(334)
(157,572)	(384)	Total Borrowing	(157,237)	(391)
		<u>Creditors</u>		
0	4,301	Financial Liabilities Carried at Contract Amount	0	(5,635)
0	4,301	Total Creditors	0	(5,635)

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

<u>Long Term</u> 31/03/16 £'000	<u>Short Term</u> 31/03/16 £'000		<u>Long Term</u> 31/03/17 £'000	<u>Short Term</u> 31/03/17 £'000
156,722	0	Loans at amortised cost:	156,722	0
	57	- Principal sum borrowed		57
	57	- Accrued interest		57
156,722	57	Total Borrowing	156,722	57

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

2016/17	Financial Liabilities at Amortised Cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale Assets £000	Total £000
Interest Expense	5,190	0	0	5,190
Interest Income	0	(395)	(156)	(551)
Net (Gain)/Loss for the Year	5,190	(395)	(156)	4,639

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

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 2017, 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 2017, 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.

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

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Balance Sheet	Fair value		Fair Value Level	Balance Sheet	Fair value
31 Mar 2016	31 Mar 2016			31 Mar 2017	31 Mar 2017
£'000	£'000			£'000	£'000
Financial liabilities held at amortised cost:					
(156,779)	(172,001)	Long-term loans from PWLB	2	(156,779)	(193,743)
<u>(156,779)</u>	<u>(172,001)</u>	Total		<u>(156,779)</u>	<u>(193,743)</u>
Recorded on balance sheet as:					
(156,722)		Long-term borrowing		(156,722)	
(57)		Short-term borrowing		(57)	
<u>(156,779)</u>		Total		<u>(156,779)</u>	

Balance Sheet	Fair Value		Fair Value Level	Balance Sheet	Fair Value
31/03/16	31/03/16			31/03/17	31/03/17
£'000	£'000			£'000	£'000
Financial assets held at fair value:					
2,509	2,509	Bond, equity and property funds	1	7,289	7,289
3,005	3,005	Certificates of deposit	2	0	0
11,051	11,051	Short-term investments with local authorities	2	18,044	18,044
11,192	11,192	Corporate, covered and government bonds	2	18,896	18,896
63	63	Unquoted Equity investment at Cost	2	63	63
Financial assets held at amortised cost:					
2,000	2,018	Long-term investments with local authorities	2	0	0
<u>29,820</u>	<u>29,838</u>	Total		<u>44,291</u>	<u>44,291</u>
Recorded on balance sheet as:					
11,690		Long-term investments		11,540	
18,130		Short-term investments		32,751	
<u>29,820</u>		Total		<u>44,291</u>	

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.

13. Short-Term Debtors

31 Mar 16		31 Mar 17
£000		£000
13	Central Government Bodies	809
1,598	Other Local Authorities	1,581
4,119	Other Entities and Individuals	3,560
94	NHS Bodies	96
16	Public Corporations and Trading Funds	0
197	Council Tax	186
237	Housing Rents	242
817	Prepayments	479
<u>7,091</u>	Total	<u>6,953</u>

14. Cash and Cash Equivalents

31 Mar 16		31 Mar 17
£000		£000
13,224	Bank Accounts and Deposits	2,593
27	Cash Held by the Authority	42
<u>13,251</u>	Total Cash and Cash Equivalents	<u>2,635</u>

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

15. Short-Term Creditor

31 Mar 16		31 Mar 17
£000		£000
(1,495)	Central Government Bodies	(4,280)
(3,581)	Other Local Authorities	(1,802)
(964)	Other	(1,054)
(329)	Public Corporations and Trading Funds	(16)
(3,071)	Trade Creditors	(4,727)
(906)	Amounts Received in Advance	(1,236)
(10,346)	Total	(13,115)

16. Provisions

The 2016/17 provision consists of an amount for insurance (representing the excesses payable in respect of liabilities existing at the Balance Sheet date); and a provision for the Council's share of appeals that have been lodged against NNDR valuations. These liabilities were probable at the Balance Sheet date but the timing and amount was uncertain.

	Insurance	NNDR	Total
	£000	£000	£000
Balance at 1 April 2015	(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 1 April 2016	(74)	(2,534)	(2,608)
Additional Provisions made in 2016/17	0	(4,128)	(4,128)
Amounts Used in 2016/17	0	5,139	5,139
Balance at 31 March 2017	(74)	(1,523)	(1,597)

17. Usable Reserves

Movements in usable reserves are detailed in the Movement in Reserves Statement (page 12).

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.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
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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 17
£000		£000
(34,742)	Revaluation Reserve	(35,489)
(509)	Available for Sale Financial Instruments Reserve	(302)
(290,098)	Capital Adjustment Account	(323,128)
185	Financial Instruments Adjustment Account	0
50,460	Pensions Reserve	56,410
(186)	Deferred Capital Receipts Reserve	(127)
2,221	Collection Fund Adjustment Account	(521)
<u>(272,669)</u>	Total Unusable Reserves	<u>(303,157)</u>

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		2016/17
£000		£000
(22,346)	Balance at 1 April	(34,742)
(18,759)	Upward Revaluation of Assets	(1,614)
3,453	Downward Revaluation of Assets and Impairment Losses not Charged to the Surplus/Deficit on the Provision of Services	0
<u>(15,306)</u>	Surplus or Deficit on Revaluation of Non-Current Assets not Posted to the Surplus or Deficit on the Provision of Services	<u>(1,614)</u>
723	Difference between Fair Value Depreciation and Historical Cost Depreciation	751
2,187	Accumulated Gains on Assets Sold or Scrapped	116
<u>2,910</u>	Amount Written Off to the Capital Adjustment Account	<u>867</u>
<u>(34,742)</u>	Balance at 31 March	<u>(35,489)</u>

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:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

2015/16		2016/17
£000		£000
(367)	Balance at 1 April	(509)
(142)	(Upward)/Downward Revaluation of Investments	192
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	15
<u>(509)</u>	Balance at 31 March	<u>(302)</u>

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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.

2015/16		2016/17
£000		£000
(260,624)	Balance at 1 April	(290,099)
	<u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:</u>	
8,523	Charges for Depreciation and Impairment of Non-Current Assets	8,311
(19,039)	Revaluation Gains on Property, Plant and Equipment	(26,087)
183	Amortisation of Intangible Assets	151
906	Revenue Expenditure Funded from Capital Under Statute	630
6,097	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	3,120
<u>(3,330)</u>		<u>(13,875)</u>
<u>(2,910)</u>	Adjusting Amounts Written-Out of the Revaluation Reserve	<u>(867)</u>
<u>(6,240)</u>	Net Written Out Amount of the Cost of Non-Current Assets Consumed in the Year	<u>(14,742)</u>
	<u>Capital Financing Applied in the Year:</u>	
(1,527)	Use of the Capital Receipts Reserve to Finance New Capital Expenditure	(1,076)
(5,937)	Use of the Major Repairs Reserve to Finance New Capital Expenditure	(6,065)
(605)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	0
(2,798)	Capital Grants and Contributions Credited to the Comprehensive Income and Expenditure Statement that have been Applied to Capital Financing	(3,286)
(588)	Statutory Provision for the Financing of Capital Investment	(429)
0	Voluntary Provision for the Financing of Capital Investment	(631)
<u>(6,971)</u>	Capital Expenditure Charged Against the General Fund and HRA Balances	<u>(5,049)</u>
<u>(18,426)</u>		<u>(16,536)</u>
<u>(4,809)</u>	Movements in the Market Value of Investment Properties Debited or Credited to the Comprehensive Income and Expenditure Statement	<u>(1,752)</u>
<u>(290,099)</u>	Balance at 31 March	<u>(323,128)</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.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
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2015/16		2016/17
£000		£000
185	Balance at 1 April	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	(185)
0		
185	Balance at 31 March	0

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		2016/17
£000		£000
53,470	Balance at 1 April	50,460
(4,950)	Actuarial Gains or Losses on Pensions Assets and Liabilities	4,150
	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 28)	4,620
4,690	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year (Note 28)	(2,820)
(2,750)		
50,460	Balance at 31 March	56,410

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		2016/17
£000		£000
(283)	Balance at 1 April	(186)
97	Transfer to the Capital Receipts Reserve upon Receipt of Cash	59
(186)	Balance at 31 March	(127)

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		2016/17
£000		£000
(85)	Balance at 1 April	2,221
	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	(2,742)
2,306		
2,221	Balance at 31 March	(521)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

19. 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. As a historic building the Guildhall has significant overhead costs; the trading activity of the Guildhall has not been able to mitigate these overhead costs in 2016/17 leading to a deficit which is in line with previous years.

2015/16		2016/17
£000		£000
(1,080)	Turnover	(1,157)
1,324	Expenditure	1,570
244	Operating (surplus) / deficit	413
	Capital charges:	
(472)	Asset revaluation losses / (reversals)	0
255	Depreciation	144
27	Total (surplus) / deficit	557

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.

20. Members' Allowances

The payments made directly to Members under the Council's Members' Allowance Scheme during 2016/17 totalled £364,816 (£428,546 in 2015/16). Following an independent review by the Boundary Commission, a change was implemented in May 2016 with 45 Councillors, 12 fewer than the previous number of elected Councillors. The Mayor and Deputy Mayor also received allowances for their additional mayoral duties - these totalled £4,147 in 2016/17 (£4,541 in 2015/16). 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.

21. 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 2016/17. For this purpose, remuneration includes gross pay, all taxable benefits and redundancy payments but excludes employer pension contributions.

2015/16				2016/17			
Ongoing employees	Employees left in year	Total Employees	Remuneration Band	Ongoing employees	Employees left in year	Total Employees	
11	0	11	£50,000-£54,999	13	1	14	14
1	0	1	£55,000-£59,999	6	0	6	6
5	0	5	£60,000-£64,999	4	1	5	5
5	0	5	£65,000-£69,999	4	0	4	4
1	0	1	£70,000-£74,999	0	0	0	0
0	0	0	£75,000-£79,999	1	0	1	1
0	0	0	£80,000-£84,999	1	0	1	1
1	0	1	£85,000-£89,999	0	0	0	0
0	0	0	£90,000-£94,999	1	0	1	1
0	0	0	£95,000-£99,999	0	0	0	0
1	0	1	£100,000-£104,999	0	0	0	0
0	1	1	£105,000-£109,999	0	0	0	0
0	1	1	£185,000-£189,999	0	0	0	0
25	2	27		30	2	32	

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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 2016/17 Winchester City Council contributed £41,600 towards the post (£42,500 in 2015/16).

The remuneration of the Head of Legal & Democratic Services includes payments that this officer received in his capacity as Returning Officer. These totalled £15,391 (including pension payments) for elections conducted during 2016/17 (£17,800 in 2015/16).

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 2016/17.

2016/17	Salary	Taxable expenses & benefits	Pension Payments	Compensation for loss of office	Total
	£'000	£'000	£'000	£'000	£'000
Chief Executive ¹	43	2	6	5	56
Chief Executive ²	24	0	3	0	28
Corporate Director (Service Delivery) ³	89	4	12	0	104
Corporate Director (Professional Services) ⁴	59	0	8	0	66
Head of Finance ⁵	55	0	7	0	63

¹ Former Chief Executive post holder from April 2016 to September 2016

² Current Chief Executive post holder from January 2017 to March 2017.

³ The salary paid to the Corporate Director (Service Delivery) included an additional £5,000 during the period 2 Sept 2016 to 8 Jan 2017 when he was Interim Managing Director of the Council.

⁴ The Corporate Director (Professional Services) started in July 2016, before which this post was vacant.

⁵ The Head of Finance started in May 2016 and is also the Section 151 Officer. During April and May 2016 this post (including the s151 responsibilities) was covered by an Interim Head of Finance employed through an agency at an additional cost of £26,600.

2015/16	Salary	Taxable expenses & benefits	Pension Payments	Compensation for loss of office	Total
	£'000	£'000	£'000	£'000	£'000
Chief Executive	98	4	13	0	115
Chief Operating Officer ⁶	79	25	13	118	234
Corporate Director	84	4	11	0	99
Chief Finance Officer ⁷	67	5	9	95	175

⁶ 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.

⁷ 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.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

22. 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		2016/17
£000		£000
56	Fees Payable to External Auditor with Regard to the External Audit Services Carried Out by the Appointed Auditor for the Year	56
11	Fees Payable to the External Auditor for the Certification of Grant Claims and Returns for the Year	8
7	Fees Payable in Respect of the Other Services Provided by the External Auditor During the Year	0
74	Total	64

23. Grant Income

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

2015/16		2016/17
£000		£000
	Credited to Services	
(420)	Benefit Administration	(379)
(45)	Bus Service Operators Grant	(45)
(190)	Contributions	(222)
(96)	Council Tax Benefits	(112)
(589)	Developers' Contributions	(732)
(646)	Hampshire County Contributions	(615)
(41)	Leader Project Funding	(41)
(78)	Other Grants and Reimbursements	(325)
(55)	Other Service Specific Grants	(109)
(14,903)	Rent Allowance	(14,684)
(12,753)	Rent Rebates	(12,476)
(29,816)	Total	(29,740)

2015/16		2016/17
£000		£000
	Credited to Taxation and Non Specific Grant Income	
(725)	Capital Grants and Contributions	(2,773)
(663)	Community Infrastructure Levy	(1,346)
(72)	Council Tax Freeze Grant	0
(445)	Disabled Facilities Grant	(838)
(248)	New Burdens Grant	(248)
(2,837)	New Homes Bonus	(3,288)
(1,471)	Other	0
(172)	Repair and Renewal Grant	0
(1,728)	Revenue Support Grant	(1,142)
(8,361)	Total	(9,635)

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:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

31 Mar 16		31 Mar 17
£000		£000
	<u>Grants and Contributions in Advance</u>	
(2,130)	Developers' Contributions - Social Housing	(1,078)
(967)	Developers' Contributions - Open Spaces	(803)
(63)	Developers' Contributions - Whiteley	(63)
(782)	Developers' Contributions - West of Waterlooville	(1,225)
(23)	Developers' Contributions - Barton Farm	(28)
(158)	St. Catherine's Hill Nature Reserve	(153)
(338)	Open Spaces Commuted Payments	(331)
(81)	Supporting Troubled Families	(65)
(10)	Other	(10)
<u>(4,552)</u>	Total	<u>(3,756)</u>

24. 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 23.

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 2016/17 (and 2015/16) are shown in Note 20. During 2016/17 three members declared a material interest (three in 2015/16) being:

Councillor D Hiscock was a director of Keystone Housing during 2016/17. Keystone Housing has a soft loan of £127,000. There was also a grant payment of £90,000 for 44a St Johns Road 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, who served during 2016/17 (see comment above for the Council's financial relationship with Keystone Housing).

Councillor M Southgate (who was a Member of the City Council until May 2016) is a trustee at the Hampshire Cultural Trust, for which Winchester has a 16.7% voting right and paid a grant for the year of £374,550.

Any written declarations of interest are recorded in the Register of Members' Interests, which is open to public inspection on the Council's website (www.winchester.gov.uk). Declarations made at meetings are recorded in the minutes of that meeting.

Officers

Chief Officers have the ability to influence the Council. During 2016/17 there were no material transactions between the Council and Chief Officers.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

25. 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 £000		2016/17 £000
162,736	Opening Capital Financing Requirement	162,795
	<u>Capital Expenditure</u>	
17,417	Property, Plant and Equipment	22,772
46	Investment Properties	556
53	Intangible Assets	7
906	Revenue Expenditure Funded from Capital Under Statute	630
63	Acquisition of Share Capital	0
18,485		23,965
	<u>Sources of finance</u>	
(1,527)	Capital Receipts	(1,077)
(3,403)	Government Grants and other contributions	(3,288)
(5,937)	HRA Major Repairs Reserve	(6,065)
(3,781)	HRA Revenue	(4,463)
(3,190)	GF Reserves	(586)
(17,838)		(15,479)
647	Unfinanced capital expenditure in year	8,486
(588)	Statutory provision for the financing of capital investment	(429)
0	Voluntary provision for the financing of capital investment	(631)
162,795	Closing Capital Financing Requirement	170,221
	<u>Explanation for Movement in year</u>	
59	Increase/(decrease) in underlying need to borrow	7,426

26. Leases

Council as Lessee

Finance leases

The Council has identified an embedded lease within the joint environmental services contract. This is where there are specific assets to be utilised for the duration 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. The lease element of the contract has been classified as a finance lease and the payments have been separated from the contractual payments and analysed between the capital repayment and the attributable finance costs. The net book value of the assets, which are included within Property, Plant and Equipment, are as follows:

2015/16 £000		2016/17 £000
1,124	Vehicles Plant and Equipment	803

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

2015/16 £000		2016/17 £000
327	Finance Lease Liabilities (net present value of minimum lease payments) - Current	334
850	- Non-Current	515
46	Finance Costs Payable in Future Years	24
1,223	Minimum Lease Payments	874

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Finance Lease Liabilities (net present value of minimum lease payments) are detailed below:

	Minimum Lease payments 2016/17 £000	Finance Lease Liability 2016/17 £000
Not later than one year	350	334
Later than one year but not later than five years	524	515
	874	849

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 2016/17 was £590,600 (£688,900 in 2015/16).

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

2015/16 £000		2016/17 £000
402	Due within one year	392
531	Due later than one year and not later than five years	486
364	Due after five years	311
1,297	Total future minimum lease rentals payable	1,188

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 as well as 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 as follows:

2015/16 £000		2016/17 £000
2,234	Due within one year	2,768
7,479	Due later than one year and not later than five years	8,796
76,816	Due after five years	76,026
86,529	Total future minimum lease rentals receivable	87,590

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 2016/17 £39,447 of contingent rent was receivable by the Council.

27. Termination Benefits and Exit Packages

The Council terminated the contracts of 4 employees, incurring liabilities (for compensation for loss of office; employer's pension contributions for enhanced benefits; and other costs) in 2016/17 of £60,150 (£330,016 in 2015/16).

2015/16				2016/17			
Compulsory Redundancy	Other Termination	Amount Paid (£)	Total Package	Compulsory Redundancy	Other Termination	Amount Paid (£)	
2	13	116,330	£0 - £20,000	0	3	29,314	
1	0	20,122	£20,001 - £40,000	0	1	30,836	
2	0	193,564	£40,001 - £120,000	0	0	-	
5	13	330,016		0	4	60,150	

28. 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.

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		2016/17
£000		£000
	<u>Included in the Cost of Services</u>	
2,860	Current Service Cost	2,790
170	Past Service Cost	160
0	Settlement Cost	0
	<u>Included in Financing and Investment Income and Expenditure</u>	
1,660	Net Interest on the Net Defined Benefit Liability	1,670
	<u>Included in Other Comprehensive Income and Expenditure</u>	
(4,950)	Remeasurement of the Net Defined Benefit Liability	4,150
(260)	Total Included in Comprehensive Income and Expenditure	8,770
	<u>Included in the Movement in Reserves</u>	
(4,690)	Removal of Notional Charges Made for Retirement Benefits	(4,620)
2,750	Inclusion of Actual Employer's Contributions Payable	2,820
(1,940)	Total Included in the Movement in Reserves	(1,800)
	<u>Actual Employer's Contributions Charged Against Council Tax</u>	
2,390	Normal Funded Contributions	2,460
160	Lumps Sums for Early Retirements	160
200	Discretionary / Unfunded Added Years	200
2,750	Total Amount Charged to Council Tax	2,820

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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		2016/17 Funded Liabilities £000	2016/17 Unfunded Liabilities £000
(140,950)	(3,020)	Opening Present Value of Liabilities	(138,390)	(2,810)
(2,860)	0	Current Service Cost	(2,790)	0
(4,450)	(90)	Interest Expense on Benefit Obligation	(4,650)	(90)
(810)	0	Contributions by Scheme Participants	(820)	0
5,050	50	Actuarial Gains / (Losses) - Financial Assumptions	(28,010)	(200)
0	0	Actuarial Gains / (Losses) - Demographic Assumptions	1,770	70
1,400	50	Actuarial Gains / (Losses) - Experience	5,000	120
4,400	200	Net Benefits Paid Out	4,230	200
(170)	0	Past Service Cost	(160)	0
0	0	Settlements	0	0
(138,390)	(2,810)	Closing Present Value of Liabilities	(163,820)	(2,710)

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

2015/16 £000		2016/17 £000
90,500	Opening Fair Value of Assets	90,740
2,880	Interest Income on Assets	3,070
810	Contributions by Scheme Participants	820
2,550	Contributions by the Employer	2,620
(1,600)	Remeasurement Gains / Losses on Assets	17,100
(4,400)	Net Benefits Paid Out	(4,230)
0	Settlement	0
90,740	Closing Fair Value of Assets	110,120

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 2016/17 was £20.17 million (£1.28 million in 2015/16).

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 2018 is £4 million (£3.8 million for funded benefits and £0.2 million in respect of unfunded early retirements).

Basis for estimating assets and liabilities

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

Funded Benefits 2015/16 £000	Unfunded Benefits 2015/16 £000		Funded Benefits 2016/17 £000	Unfunded Benefits 2016/17 £000
<u>Principal Financial Assumptions</u>				
3.4%	3.4%	Rate for Discounting Scheme Liabilities	2.6%	2.6%
2.9%	2.9%	RPI Inflation Rate	3.1%	3.1%
1.8%	1.8%	CPI Inflation Rate	2.0%	2.0%
1.8%	1.8%	Pension Increases	2.0%	2.0%
1.8%		- Pension Accounts Revaluation Rate	2.0%	-
3.3%		- Rate of General Increases in Salaries	3.5%	-

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Funded Benefits	Unfunded Benefits		Funded Benefits	Unfunded Benefits
		<u>Mortality Assumptions</u>		
		Future lifetime from 65 for members aged 65 at 31 Mar 17		
24.6	24.6	Males	24.0	24.0
26.4	26.4	Females	27.0	27.0
		Future lifetime from 65 for members aged 45 at 31 Mar 17		
26.7		Males	26.0	
28.7		Females	29.3	
		<u>Take Up of Option to Commute Pension to Lump Sum</u>		
70%		All Service (inc pre-2008 Service)	70%	

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

2015/16 £000				2016/17 £000		
Quoted	Unquoted	Total		Quoted	Unquoted	Total
52.9%	3.4%	56.3%	Equities	56.8%	3.5%	60.3%
0.9%	7.3%	8.2%	Property	0.5%	6.0%	6.5%
25.7%	0.0%	25.7%	Government Bonds	25.0%	0.2%	25.2%
2.0%	0.1%	2.1%	Corporate Bonds	1.4%	0.0%	1.4%
4.7%	0.0%	4.7%	Cash	3.4%	0.0%	3.4%
-0.2%	3.2%	3.0%	Other	0.0%	3.2%	3.2%
86.0%	14.0%	100.0%		87.1%	12.9%	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 2017.

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 2017	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	160,820	-1.8%	3,700	-3.0%
0.1% Decrease in Discount Rate	166,880	1.9%	3,930	3.1%
0.1% Increase in the Salary Increase Rate	164,390	0.4%	3,810	0.0%
0.1% Decrease in the Salary Increase Rate	163,250	-0.3%	3,810	0.0%
0.1% Increase in the Pensions Increase Rate	166,300	1.5%	3,930	3.1%
0.1% Decrease in the Pensions Increase Rate	161,380	-1.5%	3,700	-3.0%
1 year Increase in Post Retirement Mortality	159,080	-2.9%	3,670	-3.6%
1 year Decrease in Post Retirement Mortality	168,570	2.9%	3,950	3.6%

29. Nature and Extent of Risks Arising from Financial Instruments

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

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

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Communities and Local Government Guidance on Local Government Investment. This Guidance emphasises

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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 £7m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £3.5m applies. The Council also sets limits on investments in certain sectors. No more than £25m in total can be invested for a period longer than one year.

The credit quality of £10m of The Council's investments is enhanced by collateral held in the form of covered bonds collateralised by 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:

Long Term	Short Term	Credit Rating	Long Term	Short Term
31/03/2016	31/03/2016		31/03/2017	31/03/2017
£000	£000		£000	£000
7,114	4,078	AAA	4,189	6,004
0	1,810	AA-	0	500
0	2,004	A+	0	2,093
0	7,066	A	0	5,508
0	0	A-	0	1,059
0	7,313	AAA Money Market Funds	0	2,041
2,011	11,019	Unrated local authorities	0	18,024
2,509	0	Unrated pooled funds	7,289	0
11,634	33,290	Total Investments	11,477	35,229

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:

31/03/16		31/03/17
£000		£000
2,072	Less than 3 months	1,225
306	Three months to one year	633
337	More than one year	1,566
2,715		3,425

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

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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:

31/03/16		31/03/17
£000		£000
20,000	6- 10 years	30,000
60,000	11-20 years	60,000
20,000	21-30 years	20,000
20,000	31-40 years	20,000
36,722	41-50 years	26,722
156,722		156,722

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 2017, 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 (£35.04 million at 31 March 2017), floating rate notes held with more than one year to maturity (£2.00 million at 31 March 2017) and pooled funds (£7.00 million at 31 March 2017) 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 (£370,000)
- Impact on the surplus or deficit on the Provision of Services (£370,000)
- Decrease in fair value of available for sale financial assets £20,000
- Impact on Comprehensive Income and Expenditure £20,000

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 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 & Expenditure - this would have no impact on the Surplus or Deficit on the Provision of Services until the investment was sold.

The Council's investments in pooled equity funds are subject to the risk of falling share prices. The risk is limited by The Council's investment strategy. A fall in share prices would result in a charge to Other Comprehensive Income & Expenditure - this would have no impact on the Surplus or Deficit on the Provision of Services until the investments were sold.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE FOR YEAR ENDED 31 MARCH 2017

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).

2015/16		2016/17
£000		£000
	<u>Income</u>	
(26,416)	Dwelling Rents	(26,380)
(1,087)	Non-Dwelling Rents	(1,124)
(1,826)	Charges for Services and Facilities	(1,781)
(29,329)	Total Income	(29,285)
	<u>Expenditure</u>	
4,849	Repairs and Maintenance	4,156
6,110	Supervision and Management	6,396
432	Rents, Rates, Taxes and Other Charges	408
5,922	Depreciation and Impairment of Non-Current Assets	H5 6,042
(23,611)	Revaluation Gains on Property, Plant and Equipment	H5 (27,611)
25	Amortisation of Intangible Assets	H5 25
26	Debt Management Costs	20
(6,247)	Total Expenditure	(10,564)
(35,576)	Net Income of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement	(39,849)
124	HRA share of Corporate and Democratic Core	138
31	HRA share of other amounts included in the whole Council Net Expenditure of Continuing Operations but not allocated to Specific services	28
(35,421)	Net Income of HRA Services	(39,683)
(1,785)	Net Gain on Sale of HRA Non-Current Assets	(2,895)
	Changes in Fair Valuations on Investment	
(278)	Properties	(7)
5,168	External Interest Payable	5,168
(1,399)	Capital Grants and Contributions	(569)
(33,715)	Surplus for year on HRA Services	(37,986)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE
FOR YEAR ENDED 31 MARCH 2017

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

2015/16			2016/17		
£000	£000		Note	£000	£000
	(33,715)	Surplus for the year on the Housing Revenue Account			(37,986)
		<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			(36)
	(29)				
		Reversal of Items Relating to Retirement Benefits and Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	H1	11	
	(14)				
23,889		Reversal of Revaluation Gains on Property, Plant and Equipment and Movements in the Market Value of Investment Properties		27,618	
1,785		Net Gain on Sale of Non-Current Assets		2,895	
3,781		Capital Expenditure Funded from the HRA		4,463	
1,399		Reversal of Capital Grants and Contributions		569	
		Contribution from the Capital Receipts Reserve towards Administrative costs of Non-Current Asset Disposals		(48)	
	(24)				
(5,922)		Charges for Depreciation and Impairment of Non-Current Assets		(6,042)	
	(25)				
5,947		Transfer to Major Repairs Reserve		6,067	
	<u>30,787</u>				<u>35,472</u>
		(2,928) Net increase in HRA Balance before transfers to or from Reserves			(2,514)
		0 Transfer to Capital Adjustment Account for Debt Repayment			631
	(2,928)	Increase in HRA Balance			(1,883)
	<u>(4,187)</u>	Housing Revenue Account Surplus Brought Forward			<u>(7,115)</u>
		(7,115) Housing Revenue Account Surplus Carried Forward			(8,998)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017

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 £000		2016/17 £000
(5,947)	HRA Depreciation	(6,067)
(5,947)	Net Charge to HRA	(6,067)
5,937	HRA Capital Financed	6,065
(10)	Movement in Year	(2)
(1)	Balance Brought Forward at 1 April	(11)
(11)	Balance Carried Forward at 31 March	(13)

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 17
863	Bungalows	864
1,885	Flats & Maisonettes	1,919
2,252	Houses	2,240
11	Shared ownership	11
5,011		5,034

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

31 Mar 16 £000		31 Mar 17 £000
	<u>Operational Assets</u>	
360,624	Dwellings	391,061
9,170	Other Land and Buildings	9,251
45	Vehicles Plant Furniture and Equipment	38
3,196	Infrastructure	3,233
14	Community Assets	14
5,828	Assets Under Construction	13,150
79	Intangibles	54
378,956		416,801
	<u>Non-Operational Assets</u>	
2,744	Investment Properties	2,750
381,700	Total value	419,551

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 2016/17 was 33% (2015/16 - 32%) with the exception of affordable housing for which a figure of 45% has been applied. The valuation for existing use for social housing, which is the value held in the Statement of Accounts, was £391 million at 31 March 2017 (£361 million at 31 March 2016) and the vacant possession value was £1,180 million (£1,121 million at 31 March 2016).

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017

H4. Capital Expenditure and Receipts

2015/16		2016/17
£000		£000
156,722	Opening Capital Financing Requirement	157,353
	<u>Capital Expenditure</u>	
6,184	Dwellings	9,684
221	Infrastructure	62
7,788	Assets Under Construction	9,232
0	Intangibles	0
14,193	Expenditure in year	18,978
	<u>Financed by</u>	
(1,339)	Capital Receipts	(518)
(5,937)	Major Repairs Reserve	(6,065)
(3,781)	Contributions from Revenue	(4,463)
(2,505)	Grants and Contributions	(2,603)
(13,562)		(13,649)
631	Unfinanced Capital Expenditure in Year	5,329
0	Voluntary Financing of Capital Investment	(631)
157,353	Closing Capital Financing Requirement	162,051
	<u>Capital Receipts</u>	
(2,527)	Operational Assets	
(765)	Dwellings	(4,250)
0	Other	(641)
(3,292)	Mortgages	0
	Total	(4,891)

H5. Depreciation and Impairment

2015/16		2016/17
£000		£000
	<u>Depreciation</u>	
5,512	Dwellings	5,636
250	Other Land and Buildings	224
8	Vehicles, Plant, Furniture and Equipment	8
152	Infrastructure	174
0	Surplus Assets	0
5,922	Total Depreciation	6,042
	<u>Amortisation</u>	
25	Intangibles	25
25	Total Amortisation	25
	<u>Revaluation Below Historic Cost</u>	
(23,781)	Dwellings	(27,536)
170	Other Land and Buildings	(75)
0	Surplus	0
(23,611)	Total	(27,611)

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

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017

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 remained at 32% until 2016/17 when it increased to 33%. The value of dwellings has increased in 2016/17, by £26.312m, reducing the overall reduction to the 2007/08 historic cost as set in April 2007. The 2016/17 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 17
£000		£000
593	Rent Arrears	532
<u>(355)</u>	Provision for Bad Debts	<u>(290)</u>
<u>238</u>	Anticipated Collectable Arrears	<u>242</u>

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
COLLECTION FUND FOR THE YEAR ENDED 31 March 2017

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				2016/17		
Business Rates £000	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000
0	(68,134)	(68,134)	<u>Income</u>	0	(71,346)	(71,346)
(56,552)	0	(56,552)	Council Tax Receivable	(55,548)	0	(55,548)
(56,552)	(68,134)	(124,686)	Business Rates Receivable	(55,548)	(71,346)	(126,894)
			<u>Expenditure</u>			
			Precepts and Shares			
28,352	0	28,352	Central Government	28,406	0	28,406
5,103	48,210	53,313	Hampshire County Council	5,113	50,548	55,661
22,682	9,084	31,766	General Fund (WCC)	22,725	9,483	32,208
567	2,851	3,418	Fire and Rescue Authority	568	2,932	3,500
0	7,308	7,308	Police Authority	0	7,515	7,515
			Distribution of Previous Year Surplus			
2,033	0	2,033	Central Government	(3,271)	0	(3,271)
366	646	1,012	Hampshire County Council	(589)	711	122
1,626	158	1,784	General Fund (WCC)	(2,617)	103	(2,514)
41	38	79	Fire and Rescue Authority	(65)	42	(23)
0	96	96	Police Authority	0	108	108
			Charges to Collection Fund			
0	0	0	Interest due to ratepayers on refunds	35	0	35
97	31	128	Less Write-Off of Uncollectable Amounts	577	(24)	553
138	128	266	Allowance for Impairment	(371)	101	(270)
1,516	0	1,516	Provision for Appeals	(2,528)	0	(2,528)
198	0	198	Cost of Collection	199	0	199
(344)	0	(344)	Transitional Protection Payment	167	0	167
286	0	286	Renewable Energy cost	286	0	286
62,661	68,550	131,211		48,635	71,519	120,154
6,109	416	6,525	(Surplus) / Deficit Arising During the Year	(6,913)	173	(6,740)
(81)	(1,180)	(1,261)	Opening Fund Balance at 1 April	6,028	(764)	5,264
6,028	(764)	5,264	Closing Fund Balance at 31 March	(885)	(591)	(1,476)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
COLLECTION FUND FOR THE YEAR ENDED 31 March 2017

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 £1,504.18) is then multiplied by the proportion specified for the particular band to give an individual amount due. For 2016/17, 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	2.75	5/9	1.53
A	1,726.20	6/9	1,150.80
B	5368.78	7/9	4,175.72
C	10,282.37	8/9	9,139.88
D	4,950.44	1	4,950.44
E	7,777.93	11/9	9,506.34
F	6,073.13	13/9	8,772.31
G	4,943.31	15/9	8,238.85
H	608.49	18/9	1,216.99
Ministry of Defence			342.37
	41,733.40		47,495.23
Less adjustment for collection rates			(660.14)
			46,835.09

C2. Non-Domestic Rates (NDR)

For 2016/17, the standard Non Domestic Rate multiplier was 49.7p (49.3p in 2015/16) and the small business multiplier was 48.4p (48.0p in 2015/16). The total estimated non-domestic rateable value in the district as at 31 March 2017 was £135.4 million (£134.6 million as at 31 March 2016).

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

	2016/17		
	Business Rates £000	Council Tax £000	Total £000
City Council share - Collection Fund Adjustment Account	(354)	(80)	(434)
Preceptors' share - Included within Creditors	(531)	(511)	(1,042)
	(885)	(591)	(1,476)
	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
	6,028	(764)	5,264

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
INDEPENDENT AUDITOR'S REPORT

LEFT BLANK FOR THE AUDITOR'S REPORT ONCE PRESENTED TO AUDIT COMMITTEE

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2016/17
INDEPENDENT AUDITOR'S REPORT

LEFT BLANK FOR THE AUDITOR'S REPORT ONCE PRESENTED TO AUDIT COMMITTEE

ANNUAL GOVERNANCE STATEMENT 2016/17

1. Scope of Responsibility

- 1.1 Winchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Winchester City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Winchester City Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Winchester City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government 2016*.
- 1.4 This Statement explains how Winchester City Council has complied with the Code and also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the review of its system of internal control in accordance with best practice, and that the review be reported in an Annual Governance Statement.

2. The Purpose of the Governance Framework

- 2.1 The purpose of the governance framework is to ensure that the authority directs and controls its activities in a way that meets standards of good governance and is accountable to the community. It does this by putting in place an organisational culture and values which drive a responsible approach to the management of public resources, supported by appropriate systems and processes, and ensuring that these work effectively. It works with the Council's Performance Management Framework to ensure that the Council has in place strategic objectives reflecting the needs of the community and is monitoring the achievement of these objectives through delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Winchester City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Winchester City Council for the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts.

3. Methodology for preparing the Annual Governance Statement

- 3.1 The Annual Governance Statement has been prepared using a process similar to that used in previous years, including;
 - Heads of Teams completing a Statement of Assurance providing details as to the extent and quality of internal control arrangements operating within their teams during the previous year. Managers are asked to declare any weaknesses in their governance arrangements, including overdue and significant internal audit actions.
 - An internal control checklist is provided to Heads of Teams to support the completion of their Statement of Assurance. The checklist requires the manager to self assess the arrangements in their team against a number of criteria including risk and performance management, financial control and staffing.
 - Review of the individual Statements of Assurance by Corporate Governance Group, identifying those issues which are significant or which are common to more than one area.

**WINCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT**

- Review of the annual Internal Audit report and quarterly internal audit progress reports.
- The Council's Audit Committee considers the draft Annual Governance Statement at its meeting in June and is given the opportunity to give its input to the Statement and to consider whether it accurately reflects the Council's control environment.
- The Audit Committee approves the Annual Governance Statement in September and is signed off by the Chief Executive or Section 151 officer and Leader of the Council.

4. The Governance Framework

- 4.1 There are a number of key elements to the systems and processes that comprise the Council's governance arrangements and these are underpinned by the core principles of good governance which are:-
- Focusing on the purpose of the authority and on outcomes for the local community and creating and implementing a vision for the local area.
 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
 - Taking informed and transparent decisions which are subject to effective scrutiny and managed risk.
 - Developing the capacity and capability of Members and officers to be effective.
 - Engaging with local people and other stakeholders to ensure robust public accountability
- 4.2 The Council's Constitution explains existing policy making and delegation procedures and the matters which must be dealt with by the full Council. It documents the role and responsibilities of Cabinet, portfolio holders, each committee and Members and officers. The Council has approved a protocol governing relationships between Members and Officers as part of its Constitution and has adopted codes of conduct for both Officers and Members which facilitate the promotion, communication and embedding of proper standards of behaviour. Officers have job descriptions and there are clearly defined schemes of delegation, all of which are reviewed from time to time.
- 4.3 The Council's Constitution incorporates clear guidelines to ensure that business is dealt with in an open manner except in circumstances when issues should be kept confidential. Meetings are open to the public except where personal or confidential matters are being discussed. All Cabinet /committee agendas, minutes and portfolio holder decisions are published promptly on the Council's website. In addition, senior officers of the Council can make some decisions under delegated authority. The over-arching policy of the Council is decided by the full Council.
- 4.4 The Overview and Scrutiny Committee and Audit Committee hold Portfolio Holders to account for delivery of the Council's policy framework within the agreed budget, and protocols are in place for any departure from this to be properly examined.
- 4.5 The Council engages with its communities through a number of mechanisms, including community planning, consultation events, surveys and campaigns relating to specific initiatives.
- 4.6 The Council Strategy is supplemented by more detailed information on the key projects and programmes of work that the authority will be delivering during the year – with actions to achieve priority outcomes set out in the Portfolio Plans. More detailed business and service plans are drawn up by teams across the Council, with targets set for individual members of staff through the annual appraisal process. This process also looks at the development and training needs of staff, with a programme of training then put in place to meet these needs.
- 4.7 Progress against Portfolio Plans and budgets is monitored regularly by the Corporate Management Team, the Performance Management Team, Senior Managers and Portfolio Holders. The Overview and Scrutiny Committee receives reports focusing on delivery of key projects and programmes of work and drawing attention to other areas where progress is exceeding, or falling short of targets. Portfolio Holders also monitor progress in delivery. The Cabinet (Major Projects) Committee oversees the implementation of the Council Programme of

**WINCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT**

Major Projects, ensuring that they are managed effectively and in particular to monitor progress of each project against the planned timetable.

- 4.8 The Council has an officer Performance Management Team to monitor and direct monthly financial performance, service performance, progress on key corporate projects and risk management and to oversee the implementation of recommendations from Internal Audit reports.
- 4.9 The Council publishes an Annual Financial Report (incorporating the Statement of Accounts) annually within the statutory timescales. The Annual Financial Report incorporates the full requirements of best practice guidance in relation to corporate governance, risk management and internal control.
- 4.10 The Council is subject to independent audit by Ernst and Young and receives an Annual Audit Letter reporting on findings. The Council supplements this work with the Southern Internal Audit Partnership and ad hoc external peer reviews. The Audit Committee undertakes the core functions as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*.
- 4.11 The Council has set out the arrangements for managing risk in its Risk Management Policy which also includes a Risk Appetite Statement and is approved by Cabinet and reviewed annually.

5. Review of effectiveness

- 5.1 The authority has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Heads of Teams who have responsibility for the development and maintenance of a sound governance environment.
- 5.2 Staff awareness training has been undertaken to ensure that the Council complies adequately with the provisions of the Data Protection and Freedom of Information Acts, and Equality requirements.
- 5.3 The Council has appointed the Head of Finance as the Section 151 officer with the statutory responsibility for the proper administration of the Council's financial affairs. CIPFA/SOLACE advises that the Head of Finance should report directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. The Head of Finance is a member of the Corporate Management Team.
- 5.4 The Head of Finance is also a member of the Council's Performance Management Team alongside the Chief Executive, Corporate Directors and Assistant Directors.
- 5.5 The Head of Finance held the position of S151 officer during the 2016/17 financial year but left the authority prior to production of the Annual Governance Statement. The responsibilities of the Head of Finance under S151 of the Local Government Act 1972 have transferred to the Corporate Director (Professional Services).
- 5.6 The Council has appointed the Head of Legal and Democratic Services as the statutory "Monitoring Officer" and has procedures to ensure that the Monitoring Officer is aware of any issues which may have legal implications.
- 5.7 All Cabinet reports are reviewed by the Head of Finance and Monitoring Officer. All reports to Cabinet are required to demonstrate how the matter links to the Council Strategy and Portfolio Plans, and highlight resource implications. Officers are also asked to draw out risk, equality, sustainability, management and legal issues as appropriate. Similar procedures are in place for the Scrutiny and Regulatory Committees.
- 5.8 The Council has whistle-blowing and anti-fraud and corruption policies. It has a formal complaints procedure and seeks to address and learn from complaints. The Council's Standards Committee deals with complaints relating to the conduct of Members.
- 5.9 Members' induction training is undertaken after each election. Members also receive regular updates and training on developments in local government.
- 5.10 The following diagram shows how the different inputs across the Council support the Annual Governance Statement.



6. Roles and responsibilities

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

**WINCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT**

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

7. **Significant Governance Issues**

- 7.1 The Council faces a number of issues and areas of significant change that will require consideration and action as appropriate over the coming years and these are:
- **Asset Management** – the need to ensure that the Council has the capacity to deliver the recently approved Asset Management Plan,
 - **Partnerships** – ensuring that each of the Council's partnerships have the appropriate governance arrangements in place,
 - **Capacity** – ensuring that the Council has the capacity to deliver the outcomes included in the Council Strategy and Portfolio Plans by recruiting and retaining staff
 - **Data Sharing and Data Security** – adoption of the new requirements of the General Data Protection Regulations
 - **Procurement and Contract Management** – ensuring that the Council has robust contract management procedures and maintains a comprehensive contract register.

**WINCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT**

Annual Governance Statement 2016/17 – Action Plan

No.	Issue	Actions	Lead Officer	Completion Date
1	Asset Management – the need to ensure that the Council has the capacity and skills to deliver the recently approved Asset Management Plan.	Regular monitoring and reporting of the progress against the actions in the Asset Management Action Plan to be undertaken. Internal Audit planned for 2018/19 to review the assurance over effectiveness and delivery of Asset Management Plan including repairs and maintenance to non-housing assets (planned and reactive)	AD (Estates & Regeneration) AD (Estates & Regeneration)	Ongoing Audit start date to be agreed
2	Partnerships – ensuring that each of the Council's partnerships are properly constituted and have the appropriate governance arrangements in place.	Identify and record a database of all partnerships that the Council is participating in. Review the governance arrangements for each partnership. Working in Partnership internal audit included in Audit Plan and scheduled for 2017/18 which will review assurance over governance, contingency arrangements, exit strategies and hosting arrangements (accountabilities).	Head of Policy & Projects Head of Policy & Projects Head of Policy & Projects/ Internal Audit	December 2017 September 2017 December 2017
3	Capacity – ensuring that the Council has the capacity to deliver the outcomes included in the Council Strategy and Portfolio Plans by recruiting and retaining staff.	Development and approval of Workforce Development Plan for the Council. Quarterly performance monitoring which will identify slippage in delivering the outcomes in the Council Strategy and actions in Portfolio Plans Internal audit planned for 2017/18 to seek assurance over transformation initiatives including resource management Programme and Project Management internal audit also scheduled for 2017/18 HR internal audit planned for 2017/18 which will review training and development, workforce development and flexible working.	AD (Service & Organisational Development) Corporate Director (PS) AD (Policy & Planning)/ Internal Audit AD (Policy & Planning)/ Internal Audit HR Manager/ Internal Audit	September 2017 August 2017 Audit start date to be agreed Audit start date to be agreed Audit start date to be agreed

**WINCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT**

No.	Issue	Actions	Lead Officer	Completion Date
4	Data Sharing and Data Security – adoption of the new requirements of the General Data Protection Regulations (GDPR).	<p>Agreement that GDPR should be managed as a Council major project</p> <p>Communicate to staff the changes in the regulations</p> <p>Completion of project plan for the implementation of GDPR</p> <p>Information Governance internal audit planned for 2017/18 which review information governance arrangements incl DPA, FOI, Transparency and preparation for the GDPR in May 2018</p>	<p>Corporate Director (PS)</p> <p>Head of Legal & Democratic Services</p> <p>Head of Legal & Democratic Services</p> <p>Head of Legal & Democratic Services/ Internal Audit</p>	<p>September 2017</p> <p>October 2017</p> <p>September 2017</p> <p>Audit start date to be agreed</p>
5	Procurement and Contract Management – ensuring that the Council maintains a comprehensive, publicly accessible contract register, following its own contract procedure rules.	<p>Increase staff awareness of the requirement to maintain a contract register</p> <p>Training for staff on how to input contract data onto the public contract register</p> <p>Internal audit scheduled for 2017/18 that will review non-compliant/ effective procurement (DPA, FOI, Transparency etc, exposure to reputational/financial risk.</p> <p>Procurement internal audit scheduled for 2017/18 reviewing compliance with contract procedure rules and legislative requirements.</p>	<p>Corporate Director (PS)</p> <p>HR Manager</p> <p>Corporate Director (PS)</p> <p>Corporate Director (PS)</p>	<p>October 2017</p> <p>November 2017</p> <p>Audit start date to be agreed</p> <p>Audit start date to be agreed</p>
6	Corporate Peer Review Action Plan	Completion of the actions included in the 2017 Corporate Peer Challenge Action Plan , including a review of political structures and developing a shared understanding of the financial challenges ahead	Corporate Director (PS)	October 2017

**WINCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT**

8. Assurance Summary

- 8.1 Good governance is about making running things properly. It is the means by which the Council shows that it is taking decision for the good of its residents, in fair, equitable and open way.
- 8.2 The Internal Audit Opinion for 2016/17 is that the Council's framework of governance, risk management and management control is 'adequate' and that audit testing carried out during the year has demonstrated controls to be working in practice.
- 8.3 We propose, over the coming year, to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

Signed:

Laura Taylor
Chief Executive
Winchester City Council
Dated: 29 September 2017

Signed:

Councillor C. Horrill
Leader of the Council
Winchester City Council
Dated: 29 September 2017

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).

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

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

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

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

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

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

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

Corporate Bonds - are financial instruments that 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.

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

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

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

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

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

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

Discretionary Benefits (Pensions) – are retirement benefits for which the employer has no legal, contractual or constructive obligation and to which the Council has restricted powers to make such discretionary awards in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financing Activity – this is income and expenditure relating to long-term borrowing

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

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

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

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

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

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

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

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

Intangible Assets – are a category of long-term assets that are identifiable, have physical substance and controlled by the Council (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.

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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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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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.

	2016/17
	£000
Chargeable Costs	510
Chargeable Income	<u>(526)</u>
Net (surplus) or deficit	(16)
Building Control Earmarked Reserve (deficit brought forward)	117
Deficit carried over to 2017/18	<u>101</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 Corporate Director (Professional Services), being the acting responsible officer under Section 151 of the Local Government Act 1972(4).

Signature: Date: 28 June 2017

Joseph Holmes
Corporate Director (Professional Services), acting Section 151 Officer

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:

	2016/17
	£000
Income from charges under regulation 8 (answering queries)	331

This information has been approved by the Corporate Director (Professional Services), being the acting responsible officer under Section 151 of the Local Government Act 1972(4).

Signature: Date: 28 June 2017

Joseph Holmes
Corporate Director (Professional Services), acting Section 151 Officer