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Meeting	Audit Committee
Date and Time	Thursday, 31st May, 2018 at 6.30 pm.
Venue	Walton Suite, Guildhall, Winchester

SUPPLEMENTARY AGENDA

The following item was not notified for inclusion on the agenda within the statutory deadline. Therefore, the Chairman will need to decide whether or not to accept this item onto the agenda as a matter requiring urgent consideration.

Agenda Item.

6a. Appointment of the Treasury Management Group

This Group was appointed at Council on 11 October 2017 (following recommendation from Audit Committee) with membership as follows:

- Finance Manager (Capital And Treasury)
- Portfolio Holder (Finance)
- One Other Cabinet Member
- Chair Of The Audit Committee
- One other Member from the Administration of the Council from the Audit Committee
- Shadow Portfolio Holder

(The Section 151 Officer, as final decision maker, would not be a member of the TIG).

It is necessary to reappoint to this Group.

Cabinet, at its meeting held on 17 May 2018 nominated 2 Cabinet members to the Group – the Portfolio Holder for Finance (Councillor Ashton) and Councillor Miller. The remaining members of the Group are to be appointed by the Audit Committee.

11. Draft Annual Financial Report 2017/18 (Pages 3 - 92)

City Offices
Colebrook Street
Winchester
SO23 9LJ
31 May 2018

L Hall
Legal Services Manager

Agenda Contact: Dave Shaw Principal Democratic Services Officer
Tel: 01962 848221 email: dshaw@winchester.gov.uk

AUD211
AUDIT COMMITTEE

REPORT TITLE: ANNUAL FINANCIAL REPORT 2017/18

31 MAY 2018

REPORT OF PORTFOLIO HOLDER: Cllr Guy Ashton, Portfolio Holder for Finance

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

WARD(S): ALL

PURPOSE

This report highlights the key issues arising from the annual accounts for the year ended 31 March 2018.

The Accounts and Audit Regulations 2015 require that the pre-audit Statement of Accounts is signed by the responsible financial officer and published by the 31 May. The audited accounts must be approved by Members and published by the 31 July.

The Statement of Accounts will be available for public inspection from 1 June 2018 to 12 July 2018; and will be audited by Ernst & Young during June and July. Final accounts will be presented to this Committee for approval as its meeting on 31 July.

This report also summarises the Council's approach to debt collection and write-off, as requested by Members at the Audit Committee meeting on 8 March 2018.

RECOMMENDATIONS:

That the Audit Committee:

1. Notes this report in respect of the Council's Statement of Accounts for 2017/18;
2. Notes the draft Annual Governance Statement in the Annual Financial Report 2017/18

IMPLICATIONS:

1 COUNCIL STRATEGY OUTCOME

1.1 Preparation of the Annual Financial Report (comprising of the Statement of Accounts, Narrative Statement and the Annual Governance Statement) is fundamental to the operation of the Council. Although not directly linked to an individual Council Strategy Outcome, achieving all the outcomes must go hand in hand with accounting for how taxpayers' money has been spent. Additionally, the Council has a statutory responsibility to publish a statement of accounts annually.

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 The accounts are published alongside a public notice setting out the public inspection rights and arrangements under the Accounts and Audit Regulations 2015. The public has 30 working days to inspect the accounts and may also ask questions of and make objections to the auditor at any point during this time.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 None

8 EQUALITY IMPACT ASSESSEMENT

8.1 None

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None

10 RISK MANAGEMENT

Risk	**Mitigation**	**Opportunities**
Legal:	A comprehensive project plan for the	None

Failure to meet the statutory deadline for publication of the unaudited accounts	delivery of the accounts closedown has been used to monitor the progress of the accounts production.	
Reputation: The accounts are qualified by external audit as being materially misstated.	The accounts are prepared in accordance with the CIPFA Code of Practice and are both planned and reviewed using the CIPFA Disclosure Checklist. Early communication / agreement of accounting treatment with external auditors.	None

11 SUPPORTING INFORMATION:

11.1 The Annual Financial Report 2017/18

11.2 **Presentational changes**

i. Cost of Services
The service analysis presentation in the Cost of Services section of the Comprehensive Income and Expenditure Statement (CIES) and the Expenditure and Funding Analysis (note 2) has been updated to reflect the current basis of internal financial performance reporting. During 2017/18 financial performance was monitored by Cabinet on a Council Strategy outcome basis, previously a directorate basis was used. The prior year comparators in the CIES and Expenditure and Funding Analysis have been restated and the service analysis reported in the 2016/17 financial statements has been set out in note 3.

ii. Housing Revenue Account dwelling asset depreciation
From April 2017 the Council has been required to calculate depreciation on all HRA properties in accordance with proper practices; splitting assets into components with similar useful lives when doing the calculation. Previously, depreciation on HRA dwellings was an amount equivalent to the Major Repairs Allowance (MRA) element of the Housing Revenue Account Self-Financing Determination. The depreciation value for 2017/18 is £6.2million, compared to £5.6million in 2016/17.

iii. Note 25: Grant Income
The presentation of this note has been changed to provide additional detail about grant income credited to the Taxation and Non-Specific Grant Income section of the CIES. Subtotals have also been added to reflect the lines on the CIES.

11.3 **Annual Governance Statement**

11.4 The updated Annual Governance Statement (AGS) for 2017/18 is included in the draft Annual Financial Report, pages 67 to 70 of Appendix 1 to this report.

11.5 Audit Committee is not required to approve the AGS at this time, but to note its inclusion within the Annual Financial Report.

11.6 A more detailed report covering the AGS will be presented to this Committee at its next meeting on 31 July, were members will be asked to formally approval the document.

11.7 **Management of doubtful debts**

11.8 At its meeting on 8 March 2018 the Committee requested further information regarding the Council's outstanding debts and approach to managing bad debts.

The Council broadly has four types of debts that are managed by responsible departments:

- Housing debts (predominantly rents)
- Revenues debts (Council Tax and Business Rates)
- Housing Benefit overpayment recovery
- Sundry debts (all other debts)

The recovery of debt is done in accordance with the Council's *Procedures for Collection of Debts* and *Revenues Debt Collection Policy*. These documents set out the detailed steps that are followed for each of the different types of debt being recovered.

The Council also calculates an allowance for doubtful debts. This accounting entry is an estimate of how much of the total debt balance at the 31 March each year will become irrecoverable in the next accounting period. This adjustment ensures that the debtors figure shown on the balance sheet is a realistic value. For example, in 2017/18 an allowance of £0.88million has been calculated for trade debtors totalling £4.85 million (see note 31 of the Statement of Accounts).

If it is deemed that a debt cannot be recovered then it is written off (subject to the approvals required by the Constitution).

Internal audit review the collection all types of debt on their rolling programme of core accounting audits. Council tax was audited in 2016/17; sundry debts, housing benefits overpayments and NNDR was audited in 2017/18 and housing rents and debt management is due to be audited during 2018/19.

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 None

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AUD208 – Planning for and Audit of the 2017/18 Accounts (8 March 2018)

Other Background Documents:-

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18

Financial Instruction: Procedures for Collection of Debts

Revenues Debt Collection Policy

APPENDICES:

Appendix 1 – Annual Financial Report for the Year Ended 31 March 2018 (Pre-Audit)

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WINCHESTER CITY COUNCIL

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2018

(PRE-AUDIT)

The Statement of Accounts is unaudited and is subject to change

CONTENTS

Foreword to the Financial Statements

We have made big strides in improving our financial reporting over the past twelve months. By putting in significant effort into improving the frequency, clarity and understandability of the financial information that the Council produces, we now align our financial and performance reporting.

The introduction of quarterly financial and performance reporting on the services the Council provides classified into the areas below has enabled a greater transparency in our activities:

- Business and the economy
- Environment
- Health and happiness
- Housing
- Organisational delivery and management

We also demonstrate how the Council pays for those activities, showing how much revenue comes from Council Tax, Business Rates, Central Government, fees and charges, investment income, and other grants and contributions. Housing services are treated separately, with rent from tenants covering the expense of managing the housing stock we own.

We have undertaken a number of initiatives over the past twelve months to help set a balanced budget and deliver an underspend. This underspend has been delivered through strong financial stewardship, a number of one-off beneficial income sources, for example additional car parking income through greater occupancy and legal recovery costs, and strong control over expenditure.

One theme is worth reiterating: we are rigorous in our policy around borrowing and investing in that we will only do it if the investment generates social, economic or strategic benefits for residents as well as generating income to help pay for services.

We are working hard within the local government accounting framework to tell the story of the Council's financial position, and we know that our finances are under pressure. The Council's revenues cover its expenditure, but traditional sources of revenue from Central Government grant are being removed. We need to continue on our journey of seeking greater efficiencies and revenue opportunities, so that we can deliver the services our great Winchester District deserves.

1. WINCHESTER DISTRICT

The District serves 123,000 residents, as well as a variety of local and national business and welcomes over 5 million visitors every year . The District covers an area spanning 250 square miles; with a substantial part included in the South Downs National Park. With its heritage; rural setting; and variety of villages and market towns, the District has been repeatedly been named as one of the most desirable places to live in the country.

Map of the area served by Winchester City Council

Despite these credentials, challenges remain so that everyone has the opportunity to secure affordable housing, workspaces, good health and recreation. The Council therefore has a strategy which commits us to:

- Making the District a premier location for business
- Developing high quality housing with a balanced range of tenures
- Protecting and enhancing our unique environment.
- Developing services that encourage residents to lead healthy and fulfilling lives.

The City Council provides functions such as waste collection and recycling; housing (including a Council housing stock of over 5,000 homes); planning; revenue collection and benefits; car parking; and environmental health. The Council works closely with other public sector bodies such as Hampshire County Council, Hampshire Fire & Rescue Service and Hampshire Police as well as local NHS bodies.

The City Council is led by 45 councillors and the most recent election in May 2018 resulted in a political balance of 23 Conservative councillors and 22 Liberal Democrat councillors. The Leader of the Council is Caroline Horrill, who leads a Conservative Cabinet. The management of the Council is led by the Chief Executive, Laura Taylor, and three Strategic Directors with responsibility for place, resources and services respectively. This team leads the 490 staff who work at the Council.

2. ABOUT THE DISTRICT

Life expectancy for men is higher than the UK average (79.5 years) at 82 years. On average women in Winchester live more than two years longer than in the rest of the UK (85.3 years against 83.2 years)

Over 50% of the working age population have a qualification at level 4 or higher

Residents enjoy access to **great open space and countryside** with 40% of the district lying in the South Downs National Park.

Employment at 83.1%, is **significantly higher** than the national average

A higher proportion (96.6%) of residents report being in good or fairly good health compared to the national average of 94.6%

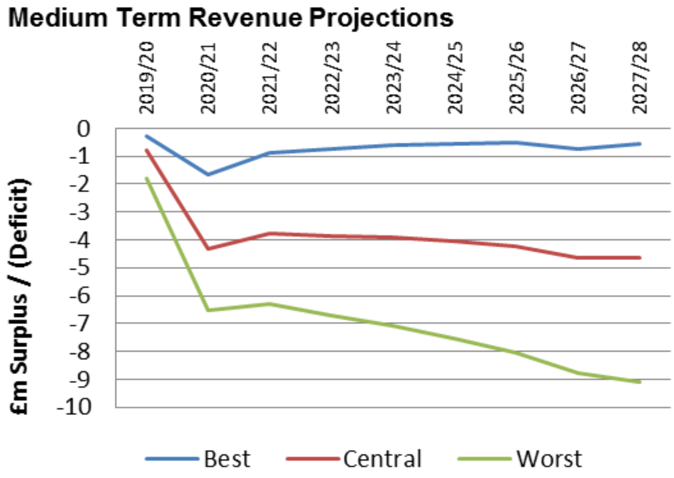
Great **employment prospects** with 31.6% more jobs in the district than resident workers

Wintonians are among the **happiest, satisfied, content** and the **least anxious** people in the UK, scoring highly in the Personal Well-Being Survey (Office for National Statistics).

We benefit from **crime rates among the lowest** in the country, with a burglary rate of **11.5** per 10,000 people compared to an average of **28.7** for the rest of the UK

3. FINANCIAL OUTLOOK

The Council is facing a significant financial challenge from decreased revenue and increased demand for services over the coming years. The latest Medium Term Financial Strategy (MTFS) highlights a likely revenue financing gap of circa £4m by 2022 (central case on the following graph). Good progress has been made in the first year, with savings of just over £1m identified and included within the 2018-19 revenue budget. Further proposals have been highlighted for future financial years as well; with plans for addressing the gap in the longer term set to be developed during 2018-19.



The prime driver for the reduction in Council funds is the removal of funding from Central Government of the core 'revenue support grant' in 2019-20, as this becomes a net contribution from the Council to Government of £410k in that financial year. The financial modelling also includes a 'hard' reset of business rates from 2021 with all previous business rates growth being removed from the Council's baseline income. There is also a Government 'fair funding' review due to occur in 2020-21 and this too could have a major impact on the redistribution of Government funding for the City Council. The chart above highlights the impact of the best, central and worst case scenarios that the Council is currently modelling.

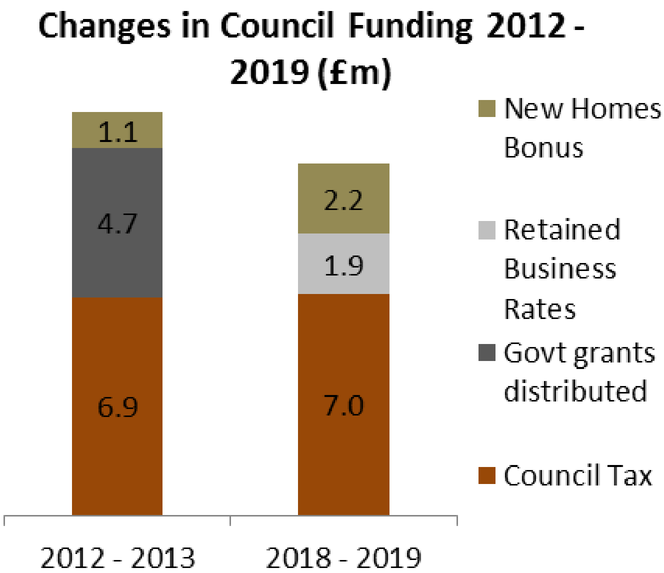
In 2017/18, the Council underspent against its budget by £1.6m due to a number of one-off favourable occurrences; including better than expected car-parking income and a one-off legal cost recovery. Of this underspend, £1m has been allocated to support the future delivery of the Council Strategy outcomes.

To help address the revenue financial volatility, the Council is utilising capital resources; including its ability to borrow, to generate additional income and/or reduce costs. The Council has a strategic asset purchase scheme to purchase investments in land and property; the scheme is geared towards a 'double-win' providing both financial and non-financial benefits. The changes to capital arrangements following recent Government and CIPFA reviews are not expected to impact on this scheme. However, Government proposals to base capital financing over shorter periods will potentially change future accounting arrangements for assets purchased and/or built over the long term.

4. THE LONGER TERM OUTLOOK

2017-18 was the first year of the new Council Strategy. This strategy sets out the five key outcomes for the Council, including the delivery of services through an entrepreneurial approach:

The new strategy is driven by the need to refresh our approach and focus on Council activities and also reflects a shift in the approach to public services in light of significant funding reductions.



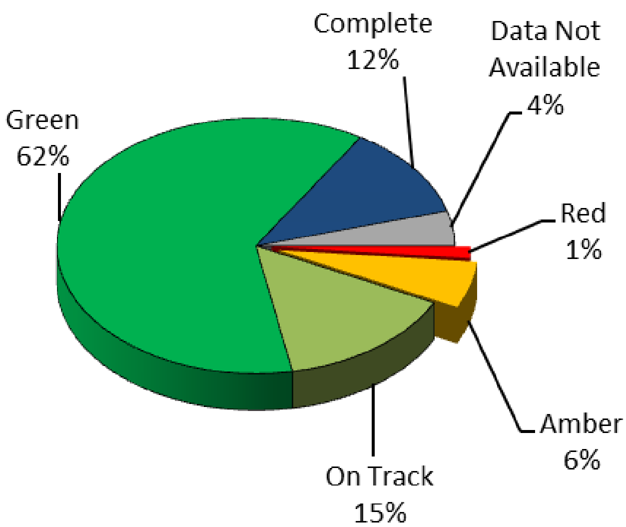
The Council faces some significant challenges in the longer term:

- The removal of Government funding
- Significant policy changes

- The move to greater business rates retention presents opportunities as well as increased volatility and risks
- Responding to changing customer demand and expectation in a rapidly changing digital environment
- Delivering a new local economic strategy

The Council's approach, supported by Outcomes Based Budgeting, has been focussed on the longer term position for the Council to deliver outcomes, as well as improving the transparency of the reporting of the Council's operational and financial position. This year we introduced a new quarterly monitoring report to the Cabinet and Overview & Scrutiny Committee. This sets out the financial performance by each strategy outcome and consolidates the financial and human resources required, as well as the performance of the Council against the Council Strategy, core corporate indicators and key projects.

For 2017-18 a summary of the performance reporting is shown below:



This highlights that significant progress has been made against a number of the key outcomes in the new Council Strategy.

Some of these outcome measures are much more short term (e.g. a new capital strategy) whilst others, most notably within the housing outcomes, have a three year time horizon for completion. The key project summary has identified that many of these are on track with others encountering a delay (e.g. the opening of the Chesil extra care scheme). Further information is highlighted in the outturn report due to Cabinet in July 2018.

Alongside this, a number of corporate health indicators have seen strong performance for the Council. There have been two indicators that, during the year, have been highlighted as 'red': responses to Freedom of Information requests and completion of agreed internal audit actions. Good progress has been made against these priorities through the year with an improvement now being seen in performance.

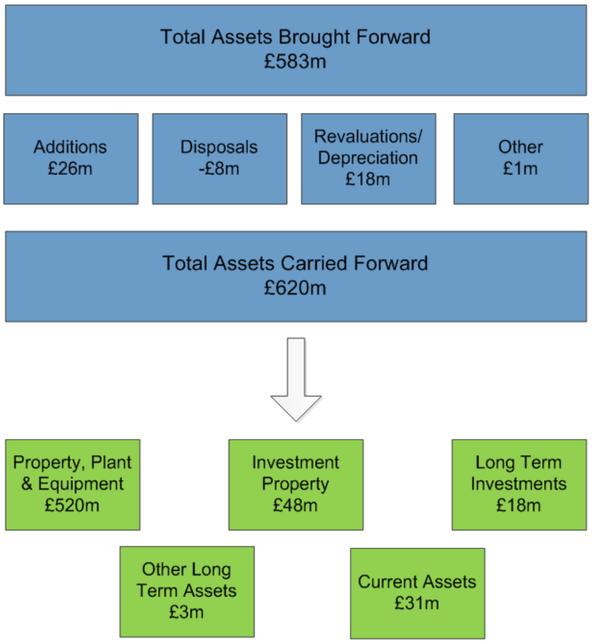
5. FINANCIAL STATEMENTS SUMMARY

The Council's balance sheet shows that it has a net worth (net assets) of £382m. Totals assets of £620m at the balance sheet date include: Council dwellings £419m; other operational land and buildings £72m; and investment property £48m. Total liabilities of £238m include long term borrowing of £157m and the pension scheme potential future liability £62m. The balance sheet also shows £50m of usable reserves, available to fund future spending plans and programmes.

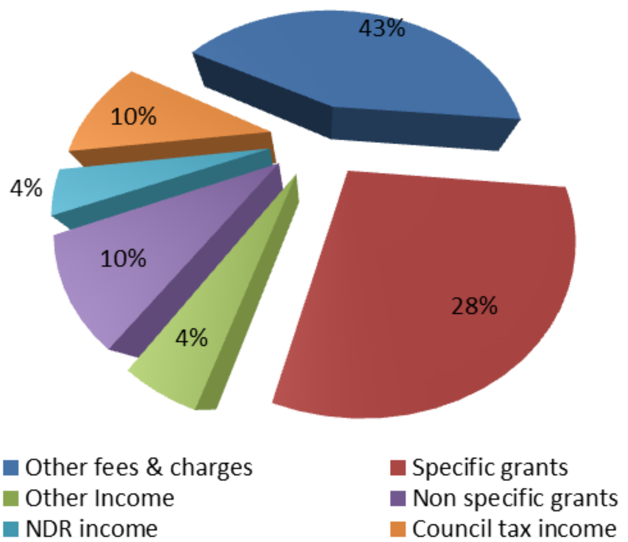
The Comprehensive Income and Expenditure Statement shows surplus of £31.5m on the provision of services. However, this figure includes a number of statutory adjustments (primarily capital adjustments) which are not allowed to be included in the General Fund. Following application of these adjustments the actual increase to usable reserves is £3m.

The Council's Capital Expenditure in 2017/18 was £27m, this includes £19m of expenditure on the Council's HRA Housing stock, and the £4m purchase of Winchester Bus Station. The expenditure was mostly financed from existing resources (capital receipts; grants and contributions ; and revenue and reserves), with £7m added to the Council's borrowing requirement.

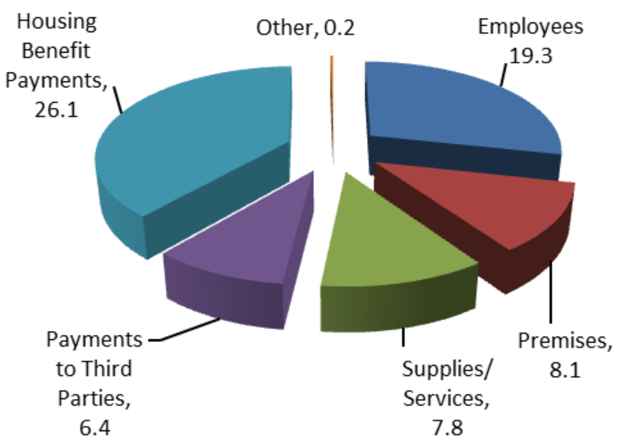
How the Council used its assets:



Where the Council's funding came from



How the Council spent money to provide services (excluding statutory accounting adjustments)



6. GOVERNANCE

The Audit Committee undertakes a review of the progress against the Annual Governance Statement during the year. During 2017-18 the main change to the Council's governance has been the creation of more cabinet committees for key projects; for example, Station Approach and the Leisure Centre. The Council is also currently completing a comprehensive review of its Constitution.

The Audit Committee has also received regular quarterly reporting of key governance issues, including reports from internal and external audit as well as on risk management. The new Annual Governance Statement highlights the key areas of governance that need to be address in the coming year:

- Asset Management
- Contract Management
- Project Governance and Reporting

Some of these themes are on-going from the previous year and reflect the continuing risks the Council faces delivering our services; for example, in respect of contract management.

The Council also undertook a restructure of senior management to improve and streamline management and programme delivery.

7. BASIS OF PREPARATION

The Statement of Accounts within this Annual Financial Report sets out the Council's income and expenditure for the year, and its financial position at 31 March 2018. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, which in turn is underpinned by International Financial Reporting Standards. The Council does not control or significantly influence any other entities, for which it needs to prepare Group 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 S151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Responsibilities of the S151 Officer

The S151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the S151 Officer 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 S151 Officer has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of Winchester City Council as at 31 March 2018 and its income and expenditure for the year then ended.

Signature: …………………………………………… Date: 31 May 2018

Joseph Holmes
Strategic Director (Resources), Section 151 Officer

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

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 8.

2016/17 RESTATED				2017/18		
Expenditure £000	**Income £000**	**Net £000**		**Expenditure £000**	**Income £000**	**Net £000**
1,877	(346)	1,531	Premier Business Location	1,929	(222)	1,707
13,275	(9,647)	3,628	Improving the Quality of the Environment	14,107	(9,615)	4,492
5,544	(478)	5,066	Community Health and Happiness	3,640	(372)	3,268
2,541	(222)	2,319	Housing Strategy & Homelessness	2,716	(123)	2,593
17,049	(29,285)	(12,236)	Delivering Quality Housing (HRA)	17,874	(29,100)	(11,226)
31,353	(29,407)	1,946	Operational Delivery	35,242	(28,152)	7,090
4,635	(712)	3,923	Organisational Management	4,823	(581)	4,242
76,274	(70,097)	6,177	Cost of service delivery	80,331	(68,165)	12,166
(27,611)	0	(27,611)	HRA Property Revaluation (Note 1)	(25,796)	0	(25,796)
48,663	**(70,097)**	**(21,434)**	**Cost Of Services**	**54,535**	**(68,165)**	**(13,630)**
		557	(Surplus)/Deficit on Trading Accounts (Note 21)			567
			Other Operating Income and Expenditure			
		2,675	Parish Council Precepts			2,863
		762	Payments to the Government Housing Capital Receipts Pool			763
		(2,889)	(Gains)/Losses on the Disposal of Non Current Assets			(1,556)
			Financing and Investment Income and Expenditure			
		5,190	Interest Payable and Similar Charges (Note 14)			5,183
		1,670	Net Interest on the Net Defined Benefit Liability (Note 30)			1,430
		(551)	Interest Receivable and Similar Income (Note 14)			(735)
		(3,707)	Income and Expenditure in Relation to Investment Properties and Changes in their Fair Value (Note 12)			(3,225)
			Taxation and Non-Specific Grant Income			
		(4,053)	Non-Domestic Rates Income and Expenditure (Note 25)			(4,051)
		(4,678)	Non-Ringfenced Government Grants (Note 25)			(3,480)
		(4,957)	Capital Grants and Contributions (Note 25)			(5,616)
		(9,563)	Council Tax Income			(10,031)
		(40,978)	**(Surplus) or Deficit on Provision of Services**			**(31,518)**
			Other Comprehensive (Income) and Expenditure			
		(1,614)	(Surplus)/Deficit on Revaluation of Non Current Assets			(2,926)
		207	(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets			(202)
		4,150	Re-measurements on the Net Defined Benefit Liability (Note 30)			3,330
		(38,235)	**Total Comprehensive (Income) and Expenditure**			**(31,316)**

The Net Cost of Services comparative figures for 2016/17 above have been restated to reflect the structure used for strategic decision making and to internally monitor performance. See Note 3 for Service Analysis previously reported.

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

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	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2017 Brought Forward	**(2,000)**	**(20,942)**	**(8,998)**	**(70)**	**(13)**	**(14,863)**	**(464)**	**(47,350)**	**(303,157)**	**(350,507)**
Movement in Reserves during 2017/18										
(Surplus) or Deficit on Provision of Services	2,803	0	(34,321)	0	0	0	0	(31,518)	0	**(31,518)**
Other Comprehensive (Income) and Expenditure	0	0	0	0	0	0	0	0	202	**202**
Total Comprehensive (Income) and Expenditure	**2,803**	**0**	**(34,321)**	**0**	**0**	**0**	**0**	**(31,518)**	**202**	**(31,316)**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 8)	(6,017)	0	34,203	0	(1)	497	(143)	28,539	(28,539)	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(3,214)**	**0**	**(118)**	**0**	**(1)**	**497**	**(143)**	**(2,979)**	**(28,337)**	**(31,316)**
Transfers to/(from) Earmarked Reserves (Note 9)	2,424	(2,424)	0	0	0	0	0	0	0	**0**
(Increase)/Decrease in Year	**(790)**	**(2,424)**	**(118)**	**0**	**(1)**	**497**	**(143)**	**(2,979)**	**(28,337)**	**(31,316)**
Balance at 31 March 2018 Carried Forward	**(2,790)**	**(23,366)**	**(9,116)**	**(70)**	**(14)**	**(14,366)**	**(607)**	**(50,329)**	**(331,494)**	**(381,823)**

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

	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	**(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 & Funding Basis Under Regulations (Note 8)	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 9)	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)**

BALANCE SHEET AS AT 31 MARCH 2018

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 17 £000		Note	31 Mar 18 £000
479,409	Property, Plant and Equipment	10	520,172
2,770	Heritage Assets	11	2,770
46,369	Investment Property	12	47,714
229	Intangible Assets	13	167
11,540	Long-Term Investments	14	17,933
324	Long-Term Debtors	14	280
540,641	**Long-Term Assets**		**589,036**
32,751	Short-Term Investments	14	19,852
33	Inventories		34
6,953	Short-Term Debtors	15	9,826
2,635	Cash and Cash Equivalents	16	1,256
42,372	**Current Assets**		**30,968**
(391)	Short-Term Borrowing	14	(398)
(13,115)	Short-Term Creditors	17	(12,066)
(1,597)	Provisions	18	(2,290)
(15,103)	**Current Liabilities**		**(14,754)**
0	Long Term Creditors		0
0	Provisions	22	0
(157,237)	Long-Term Borrowing	14	(156,896)
(56,410)	Pension Scheme Liability	30	(62,110)
(3,756)	Grants and Contributions in Advance	25	(4,421)
(217,403)	**Long-Term Liabilities**		**(223,427)**
350,507	**Net Assets**		**381,823**
47,350	Usable Reserves	19	50,329
303,157	Unusable Reserves	20	331,494
350,507	**Total Reserves**		**381,823**

Signature: …………………………………………………… Date: 31 May 2018

Joseph Holmes
Strategic Director (Resources), Section 151 Officer

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.

2016/17 £000	£000		**2017/18** £000	£000
		Cash Flows from Operating Activities		
	(40,977)	Surplus on the Provision of Services		(31,518)
		Adjustments for Non-Cash Movements		
(8,311)		Depreciation of Property, Plant and Equipment	(8,907)	
27,839		Revaluation gains on property, plant and equipment and investment property	23,813	
(151)		Amortisation of Intangible Assets	(80)	
(1,800)		Pension Fund Adjustments	(2,370)	
460		(Increase)/Decrease in Impairment for Bad Debts	(242)	
1,011		Contributions (to)/from Provisions	(694)	
(3,120)		Carrying Amount of Property, Plant and Equipment sold or derecognised	(1,632)	
		Accruals adjustments:		
3		***Increase in Inventories***	1	
(663)		Decrease/(Increase) in Short-term and Long-term Debtors	3,073	
(2,769)		Increase/(Decrease) in Short-term Creditors	1,049	
796	13,295	Decrease/(Increase) in Grants and Contributions	(665)	13,346
	(27,682)			(18,172)
		Adjust for Items that are Investing and Financing Activities		
6,009		Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	3,188	
	6,009			3,188
	(21,673)	Net **Cash Flows from Operating Activities**		**(14,984)**
		Cash **Flows from Investing Activities**		
23,335		**Purchase of Property, Plant and** Equipment, Investment Property and Intangible Assets	25,925	
41,831		Purchase of Short Term and Long Term Investments	30,638	
(6,009)		Proceeds from the Sale or Property, Plant, Equipment, Investment Property and Intangible Assets	(3,188)	
(27,196)		Proceeds from the Sale of Short Term and Long Term Investments	(37,348)	
	31,961	Net Cash Flows from Investing Activities		16,027
		Cash **Flows from Financing Activities**		
0		**Other Receipts from Financing Activities**	2	
328		Cash Payments for the Reduction of the Outstanding Liabilities Relating to Finance Leases	334	
	328	Net Cash Flows from Financing Activities		336
	10,616	Net **Decrease In Cash and Cash Equivalents**		1,379
	(**13,251**)	Cash **and cash equivalents at the beginning of the year**		(**2,635**)
	(**2,635**)	Cash **and cash equivalents at the end of the year**		(**1,256**)

1. EXCEPTIONAL ITEM

In prior periods, there have been significant downward valuations below historic cost in the HRA, in particular in 2010/11 when a change in the social housing adjustment factor from 45% to 32% resulted in a downward valuation of £104 million. In line with proper accounting practice, subsequent upward valuations will reverse prior year charges to the Comprehensive Income and Expenditure Statement until the historic cost value is reached, at which point a revaluation reserve will be created.

In 2017/18 £25.8 million (£27.6m in 2016/17) of prior year downward valuations have been reversed. In consequence there is a material credit to expenditure which has been treated as an exceptional item on the face of the Comprehensive Income and Expenditure Statement.

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 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 Strategy outcomes. Income and expenditure accounted for under IAS is presented more fully in the Comprehensive Income and Expenditure Statement.

The analysis shows the reconciling 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.

- Adjustments for Capital Purposes:
  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 the *Other income and expenditure* row 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 and voluntary provision for the repayment of debt ; and capital expenditure funded from the General Fund and 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). In the *Other income and expenditure* row 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.

2017/18	**Net charge to the General Fund & HRA under statutory funding provisions**	**Adjustments for Capital Purposes**	**Net change for Pensions Adjustments**	**Other Adjustments**	**Net costs in the Comprehensive Income and Expenditure Statement**
	£000	**£000**	**£000**	**£000**	**£000**
Business	1,644	4	59	0	1,707
Environment	3,525	522	445	0	4,492
Health and Happiness	2,306	882	80	0	3,268
Housing	(16,431)	(18,282)	284	0	(34,429)
Operational Delivery	2,810	3,953	327	0	7,090
Organisational Management	4,393	154	(305)	0	4,242
Cost of Services	**(1,753)**	**(12,767)**	**890**	**0**	**(13,630)**
Other income & expenditure	(17,392)	(1,975)	1,479	0	(17,888)
Other General Fund & HRA items	15,814	(16,992)	0	1,178	0
(Surplus)/deficit on the General Fund & HRA	**(3,331)**	**(31,734)**	**2,369**	**1,178**	**(31,518)**
Opening General Fund and HRA balance at 1 April 17	(32,023)				
Surplus on General Fund and HRA	(3,331)				
Closing General Fund and HRA balance at 31 March 18	**(35,354)**				

2016/17	**Net charge to the General Fund & HRA under statutory funding provisions**	**Adjustments for Capital Purposes**	**Net change for Pensions Adjustments**	**Other Adjustments**	**Net costs in the Comprehensive Income and Expenditure Statement**
	£000	**£000**	**£000**	**£000**	**£000**
Business	1,464	29	39	0	1,531
Environment	2,717	643	269	0	3,628
Health and Happiness	2,145	2,879	42	0	5,065
Housing	(16,676)	(20,940)	88	0	(37,528)
Operational Delivery	1,791	(35)	190	0	1,946
Organisational Management	4,161	285	(523)	0	3,923
Cost of Services	**(4,398)**	**(17,139)**	**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)**	**(36,794)**	**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)**				

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

2016/17 £000		2017/18 £000
17,903	Employees	20,237
8,334	Premises	8,107
840	Transport	791
6,384	Supplies & services	7,813
6,465	Third party payments	6,386
27,759	Transfer payments	26,065
(17,140)	Capital Charges	(12,767)
(1,832)	Support Services	(2,097)
(70,097)	External income	(68,165)
(50)	Internal Charges	0
(21,434)	**Cost Of Services**	**(13,630)**

3. RESTATEMENT OF THE NET COST OF SERVICES

The service analysis presentation in the Cost of Services is changed in this year's Comprehensive Income & Expenditure Statement and Expenditure and Funding Analysis (note 2) to reflect the basis on which financial performance has been internally reported to and monitored by the Cabinet in 2017/18. The internal financial reporting basis used in 2017/18 differs from the directorate basis reported in previous years so it is necessary to restate the 2016/17 Cost of Services comparators so that they are consistent with the new basis of internal reporting. The service analysis reported in the 2016/17 financial statements is set out in the table below:

		2016/17	
	Expenditure £000	Income £000	Net £000
Built Environment	11,844	(8,457)	3,387
Economy and Communities	4,427	(1,274)	3,153
Housing	20,493	(29,592)	(9,099)
Property Revaluation (HRA)	(27,611)	0	(27,611)
Neighbourhoods and Environment	3,472	(713)	2,759
Policy and Planning	1,007	(25)	982
Professional Services	33,459	(28,795)	4,664
Organisational and Service Development	245	(330)	(85)
Estates and Regeneration	518	(843)	(325)
Corporate Management	809	(68)	741
Cost Of Services	**48,663**	**(70,097)**	**(21,434)**

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

IFRS 9 Financial Instruments has been adopted by the 2018/19 Accounting Code, with an application date of 1 April 2018. The main changes affect the classification and accounting treatment of investments; and the model for impairment loss allowances.

Under IFRS 9, Available for Sale financial assets will be reclassified as Fair Value through Profit or Loss, as such gains or losses become an immediate charge to the Surplus/Deficit on the Provision of Services, rather than being deferred until they are realised on maturity or sale. For share-based investments, covered by the statutory definition of capital expenditure, debits and credits against the General Fund Balance are reversed out through the capital adjustment account. The Council holds £5.5m of financial assets that have been exempted from this definition of capital expenditure. The Council intends to apply an election under the Accounting Code to designate these investments into a Fair Value through Other Comprehensive Income treatment. The Council does not expect the classification changes to have a material impact on the financial statements.

The second change relating to impairment losses will require the Council to review the allowances it currently makes for credit risk on debtors and investments to include losses expected to arise in the future rather than just those incurred at the balance sheet date. The Council does not expect the impact of this change to be material.

IFRS 15 Revenue from Contracts with Customers has been adopted by the 2018/19 Accounting Code, with an application date of 1 April 2018. IFRS 15 introduces a new model for the recognition of contractual income, based on allocating the overall transaction price for the goods and/or services to be provided against the satisfaction of the various performance obligations in the contract. The new model has the potential to change the date at which revenue is recognised compared to the current accounting requirements.

The analysis carried out to date indicates that there will be no material impact on the revenue recognised in relation to the significant contracts entered into by the Council.

5. 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).

6. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used; the rate at which salaries are projected to increase; changes in retirement ages; mortality rates; and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. The sensitivity of each of the assumptions used by the actuaries can be seen in Note 30 to the accounts.

Item	Uncertainties	Effect if actual results differ from assumptions
Arrears/Debt Impairment	At 31 March 2018, the Council had a balance of sundry debtors of £4,762,901. A review of debtors, profiled by the age of the debt, suggested that an impairment of doubtful debts of 18% (£874,570) 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 £71,779 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 2017/18 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 £5.544 million amounted to £2.217 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 £0.238m.

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

7. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was certified by the Strategic Director (Resources) 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 2018, the figures in the financial statements and notes have, in all material respects, been adjusted to reflect the impact of this information.

The Council acquired a property during May 2018 for £1.59m. After paying a deposit during 2017/18 the balance of £1.54m was paid upon completion of the sale on the 4th May.

8. 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.

2017/18	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
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	(2,268)	(6,640)	0	0	0	8,908
Revaluation Losses on Property, Plant and Equipment	(3,309)	25,796	0	0	0	(22,487)
Movements in the Market Value of Investment Properties	1,269	59	0	0	0	(1,328)
Amortisation of Intangible Assets	(65)	(15)	0	0	0	80
Capital Grants and Contributions	1,874	1,029	0	0	0	(2,903)
Revenue Expenditure Funded from Capital Under Statute	(879)	0	0	0	0	879
Amounts of Non-Current Assets Written-Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	(1)	(1,630)	0	0	0	1,631
Insertion of Items not Debited or Credited to the Comprehensive Income and Expenditure Statement:						
Statutory Provision for the Financing of Capital Investment	415	0	0	0	0	(415)
Voluntary Provision for the Financing of Capital Investment	0	1,029	0	0	0	(1,029)
Capital Expenditure Charged Against the General Fund and Housing Revenue Account Balances	899	4,969	0	0	0	(5,868)
Adjustments Primarily Involving the Capital Grants Unapplied Account:						
Capital Grants and Contributions Unapplied Credited to the Comprehensive Income and Expenditure Statement	143	0	0	0	(143)	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	3,187	(3,187)	0	0	0
Use of the Capital Receipts Reserve to Finance New Capital Expenditure	0	0	2,942	0	0	(2,942)
Contribution from the Capital Receipts Reserve towards Administrative Costs of Non-Current Asset Disposals	0	(20)	20	0	0	0
Contribution from the Capital Receipts Reserve to Finance the Payments to the Government Capital Receipts Pool.	(763)	0	763	0	0	0
Transfer from Deferred Capital Receipts Reserve upon Receipt of Cash	0	0	(41)	0	0	41
Adjustment Involving the Major Repairs Reserve						
Depreciation Funding	0	6,655	0	(6,655)	0	0
Use of the Major Repairs Reserve to Finance New Capital Expenditure	0	0	0	6,654	0	(6,654)
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	34	(34)	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 30)	(4,793)	(797)	0	0	0	5,590
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year (see Note 30)	2,605	615	0	0	0	(3,220)
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	(1,178)	0	0	0	0	1,178
Total Adjustments	**(6,017)**	**34,203**	**497**	**(1)**	**(143)**	**(28,539)**

2016/17	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
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
Application of Grants to Capital Financing Transferred to the Capital Adjustment Account	0	0	0	0	0	0
Adjustments Primarily Involving the Capital Receipts Reserve:						
Transfer of Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	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						
Reversal of Major Repairs Allowance Credited to the HRA	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 30)	(4,092)	(528)	0	0	0	4,620
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year (see Note 30)	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)**

9. 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 2017/18.

	Balance at 1 Apr 2016	Net Transfers 2016/17	**Balance at 31 Mar 2017**	Transfers Out 2017/18	Transfers in 2017/18	**Balance at 31 Mar 2018**
	£000	£000	**£000**	£000	£000	**£000**
General Fund						
Major Investment Reserve	(7,866)	286	(7,579)	1,746	(1,555)	(7,388)
Business Rate Retention	(2,217)	975	(1,242)	242	(617)	(1,617)
Car Parks Property	(1,526)	(443)	(1,969)	138	(200)	(2,031)
Community Grants	(173)	0	(173)	0	0	(173)
CIL - General Fund	(532)	(1,190)	(1,722)	25	(2,369)	(4,066)
Council Strategy Support	0	(649)	(649)	561	(950)	(1,038)
Developer Contributions	(6)	6	0	0	0	0
Flood Support Schemes	(90)	5	(85)	9	0	(76)
Homelessness Prevention	(529)	39	(490)	4	0	(486)
Income Equalisation	0	0	0	0	0	0
Information, Management & Technology	(324)	(170)	(494)	59	(173)	(608)
Insurance	(40)	0	(40)	41	0	1
Landscape Mitigation	0	(100)	(100)	74	0	(26)
Local Development Framework	(146)	(308)	(454)	0	0	(454)
Local Elections Earmarked Reserve	(30)	30	0	0	0	0
Municipal Mutual Insurance	(157)	18	(139)	0	0	(139)
Museums Acquisitions	(8)	0	(8)	7	0	(1)
Museums Publications	(38)	0	(38)	8	0	(30)
New Burdens	0	(217)	(217)	189	(235)	(263)
Organisational Development	(1,592)	255	(1,337)	709	(200)	(828)
Planning Deposits (Interest)	(93)	62	(31)	12	(7)	(26)
Property Reserve	(3,709)	170	(3,539)	626	(300)	(3,213)
S106 Contributions Interest Reserve	0	0	0	0	(75)	(75)
	(19,076)	(1,231)	(20,306)	4,450	(6,681)	(22,537)
Winchester Town Reserve	(424)	(44)	(468)	(58)	0	(526)
CIL Winchester Town	(86)	(82)	(168)	0	(135)	(303)
Total General Fund	(19,585)	(1,357)	(20,942)	4,392	(6,816)	(23,366)
Housing Revenue Account						
Insurance	(70)	0	(70)	0	0	(70)
Total **Earmarked Reserves**	(**19,655)**	(**1,357)**	(**21,012)**	4,392	(**6,816)**	(**23,436)**

10. PROPERTY, PLANT AND EQUIPMENT (PPE)

Movements in 2017/18	**Council Dwellings**	**Other Land and Buildings**	**Vehicles, Plant, Furniture & Equipment**	**Infrastructure Assets**	**Community Assets**	**Assets Under Construction**	**Total Property, Plant and Equipment**
Cost or Valuation	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April 2017	**391,061**	**68,436**	**12,718**	**6,785**	**1,072**	**13,189**	**493,261**
Additions	7,331	5,445	252	142	0	12,621	25,791
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	0	557	0	0	0	0	557
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	18,873	(2,618)	0	0	0	0	16,255
Derecognition - Disposals	(1,625)	(5)	(1,562)	(17)	0	(2)	(3,211)
Other Movements in Cost or Valuation	2,956	0	64	26	0	(2,946)	100
At 31 March 2018	**418,596**	**71,815**	**11,472**	**6,936**	**1,072**	**22,862**	**532,753**
Accumulated Depreciation and Impairment							
At 1 April 2017	**0**	**(1,169)**	**(10,054)**	**(2,464)**	**(165)**	**0**	**(13,852)**
Depreciation Charge	(6,231)	(1,674)	(749)	(252)	(2)	0	(8,908)
Accumulated Depreciation Written-Out to the Gross Carrying Amount on Depreciation Written-Out to the Revaluation Reserve	0	2,369	0	0	0	0	2,369
Depreciation Written Out to the Surplus/Deficit on the Provision of Services	6,231	0	0	0	0	0	6,231
Derecognition - Disposals	0	0	1,562	17	0	0	1,579
At 31 March 2018	**0**	**(474)**	**(9,241)**	**(2,699)**	**(167)**	**0**	**(12,581)**
Net Book Value							
At 31 March 2018	418,596	71,341	2,231	4,237	905	22,862	520,172
At 31 March 2017	391,061	67,267	2,664	4,321	907	13,189	479,409

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**
Cost or Valuation	**£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**
Accumulated Depreciation and Impairment							
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)**
Net Book Value							
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

Depreciation and estimated useful lives

From April 2017 the Council has been required to calculate depreciation on all HRA properties in accordance with proper practices; splitting assets into components with similar useful lives when doing the calculation. Previously, depreciation on HRA dwellings was an amount equivalent to the Major Repairs Allowance element of the Housing Revenue Account Self-Financing Determination. The lives of the material HRA components used in the calculation of dwelling depreciation are:

Boilers	12 years
Heating	20 – 40 years
Kitchens	19 years
Bathrooms	40 years
Roofs	50 years
Doors & windows	40 years
Electrical rewiring	30 years
Eaves & rainwater	40 years
Structure	150 years

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 2018, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years. The total commitments at 31 March 2018 were £5,407,000 (similar commitments at 31 March 2017 were £19,520,000) made up as follows:-

	£000
Property Acquisition	1,547
Housing New Build (Chesil Lodge)	1,251
Major Repairs (HRA)	1,025
Housing New Build (Bailey Close)	431
Housing New Build (Mitford Road)	332
Housing New Build (Victoria House)	276
Improvements and Conversions (HRA)	197
Other - Vehicles Plant Furniture and Equipment	123
Housing New Build (Other)	119
Other - Land and Buildings	64
Other - Infrastructure	42
	5,407

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 2017/18, Wilks Head & Eve (WHE) carried out a re-valuation of all of the Council's investment properties as well as the following PPE assets:

- Council Car Parks (Valuation Date 28/02/2018)
- Bus Station (new asset) (Valuation Date 31/12/2017)
- Kings Walk, Antiques Centre and former post office (Valuation Date 31/12/2017)
- City Offices (Valuation Date 31/12/2017)
- HRA dwellings and Garages (Valuation Date 31/12/2017)

Following their Market Reviews of 6th April 2018, WHE carried out additional re-valuations of:

- 17 PPE Assets valued on a DRC basis (valuation date 31/03/2018)
- Re-valuation of the HRA beacons to the closing book date of 31/03/2018.

The valuations were reviewed by Kevin Warren BSc MRICS Corporate Head of Asset Management, Sue Grant BSc(Hons) MRICS and Amanda Dennis BSc(Hons) MRICS. The valuations were carried out in accordance with RICS Valuation - Global Standards 2017 and RICS Valuation – Professional Standards UK January 2014 (revised April 2015) (The Red Book) and in accordance with the specific sections that in the IFRS based CIPFA Code of Practice on Local Authority Accounting (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.

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 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).

	2017/18	2016/17	2015/16	2014/15	2013/14	Historical Cost	Total
	£000	£000	£000	£000	£000	£000	£000
Council Dwellings	418,596	0	0	0	0	0	**418,596**
Land & Buildings	51,485	8,404	11,395	0	0	57	**71,341**
Plant / Vehicles / Equipment	0	0	0	0	0	2,231	**2,231**
Infrastructure	0	0	0	0	0	4,237	**4,237**
Community	0	0	0	0	0	905	**905**
Assets Under Construction	0	0	0	0	0	22,862	**22,862**
Total	**470,081**	**8,404**	**11,395**	**0**	**0**	**30,292**	**520,172**

11. HERITAGE ASSETS

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

	Art Collection	Civic regalia	Archaeological Collection	Total
	£000	£000	£000	£000
Balance as at 1 April 2016	**850**	**1,500**	**420**	**2,770**
Balance as at 31 March 2017	**850**	**1,500**	**420**	**2,770**
Balance as at 31 March 2018	**850**	**1,500**	**420**	**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:

- coins from various periods;
- pottery;
- a Roman brooch;
- a medieval seal; and
- several local history objects.

Disposals
There have been no disposals during this period.

12. INVESTMENT PROPERTIES

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

2016/17 £000			2017/18 £000
	Income and Expenditure in Relation to Investment Properties		
(2,551)	Rental Income from Investment Property		(2,562)
596	Direct Operating Expenses of Investment Property		665
0	(Gain)/Loss on Disposal of Investment Property		0
(1,752)	**Net (Gain)/Loss on Revaluation of** Investment Property		**(1,328)**
(3,707)	**Net (Income)/Expenditure on Investment Properties**	**(3,225)**	

The Council's investment properties were revalued as part of the exercise undertaken by Wilks Head & Eve LLP (see note 10) .

2016/17 £000			2017/18 £000
44,061	**Opening Balance**		**46,369**
430	Additions - Acquisitions		0
126	Additions - Enhancements		116
0	Disposals		0
1,752	Net Gains/(Losses) from Fair Value Adjustments		1,328
	Transfers:		
0	**- To/**From Inventories		**0**
0	- (To)/From Property, Plant and Equipment	(99)	
0	Other Changes	0	

46,369	**Closing Balance**	**47,714**

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 2017/18. The Council has no contractual obligations to repairs, maintenance or enhancement of investment property.

Investment Properties Fair Value Measurements

	Retail	Offices	Industrial	Residential / Garages	Other	Total
	£000	£000	£000	£000	£000	£000
Level 2 Fair Value Measurements	31,941	8,790	4,133	1,881	969	47,714
Total	**31,941**	**8,790**	**4,133**	**1,881**	**969**	**47,714**

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 is 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 10 assets (parcels of land, garages, and small industrial units) as investment properties where the highest and best use is greater than their current use. The Council is holding the majority of these assets for their future potential.

Capital Commitments for Investment Property Assets
As at 31 March 2018, the Council had not entered into any contracts for the construction or enhancement of Investment Properties in 2018/19 and future years. The total commitment at 31 March 2018 was £nil (similar commitments at 31 March 2017 were £0.01million).

13. 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 2017/18 totalled £80,000 of which 82% (£65,000) was charged to central support services and the IT Administration cost centre. This was then apportioned as an overhead across all the service headings in the net Cost of Services. The remaining 18% (£15,000) was charged direct to the relevant service.

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

2016/17 £000		2017/18 £000
3,512	Gross Carrying Amounts	2,614
(3,139)	Accumulated Amortisation	(2,385)
373	**Net Carrying Amount at Start of Year**	**229**
	Additions:	
7	Purchases	18
(905)	Disposals - Gross Carrying Amount	(709)
905	Disposals - Accumulated Amortisation	709
(151)	Amortisation for the Period	(80)
229	**Net Carrying Amount at End of Year**	**167**
	Comprising:	
2,614	Gross Carrying Amounts	1,923
(2,385)	Accumulated Amortisation	(1,756)
229		**167**

Capital Commitments for Intangible Assets
As at 31 March 2018, the Council had not entered into contracts for the acquisition or enhancement of Intangible Assets in 2018/19 and future years. The total commitment at 31 March 2018 was therefore £nil (similar commitments at 31 March 2017 were also £nil).

14. 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

Long Term 31 Mar 17 £000	Current 31 Mar 17 £000		Long Term 31 Mar 18 £000	Current 31 Mar 18 £000
		Investments		
0	23,595	Loans and Receivables	5,000	10,598
11,477	9,156	Available-for-Sale Financial Assets	12,870	9,254
63	0	Unquoted Equity Instruments at cost	63	0
11,540	**32,751**	**Total Investments**	**17,933**	**19,852**
		Cash and Cash Equivalents		
0	2,635	Cash and Cash Equivalents	0	1,256
0	**2,635**	**Total Cash and Cash Equivalents**	**0**	**1,256**
		Debtors		
324	0	Loans and Receivables	280	0
0	5,022	Financial Assets Carried at Contract Amounts	0	7,084
324	**5,022**	**Total Debtors**	**280**	**7,084**
		Borrowings		
(156,722)	(57)	Financial Liabilities at Amortised Cost	(156,722)	(57)
		Other Liabilities		
(515)	(334)	Finance Lease Liabilities	(174)	(342)
(157,237)	**(391)**	**Total Borrowing**	**(156,896)**	**(399)**
		Creditors		
0	(5,635)	Financial Liabilities Carried at Contract Amount	0	(5,067)
0	**(5,635)**	**Total Creditors**	**0**	**(5,067)**

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

Long Term 31 Mar 17 £000	Short Term 31 Mar 17 £000		Long Term 31 Mar 18 £000	Short Term 31 Mar 18 £000
		Loans at amortised cost:		
156,722	0	- Principal sum borrowed	156,722	0
	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:

2017/18	Financial Liabilities at Amortised Cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale Assets £000	Total £000
Interest Expense	5,183	0	0	5,183
Losses on de-recognition	0	0	34	34
Gains on de-recognition	0	0	(120)	(120)
Impairment Losses	0	(41)	0	(41)
Interest Income	0	(317)	(291)	(608)
Net (Gain)/Loss for the Year	5,183	(358)	(377)	4,448

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

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 2018, 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 2018, 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

Balance Sheet 31 Mar 2017 £'000	Fair value 31 Mar 2017 £'000		Fair Value Level	Balance Sheet 31 Mar 18 £'000	Fair value 31 Mar 18 £'000
		Financial liabilities held at amortised cost:			
(156,779)	(193,743)	Long-term loans from PWLB	2	(156,779)	(186,750)
(156,779)	(193,743)	**Total**		(156,779)	(186,750)
		Recorded on balance sheet as:			
(156,722)		Long-term borrowing		(156,722)	
(57)		Short-term borrowing		(57)	
(156,779)		**Total**		(156,779)	

Balance Sheet 31/03/17 £'000	Fair Value 31/03/17 £'000		Fair Value Level	Balance Sheet 31/03/18 £'000	Fair Value 31/03/18 £'000
		Financial assets held at fair value:			
2,041	2,041	Money market funds	1	941	941
7,289	9,329	Bond, equity and property funds	1	5,504	5,504
13,345	13,345	Corporate, covered and government bonds	2	16,621	16,621
63	63	Unquoted Equity investment at Cost	2	63	63
		Financial assets held at amortised cost:			
0	0	Long-term investments with local authorities	2	5,002	5,023
22,737	24,778	**Total**		28,130	28,151
24,189		**Assets for which fair value is not disclosed**		10,911	
46,926		**Total financial assets**		**39,041**	
		Recorded on balance sheet as:			
11,540		Long-term investments		17,933	
32,751		Short-term investments		19,852	
2,635		Cash & cash equivalents		1,256	
46,926		**Total financial assets**		**39,041**	

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.

15. SHORT-TERM DEBTORS

31 Mar 17 £000		31 Mar 18 £000
809	Central Government Bodies	1,539
1,581	Other Local Authorities	1,786
3,560	Other Entities and Individuals	5,255
96	NHS Bodies	215

186	Council Tax	197
242	Housing Rents	254
479	Prepayments	580
6,953	**Total**	**9,826**

16. CASH AND CASH EQUIVALENTS

31 Mar 17 £000		31 Mar 18 £000
2,593	Bank Accounts	1,220
42	Cash Held by the Authority	36
2,635	**Total Cash and Cash Equivalents**	**1,256**

17. SHORT-TERM CREDITORS

31 Mar 17 £000		31 Mar 18 £000
(4,280)	Central Government Bodies	(3,843)
(1,802)	Other Local Authorities	(2,034)
(1,054)	Other	(1,359)
0	NHS Bodies	(15)
(16)	Public Corporations and Trading Funds	0
(4,727)	Trade Creditors	(3,823)
(1,236)	Amounts Received in Advance	(992)
(13,115)	**Total**	**(12,066)**

18. PROVISIONS

The 2017/18 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 £000	NNDR £000	Total £000
Balance at 1 April 2016	**(74)**	**(2,534)**	**(2,608)**
Additional Provisions made in 2016/17	0	(4,127)	(4,127)
Amounts Used in 2016/17	0	5,139	5,139
Balance at 1 April 2017	**(74)**	**(1,522)**	**(1,596)**
Additional Provisions made in 2017/18	0	(1,410)	(1,410)
Amounts Used in 2017/18	0	716	716
Balance at 31 March 2018	**(74)**	**(2,216)**	**(2,290)**

19. 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 finance the major repairs to HRA long-term assets.

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

.

20. 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 17 £000		31 Mar 18 £000
(35,489)	Revaluation Reserve	(37,635)
(302)	Available for Sale Financial Instruments Reserve	(504)
(323,128)	Capital Adjustment Account	(356,036)
0	Financial Instruments Adjustment Account	0
56,410	Pensions Reserve	62,110
(127)	Deferred Capital Receipts Reserve	(86)
(521)	Collection Fund Adjustment Account	657
(303,157)	**Total Unusable Reserves**	**(331,494)**

20.1. 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.

2016/17 £000		2017/18 £000
(34,742)	**Balance at 1 April**	**(35,489)**
(1,614)	Upward Revaluation of Assets	(4,378)
0	Downward Revaluation of Assets and Impairment Losses not Charged to the Surplus/Deficit on the Provision of Services	1,452
(1,614)	Surplus or Deficit on Revaluation of Non-Current Assets not Posted to the Surplus or Deficit on the Provision of Services	(2,926)
751	Difference between Fair Value Depreciation and Historical Cost Depreciation	777
116	Accumulated Gains on Assets Sold or Scrapped	3
867	Amount Written Off to the Capital Adjustment Account	780
(35,489)	**Balance at 31 March**	**(37,635)**

20.2. 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.

2016/17 £000		2017/18 £000
(509)	**Balance at 1 April**	**(302)**
192	(Upward)/Downward Revaluation of Investments	(187)
15	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(15)
(302)	**Balance at 31 March**	**(504)**

20.3. 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 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2016/17 £000		2017/18 £000
(290,098)	**Balance at 1 April**	**(323,128)**
	Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:	
8,311	Charges for Depreciation and Impairment of Non-Current Assets	8,908
(26,087)	Revaluation Gains on Property, Plant and Equipment	(22,487)
151	Amortisation of Intangible Assets	80
630	Revenue Expenditure Funded from Capital Under Statute	879
3,120	Amounts of Non Current Assets Written-Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	1,631
(13,875)		(10,989)
(867)	Adjusting Amounts Written-Out of the Revaluation Reserve	(780)
(14,742)	Net Written Out Amount of the Cost of Non-Current Assets Consumed in the Year	(11,769)
	Capital Financing Applied in the Year:	
(1,076)	Use of the Capital Receipts Reserve to Finance New Capital Expenditure	(2,942)
(6,065)	Use of the Major Repairs Reserve to Finance New Capital Expenditure	(6,654)
0	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	0
(3,286)	Capital Grants and Contributions Credited to the Comprehensive Income and Expenditure Statement that have been Applied to Capital Financing	(2,903)
(429)	Statutory Provision for the Financing of Capital Investment	(415)
(631)	Voluntary Provision for the Financing of Capital Investment	(1,029)
(5,049)	Capital Expenditure Charged Against the General Fund and HRA Balances	(5,868)
(16,536)		(19,811)
(1,752)	Movements in the Market Value of Investment Properties Debited or Credited	(1,328)

	to the Comprehensive Income and Expenditure Statement	
(323,128)	**Balance at 31 March**	**(356,036)**

20.4. Financial Instruments Adjustment Account

This 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.

2016/17 £000		**2017/18 £000**
185	**Balance at 1 April**	**0**
(185)	Amount by which Finance Costs Charged to the Comprehensive Income and Expenditure Statement are Different from Finance Costs Chargeable in the Year in Accordance with Statutory Requirements	0
0	**Balance at 31 March**	**0**

20.5. 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.

2016/17 £000		**2017/18 £000**
50,460	**Balance at 1 April**	**56,410**
4,150	Actuarial Gains or Losses on Pensions Assets and Liabilities	3,330
4,620	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)	5,590
(2,820)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year (Note 28)	(3,220)
56,410	**Balance at 31 March**	**62,110**

20.6. 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.

2016/17 £000		**2017/18 £000**
(186)	**Balance at 1 April**	**(127)**
59	Transfer to the Capital Receipts Reserve upon Receipt of Cash	41
(127)	**Balance at 31 March**	**(86)**

20.7. 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.

2016/17 £000		2017/18 £000
2,221	**Balance at 1 April**	**(521)**
(2,742)	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	1,178
(521)	**Balance at 31 March**	**657**

21. 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 2017/18 leading to a deficit which is in line with previous years.

2016/17 £000		2017/18 £000
(1,157)	Turnover	(1,126)
1,570	Expenditure	1,547
413	**Operating (surplus) / deficit**	**421**
	Capital charges:	
144	Depreciation	146
557	**Total (surplus) / deficit**	**567**

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

22. MEMBERS' ALLOWANCES

The payments made directly to Members under the Council's Members' Allowance Scheme during 2017/18 totalled £379,503 (£364,816 in 2016/17). The Mayor and Deputy Mayor also received allowances for their additional mayoral duties - these totalled £4,910 in 2017/18 (£4,147 in 2016/17). 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.

23. 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 2017/18. For this purpose, remuneration includes gross pay, all taxable benefits and redundancy payments but excludes employer pension contributions.

2016/17				2017/18		
Ongoing employees	Employees left in year	Total Employees	Remuneration Band	Ongoing employees	Employees left in year	Total Employees
13	1	**14**	£50,000-£54,999	15	1	**16**
6	0	**6**	£55,000-£59,999	5	0	**5**
4	1	**5**	£60,000-£64,999	2	1	**3**
4	0	**4**	£65,000-£69,999	1	0	**1**
0	0	**0**	£70,000-£74,999	2	0	**2**

1	0	**1**	£75,000-£79,999	1	0	**1**
1	0	**1**	£80,000-£84,999	0	0	**0**
0	0	**0**	£85,000-£89,999	1	0	**1**
1	0	**1**	£90,000-£94,999	1	0	**1**
0	0	**0**	£105,000-£109,999	1	2	**3**
0	0	**0**	£130,000-£134,999	0	1	**1**
30	2	**32**		29	5	**34**

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 2017/18 Winchester City Council contributed £46,200 towards the post (£41,600 in 2016/17).

The remuneration of the Head of Legal & Democratic Services includes payments that this officer received in his capacity as Returning Officer. These totalled £23,667 (including pension payments) for elections conducted during 2017/18 (£15,391 in 2016/17).

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

<u>Senior Officers' remuneration</u>
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 2017/18.

2017/18	**Salary**	**Taxable expenses & benefits**	**Pension Payments**	**Compensation for loss of office**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Chief Executive	108	1	15	0	125
Strategic Director: Services [1]	86	4	12	0	102
Strategic Director: Resources [1]	87	1	12	0	99
Head of Finance [2]	11	3	1	0	15

[1] Following restructuring the roles of *Corporate Director (Service Delivery)* and *Corporate Director (Professional Services)* were redesignated as *Strategic Director: Services* and *Strategic Director: Resources* respectively.

[2] The Head of Finance was Section 151 Officer until his departure in May 2017. The Head of Finance post has been removed from the establishment. The current Section 151 Officer is the Strategic Director: Resources.

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

[3] Former Chief Executive post holder from April 2016 to September 2016.

[4] Current Chief Executive post holder from January 2017 to March 2017.

[5] The salary paid included an additional £5,000, for performing the duties of the Interim Managing Director of the Council during the period September 2016 to January 2017.

[6] The post was vacant until the officer was appointed in July 2016.

[7] The Head of Finance started in May 2016 and performed the duties of the Section 151 Officer. During April and May 2016 this post (including Section 151 responsibilities) was performed by an Interim Head of Finance employed through an agency at a cost of £26,600.

24. 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.

2016/17 £000		2017/18 £000
56	Fees Payable to External Auditor with Regard to the External Audit Services Carried Out by the Appointed Auditor for the Year	56
8	Fees Payable to the External Auditor for the Certification of Grant Claims and Returns for the Year	11
64	**Total**	**67**

25. GRANT INCOME

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

Credited to Services:

2016/17 £000		2017/18 £000
(379)	Benefit Administration	(356)
(45)	Bus Service Operators Grant	(45)
(222)	Contributions	248
(112)	Council Tax Benefits	(134)
(732)	Developers' Contributions	(561)
(615)	Hampshire County Contributions	(441)
(41)	Leader Project Funding	(29)
(325)	Other Grants and Reimbursements	(163)
(109)	Other Service Specific Grants	(109)
(14,684)	Rent Allowance	(14,304)
(12,476)	Rent Rebates	(12,022)
(29,740)	**Total**	**(27,916)**

Credited to Taxation and Non Specific Grant Income

2016/17 £000		2017/18 £000
	Non Domestic Rates Income and Expenditure	
(22,948)	Retained Business Rates	(23,517)
1,439	Levy Payment	1,071
18,551	Tariff Payment	19,078
(149)	Share of (surplus)/deficit	442
(286)	S.31 Grants	(330)
(661)	Business Rate Relief Grants	(795)
(4,054)		(4,051)
	Capital Grants and Contributions	
(2,773)	Other Capital Grants and Contributions	(2,120)
(1,346)	Community Infrastructure Levy	(2,570)
(838)	Disabled Facilities Grant	(926)
(4,957)		(5,616)
	Non-Ringfenced Government Grants	
(248)	New Burdens Grant	(303)
(3,288)	New Homes Bonus	(2,666)
(1,142)	Revenue Support Grant	(510)
(4,678)		(3,479)
(13,689)	**Total**	**(13,146)**

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

31 Mar 17 £000		31 Mar 18 £000
	Grants and Contributions in Advance	
(1,078)	Developers' Contributions - Social Housing	(361)
(803)	Developers' Contributions - Open Spaces	(690)
(63)	Developers' Contributions - Whiteley	(63)
(1,225)	Developers' Contributions - West of Waterlooville	(2,733)
(28)	Developers' Contributions - Barton Farm	(9)
0	Developers' Contributions - The Dean Alresford	(48)
(153)	St. Catherine's Hill Nature Reserve	(147)

(331)	Open Spaces Commuted Payments	(318)
(65)	Supporting Troubled Families	(43)
(10)	Other	(10)
(3,756)	**Total**	**(4,422)**

26. 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 and 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 25.

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 2017/18 (and 2016/17) are shown in Note 22. During 2017/18 no members declared a material related party interest with the Council. 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 2017/18 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.

27. 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.

2016/17			2017/18	
£000	£000		£000	£000
	162,795	**Opening Capital Financing Requirement**		**170,221**
		Capital Expenditure		
22,772		Property, Plant and Equipment	25,791	
556		Investment Properties	116	
7		Intangible Assets	18	
630		Revenue Expenditure Funded from Capital Under Statute	879	
	23,965			**26,804**
		Sources of finance		
(1,077)		Capital Receipts	(2,942)	
(3,288)		Government Grants and other contributions	(2,903)	
(6,065)		HRA Major Repairs Reserve	(6,654)	
(4,463)		HRA Revenue	(4,969)	
(586)		GF Reserves	(899)	
	(15,479)			**(18,367)**
	8,486	**Unfinanced capital expenditure in year**		**8,437**
	(429)	Statutory provision for the financing of capital investment		(415)

(631)	Voluntary provision for the financing of capital investment	(1,029)
170,221	**Closing Capital Financing Requirement**	**177,214**
	Explanation for Movement in year	
7,426	Increase/(decrease) in underlying need to borrow	6,993

28. 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:

2016/17 £000		2017/18 £000
803	Vehicles Plant and Equipment	482

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

2016/17 £000	Finance Lease Liabilities (net present value of minimum lease payments)	2017/18 £000
334	- Current	342
515	- Non-Current	174
24	Finance Costs Payable in Future Years	9
874	**Minimum Lease Payments**	**525**

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

	Minimum Lease payments 2017/18 £000	Finance Lease Liability 2017/18 £000
Not later than one year	350	342
Later than one year but not later than five years	175	174
	525	**516**

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 2017/18 was £547,500 (£590,650 in 2016/17).

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

2016/17 £000		2017/18 £000
392	Due within one year	375
486	Due later than one year and not later than five years	441
311	Due after five years	259
1,188	**Total future minimum lease rentals payable**	**1,075**

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:

2016/17 £000		2017/18 £000
2,768	Due within one year	2,237
8,796	Due later than one year and not later than five years	8,516
76,026	Due after five years	74,502
87,590	**Total future minimum lease rentals receivable**	**85,255**

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, contingent rents are not material.

29. TERMINATION BENEFITS AND EXIT PACKAGES

The Council terminated the contracts of 11 employees, incurring liabilities (for compensation for loss of office; employer's pension contributions for enhanced benefits; and other costs) in 2017/18 of £586,115 (£60,150 in 2016/17).

2016/17				2017/18		
Compulsory Redundancy	Other Termination	Amount Paid (£)	Total Package	Compulsory Redundancy	Other Termination	Amount Paid (£)
0	3	29,314	£0 - £20,000	0	6	66,966
0	1	30,836	£20,001 - £40,000	0	1	35,894
0	0	0	£60,001 - £80,000	1	0	68,812
0	0	0	£80,001 - £100,000	1	0	86,302
0	0	0	£100,001 - £120,000	0	1	115,374
0	0	0	£200,001 - £220,000	1	0	212,767
0	**4**	**60,150**		**3**	**8**	**586,115**

30. 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:

2016/17 £000		2017/18 £000
	Included in the Cost of Services	
2,790	Current Service Cost	3,880
160	Past Service Cost	280
0	Settlement Cost	0
	Included in Financing and Investment Income and Expenditure	
1,670	Net Interest on the Net Defined Benefit Liability	1,430
	Included in Other Comprehensive Income and Expenditure	
4,150	**Remeasurement of the Net Defined Benefit Liability**	**3,330**
8,770	Total **Included in Comprehensive Income and Expenditure**	8,920
	Included in the Movement in Reserves	
(4,620)	Removal of Notional Charges Made for Retirement Benefits	(5,590)
2,820	**Inclusion of Actual Employer's Contributions Payable**	**3,220**
(**1,800)**	Total **Included in the Movement in Reserves**	(**2,370)**
	Actual Employer's Contributions Charged Against Council Tax	
2,460	Normal Funded Contributions	2,750
160	Lumps Sums for Early Retirements	280
200	**Discretionary / Unfunded Added Years**	**190**
2,820	**Total Amount Charged to Council Tax**	**3,220**

Assets and liabilities in relation to post-employment benefits

The movement in scheme liabilities was:

2016/17 Funded Liabilities £000	2016/17 Unfunded Liabilities £000		2017/18 Funded Liabilities £000	2017/18 Unfunded Liabilities £000
(138,390)	**(2,810)**	**Opening Present Value of Liabilities**	**(163,820)**	**(2,710)**
(2,790)	0	Current Service Cost	(3,880)	0
(4,650)	(90)	Interest Expense on Benefit Obligation	(4,210)	(70)
(820)	0	Contributions by Scheme Participants	(870)	0
(28,010)	(200)	Actuarial Gains / (Losses) - Financial Assumptions	(2,810)	(20)
1,770	70	Actuarial Gains / (Losses) - Demographic Assumptions	0	0
5,000	120	Actuarial Gains / (Losses) - Experience	(920)	(30)
4,230	200	Net Benefits Paid Out	4,580	190
(160)	0	Past Service Cost	(280)	0
0	**0**	**Settlements**	**0**	**0**
(163,820)	**(2,710)**	**Closing Present Value of Liabilities**	**(172,210)**	**(2,640)**

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

2016/17 £000		2017/18 £000
90,740	**Opening Fair Value of Assets**	**110,120**
3,070	Interest Income on Assets	2,850
820	Contributions by Scheme Participants	870
2,620	Contributions by the Employer	3,030
17,100	Remeasurement Gains / Losses on Assets	450

(4,230)	Net Benefits Paid Out	(4,580)
110,120	**Closing Fair Value of Assets**	**112,740**

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 2017/18 was £3.3 million (£20.17 million in 2016/17).

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 2019 is £5.72 million (£5.65 million for funded benefits and £0.07 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 2016. 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 2016/17 £000	**Unfunded Benefits 2016/17 £000**		**Funded Benefits 2017/18 £000**	**Unfunded Benefits 2017/18 £000**
		Principal Financial Assumptions		
2.6%	2.6%	Rate for Discounting Scheme Liabilities	2.6%	2.6%
3.1%	3.1%	RPI Inflation Rate	3.2%	3.2%
2.0%	2.0%	CPI Inflation Rate	2.1%	2.1%
2.0%	2.0%	Pension Increases	2.1%	2.1%
2.0%	-	Pension Accounts Revaluation Rate	2.1%	-
3.5%	-	Rate of General Increases in Salaries	3.6%	-
		Mortality Assumptions		
		Future lifetime from 65 for members aged 65 at 31 Mar 17		
24.0	24.0	Males	24.1	24.1
27.0	27.0	Females	27.2	27.2
		Future lifetime from 65 for members aged 45 at 31 Mar 17		
26		Males	26.2	
29.3		Females	29.4	
		Take Up of Option to Commute Pension to Lump Sum		
70%		All Service (inc pre-2008 Service)	70%	

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

2016/17 £000				2017/18 £000		
Quoted	**Unquoted**	**Total**		**Quoted**	**Unquoted**	**Total**
56.8%	3.5%	60.3%	Equities	58.5%	4.1%	62.6%
0.5%	6.0%	6.5%	Property	0.7%	6.3%	7.0%
25.0%	0.2%	25.2%	Government Bonds	23.5%	0.2%	23.7%
1.4%	0.0%	1.4%	Corporate Bonds	1.0%	0.0%	1.0%
3.4%	0.0%	3.4%	Cash	2.6%	0.0%	2.6%
87.1%	12.9%	100.0%		86.5%	13.5%	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 2018.

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 2018	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	169,050	-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	172,800	0.4%	4,140	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	174,810	1.5%	4,270	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	177,270	2.9%	4,290	3.6%

31. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council has adopted CIPFA's Code of Practice on Treasury Management and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2017).

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 Ministry for Housing Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

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 A-, 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 entities 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 £20m in total can be invested for a period longer than one year.

The credit quality of £12m 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 investment portfolio by credit rating:

Long Term 31/03/2017 £000	Short Term 31/03/2017 £000	Credit Rating	Long Term 31/03/2018 £000	Short Term 31/03/2018 £000
4,189	6,004	AAA	7,367	5,128
0	0	AA+	0	0
0	0	AA	0	0
0	500	AA-	0	1,900
0	2,093	A+	0	4,126
0	5,508	A	0	3,006
0	1,059	A-	0	0
0	2,041	AAA Money Market Funds	0	941
0	18,024	Unrated local authorities	5,002	7,522
7,289	0	Unrated pooled funds	5,504	0
11,477	**35,229**	**Total Investments**	**17,872**	**22,624**

Credit Risk: Trade Receivables

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

31 Mar 17 £000		31 Mar 18 £000
1,225	Less than 3 months	2,321
633	Three months to one year	627
1,566	More than one year	1,904
3,424		**4,852**

The following analysis summarises the Council's maximum exposure credit risk, based on experience of the level of default on trade debtors.

31 Mar 17 £000		31 Mar 18 £000
3,424	Trade Debtors	4,852
(780)	Trade Debtors impairment allowance	(877)
2,644		**3,975**

Liquidity Risk

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

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

31 Mar 17 £000		31 Mar 18 £000

0	2-5 years	5,000
30,000	6- 10 years	35,000
60,000	11-20 years	50,000
20,000	21-30 years	20,000
20,000	31-40 years	20,000
26,722	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 interest rate would have the following effects:

- borrowings at variables 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 2018, all the net principal borrowed (i.e. debt net of investments) was exposed to fixed rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	(370)
Impact on Surplus or Deficit on the Provision of Services	(370)
Decrease in fair value of available for sale financial assets	91
Impact on Comprehensive Income and Expenditure	91

The approximate impact of a 1% fall in interest 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.

32. ACCOUNTING POLICIES

32.1 General Principles

The Financial Statements summarise the Council’s transactions for the 2017/18 financial year and its position at 31 March 2018. 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 2017/18, 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.

32.2 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.

32.3 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.

32.4 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).

32.5 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.

32.6 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.

32.7 Council Tax and Non-domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

32.8 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 2017/18 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.

32.9 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.

32.10 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.

32.11 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.

32.12 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.

Community Infrastructure Levy
The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges for this authority may be used to fund revenue expenditure.

32.13 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 32.20).

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 32.20).

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 32.20 and 32.2).

32.14 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.

32.15 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.

32.16 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.

32.17 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.

32.18 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.

32.19 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

32.20 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).

Deprecation 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.

32.21 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.

32.22 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.

32.23 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.

32.24 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.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE FOR YEAR ENDED 31 MARCH 2018

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).

2016/17 £000		Note	2017/18 £000
	Income		
(26,380)	Dwelling Rents		(26,111)
(1,124)	Non-Dwelling Rents		(1,148)
(1,781)	Charges for Services and Facilities		(1,841)
(29,285)	Total Income		(29,100)
	Expenditure		
4,156	Repairs and Maintenance		3,951
6,396	Supervision and Management		6,858
408	Rents, Rates, Taxes and Other Charges		386
6,042	Depreciation and Impairment of Non-Current Assets	**H5**	6,640
(27,611)	Revaluation Gains on Property, Plant and Equipment	**H5**	(25,796)
25	Amortisation of Intangible Assets	**H5**	15
20	Debt Management Costs		25
(10,564)	Total Expenditure		(7,921)
(39,849)	**Net Income of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement**		**(37,021)**
138	HRA share of Corporate and Democratic Core		130
28	HRA share of other amounts included in the whole Council Net Expenditure of Continuing Operations but not allocated to Specific Services		47
(39,683)	**Net Income of HRA Services**		**(36,844)**
(2,895)	Net Gain on Sale of HRA Non-Current Assets		(1,557)
(7)	Changes in Fair Valuations on Investment Properties		(59)
5,168	External Interest Payable		5,168
(569)	Capital Grants and Contributions		(1,029)
(37,986)	**Surplus for year on HRA Services**		**(34,321)**

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

2016/17				2017/18	
£000	**£000**		**Note**	**£000**	**£000**
	(37,986)	**Surplus for the year on the Housing Revenue Account**			**(34,321)**
		Adjustments between Accounting Basis and Funding Basis under Statute:			
		-			
(36)		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		(34)	
11		Reversal of Items Relating to Retirement Benefits and Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	**H1**	(182)	
27,618		Reversal of Revaluation Gains on Property, Plant and Equipment and Movements in the Market Value of Investment Properties		25,855	
2,895		Net Gain on Sale of Non-Current Assets		1,557	
4,463		Capital Expenditure Funded from the HRA		4,969	
569		Reversal of Capital Grants and Contributions		1,029	
(48)		Contribution from the Capital Receipts Reserve towards Administrative costs of Non-Current Asset Disposals		(20)	
(6,042)		Charges for Depreciation and Impairment of Non-Current Assets		(6,640)	
(25)		Amortisation of Intangible Assets		(15)	
6,067		Transfer to Major Repairs Reserve		6,655	
	35,472				33,174
	(2,514)	**Net increase in HRA Balance before transfers to or from Reserves**			**(1,147)**
	631	Transfer to Capital Adjustment Account for Debt Repayment			1,029
	(1,883)	Increase in HRA Balance			(118)
	(7,115)	Housing Revenue Account Surplus Brought Forward			(8,998)
	(8,998)	**Housing Revenue Account Surplus Carried Forward**			**(9,116)**

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.

2016/17 £000		2017/18 £000
(6,067)	HRA Depreciation	(6,655)
(6,067)	Net Charge to HRA	(6,655)
6,065	HRA Capital Financed	6,654
(2)	Movement in Year	(1)
(11)	Balance Brought Forward at 1 April	(13)
(13)	Balance Carried Forward at 31 March	(14)

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 17		31 Mar 18
864	Bungalows	863
1,919	Flats & Maisonettes	1,925
2,240	Houses	2,235
11	Shared ownership	13
5,034		5,036

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

31 Mar 17 £000		31 Mar 18 £000
	Operational Assets	
391,061	Dwellings	418,596
9,251	Other Land and Buildings	10,078
38	Vehicles Plant Furniture and Equipment	30
3,233	Infrastructure	3,227
14	Community Assets	14
13,150	Assets Under Construction	21,817
54	Intangibles	39
416,801		453,801
	Non-Operational Assets	
2,750	Investment Properties	2,710
419,551	Total value	456,511

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 2017/18 was 33% (2016/17 - 33%) with the exception of affordable housing for which was valued at its existing use. The valuation for existing use for social housing, which is the value held in the Statement of Accounts, was £419 million at 31 March 2018 (£391 million at 31 March 2017) and the vacant possession value was £1,256 million (£1,180 million at 31 March 2017).

H4. CAPITAL EXPENDITURE AND RECEIPTS

2016/17 £000	2016/17 £000		2017/18 £000	2017/18 £000
	157,353	**Opening Capital Financing Requirement**		**162,051**
		Capital Expenditure		
9,684		Dwellings	7,331	
62		Infrastructure	142	
9,232		Assets Under Construction	11,550	
	18,978	**Expenditure in year**		**19,023**
		Financed by		
(518)		Capital Receipts	(2,421)	
(6,065)		Major Repairs Reserve	(6,654)	
(4,463)		Contributions from Revenue	(4,969)	
(2,603)		Grants and Contributions	(1,979)	
	(13,649)			**(16,023)**
	5,329	**Unfinanced Capital Expenditure in Year**		**3,000**
	(631)	Voluntary Financing of Capital Investment		(1,029)
	162,051	**Closing Capital Financing Requirement**		**164,022**
		Capital Receipts		
		Operational Assets		
	(4,250)	Dwellings		(2,092)
	(641)	Other		0
	(4,891)	**Total**		**(2,092)**

33. H5. DEPRECIATION AND IMPAIRMENT

2016/17 £000		2017/18 £000
	Depreciation	
5,636	Dwellings	6,231
224	Other Land and Buildings	227
8	Vehicles, Plant, Furniture and Equipment	8
174	Infrastructure	174
6,042	Total Depreciation	6,640
	Amortisation	
25	Intangibles	15
25	Total Amortisation	15
	Revaluation Below Historic Cost	
(27,536)	Dwellings	(25,104)
(75)	Other Land and Buildings	(692)
(27,611)	Total	(25,796)

(27,611) (25,796)

As at the 1 April 2007 a new fixed assets accounting system was adopted by local government and property values at that date were deemed to be historic cost. In 2008/09, the market value of the properties dropped below the 1 April 2007 values resulting in costs being charged to the Comprehensive Income & Expenditure Statement in line with standard accounting practice. During 2010/11 Dwelling market values increased but Central Government reduced the percentage to be applied to valuing social housing from 45% to 32%, resulting in a downward revaluation of £104.0 million. Since then, the social housing factor remained at 32% until 2016/17 when it increased to 33%. The value of dwellings has increased in 2017/18, by £25.104m, reducing the overall reduction to the 2007/08 historic cost as set in April 2007. The 2017/18 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.

34. H6. RENT ARREARS

31 Mar 17 £000		31 Mar 18 £000
532	Rent Arrears	565
(290)	Provision for Bad Debts	(310)
242	Anticipated Collectable Arrears	255

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2018

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.

	2016/17				**2017/18**	
Business Rates £000	**Council Tax £000**	**Total £000**	Income	**Business Rates £000**	**Council Tax £000**	**Total £000**
0	(71,346)	(71,346)	Council Tax Receivable	0	(75,538)	(75,538)
(55,548)	0	(55,548)	Business Rates Receivable	(58,078)	0	(58,078)
(55,548)	0	(55,548)	Business Rates Receivable	(58,078)	0	(58,078)
(55,548)	**(71,346)**	**(126,894)**		**(58,078)**	**(75,538)**	**(133,616)**
			Expenditure			
			Precepts and Shares			
28,406	0	28,406	Central Government	29,138	0	29,138
5,113	50,548	55,661	Hampshire County Council	5,245	54,156	59,401
22,725	9,483	32,208	General Fund (WCC)	23,310	10,048	33,358
568	2,932	3,500	Fire and Rescue Authority	583	3,051	3,634
0	7,515	7,515	Police Authority	0	7,908	7,908
			Distribution of Previous Year Surplus			
(3,271)	0	(3,271)	Central Government	745	0	745
(589)	711	122	Hampshire County Council	134	799	933
(2,617)	103	(2,514)	General Fund (WCC)	596	80	676
(65)	42	(23)	Fire and Rescue Authority	15	46	61
0	108	108	Police Authority	0	119	119
			Charges to Collection Fund			
35	0	35	Interest due to ratepayers on refunds	4	0	4
577	(24)	553	Less Write-Off of Uncollectable Amounts	176	32	208
(371)	101	(270)	Allowance for Impairment	106	28	134
(2,528)	0	(2,528)	Provision for Appeals	1,736	0	1,736
199	0	199	Cost of Collection	198	0	198
167	0	167	Transitional Protection Payment	(1,642)	0	(1,642)
286	0	286	Renewable Energy cost	330	0	330
48,635	**71,519**	**120,154**		**60,674**	**76,267**	**136,941**
(6,913)	**173**	**(6,740)**	(Surplus) / Deficit Arising During the Year	**2,596**	**729**	**3,325**
6,028	**(764)**	**5,264**	Opening Fund Balance at 1 April	**(885)**	**(590)**	**(1,475)**
(885)	**(591)**	**(1,476)**	Closing Fund Balance at 31 March	**1,711**	**139**	**1,850**

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 £1,644.20) is then multiplied by the proportion specified for the particular band to give an individual amount due. For 2017/18, 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	1,826.31	6/9	1,217.54
B	5,537.35	7/9	4,306.83
C	10,409.96	8/9	9,253.30
D	5,212.29	1	5,212.29
E	7,886.45	11/9	9,639.00
F	6,145.96	13/9	8,877.49
G	4,997.57	15/9	8,329.29
H	615.08	18/9	1,230.17
Ministry of Defence			351.76
	42,633.72		48,067.43
Less adjustment for collection rates			(624.88)
			47,794.31

C2. NON-DOMESTIC RATES (NDR)

For 2017/8, the standard Non Domestic Rate multiplier was 47.9p (49.7p in 2016/17) and the small business multiplier was 46.6p (48.4p in 2016/17). The total estimated non-domestic rateable value in the district as at 31 March 2018 was £151.3 million (£135.4 million as at 31 March 2017).

C3. SHARE OF ESTIMATED COLLECTION FUND (SURPLUS) / DEFICIT

	2017/18 Business Rates £000	Council Tax £000	Total £000
City Council Share - Collection Fund Adjustment Account	684	18	702
Preceptors' Share - Included within Debtors	1,027	121	1,148
Closing Fund balance as at 31 March 2018	**1,711**	**139**	**1,850**

	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)
Closing Fund balance as at 31 March 2017	**(885)**	**(591)**	**(1,476)**

ANNUAL GOVERNANCE STATEMENT 2017/18

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 2018 and up to the date of approval of the Statement of Accounts.

3. The Principles of Good Governance

3.1 The CIPFA/SOLACE framework Delivering Good Governance in Local Government sets out seven core principles of good governance, these are:

Principle 1 – Behaving with integrity, demonstrating strong commitment to ethical values

Principle 2 – Ensuring openness and comprehensive stakeholder engagement

Principle 3 – Defining outcomes in terms of sustainable economic, social and environmental benefits

Principle 4 – Determining the interventions necessary to optimise the achievement of the intended outcomes

Principle 5 – Developing the entity's capacity, including the capability of its leadership and the individuals within it

Principle 6 – Managing risks and performance through robust internal control and strong public financial management

Principle 7 – Implementing good practices in transparency, reporting, and audit to deliver effective accountability

4. **Methodology for preparing the Annual Governance Statement**

4.1 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 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 the spring 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 the Summer and is signed off by the Chief Executive or Section 151 officer and Leader of the Council.

5. **The Governance Framework**

5.1 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

5.2 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.

5.3 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.

5.4 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.

5.5 The Council engages with its communities through a number of channels, including community planning, consultation events, surveys and campaigns relating to specific initiatives.

5.6 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 service plans. More detailed business plans are drawn up by teams across the Council, with objectives 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.

5.7 Progress against the Council Strategy outcomes and budgets is monitored regularly by the Executive Leadership Board and Portfolio Holders. The Overview and Scrutiny Committee receives quarterly 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. Cabinet committees oversee the implementation of the Council's three major projects, ensuring that they are managed effectively and in particular to monitor progress of each project against the planned timetable.

5.8 The Council has an officer Strategic Leadership Team to monitor financial performance, service performance, progress on key corporate projects and risk management and to oversee the implementation of recommendations from Internal Audit reports.

5.9 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.

5.10 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.*

5.11 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.

6. **Review of effectiveness**

6.1 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.

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

6.3 The Council has appointed the Strategic Director: Resources as the Section 151 officer with the statutory responsibility for the proper administration of the Council's financial affairs. CIPFA/SOLACE advises that the S151 officer should report directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. The Strategic Director: Resources is a member of the Executive Leadership Team.

6.4 The Council has appointed the Head of Legal 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.

6.5 All Cabinet reports are reviewed by the S151 and Monitoring Officer. All reports to Cabinet are required to demonstrate how the matter links to the Council Strategy 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.

6.6 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.

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

6.8 Key roles in maintaining and reviewing the effectiveness is undertaken by:

The Council	collectively responsible for the governance of the Council and the full Council is responsible for agreeing the Constitution, policy framework and budget. Manages risk in making operational and governance decisions together with proposing and implementing the policy framework, budget and key strategies.
The Cabinet	receives regular monitoring reports on revenue and capital expenditure and performance.
Audit Committee	approves the annual audit plan, 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.
External Audit	external audit is provided by Ernst Young LLP. Whilst the external auditors are not required to form an opinion on the effectiveness of the Council's risk and control procedures, their work does give a degree of assurance following the annual audit of the Council's financial accounts.
Internal Audit	The Southern Internal Audit Partnership provide the Council with an internal audit service which 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 Risk 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. There is a requirement for internal audit to undertake an annual self assessment and independent external assessment every five year. Any areas of non-conformance must be reported as part of their annual report and opinion. In the light of feedback we have concluded that internal audit is an effective part of the Council's governance arrangements.

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 –** ensuring that the Council maintains the assets within its portfolio in accordance with the Asset Management Plan.
- **Contract Management** – ensuring that the Council has robust contract management procedures and maintains a comprehensive contract register.
- **Project Governance and Reporting** – ensuring that the Council follows a robust set of processes, procedures and responsibilities that define the establishment, management and control of projects and programmes.

8. Assurance Summary

8.1 Good governance is about operating 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. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the effective delivery of good quality services that meet the needs of the users. It is fundamental to demonstrating that public money is well spent. Without good governance, the Council would find it difficult to operate services successfully.

8.2 The Internal Audit Opinion for 2017/18 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.

No.	Issue	Actions	Lead Officer	Target Date	Method of Assurance
1	**Asset Management** – the need to ensure that the Council has the capacity and skills to deliver the approved Asset Management Plan.	Regular monitoring and reporting of the progress against the actions in the Asset Management Action Plan to be undertaken.	Corporate Head of Asset Management	Ongoing	Progress report to Overview & Scrutiny
		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)	Corporate Head of Asset Management	Audit to be carried out during Q2 of 2018/19	Internal Audit Report
2	**Project Governance and Reporting** – ensuring that each of the Council's significant projects follow the agreed project governance policy.	Refresh the progress monitoring reports for the Council's significant projects	Strategic Director: Resources	June 2018	Published monitoring reports
		Agree the governance arrangements for managing the Councils significant projects and set out in a new Project Governance Policy	Strategic Director: Resources	September 2018	LGA Peer Review follow-up/ Internal Audit Report
		Ensure that all significant projects follow the arrangements as set out in the Project Governance Policy.	Strategic Director: Resources	October 2018	LGA Peer Review follow-up/ Internal Audit Report
		Internal Audit scheduled to take place in Q3 2018/19 covering Programme and Project Management. This audit was deferred from the 2017/18 Audit Plan	Strategic Director: Resources	December 2018	Final audit report
3	**Contract Management** – ensuring that the Council maintains a comprehensive, publicly accessible contract register, following its own contract procedure rules.	Ensure that a comprehensive contract register of all contracts over £5,000 is maintained and available to the public.	Strategic Director: Resources	Ongoing	Published Contract Register
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	Strategic Director: Resources	October 2017	Follow-up review in September 2018

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Accounting Policies – are the specific policies and procedures used by the Council to prepare its financial statements. The accounting policies include methods, measurement systems and procedures for presenting information in the financial statements.

Accruals – is the concept that income and expenditure is recognised as it is earned or incurred, not as money is received or paid. An accrual is an expense or revenue item incurred in a period for which no invoice or payment changed hands in that period.

Actuary – a professional that provides valuations of defined benefit pension schemes. The valuation the actuary calculates the pension fund's assets and measures them against its liabilities.

Actuarial Gains and Losses – 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.

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 intangible asset's value over its useful life.

Asset – is a resource with economic value that the Council controls with the expectation that it will bring future benefit.

Assets Under Construction – represents construction work in progress, assets remain in such an account until they are put in service, at which time the costs of the assets are transferred into the respective property, plant and equipment accounts.

Available for Sale Financial Assets/ (Financial Instruments) –are investments that do not qualify as loans and receivables, they are investments purchased with the intent of being sold before they reach maturity.

Budget – prior to the start of each financial year, the Council is required to set a budget for its expenditure. It is a legal requirement of the Council to set a balanced budget, i.e. expenditure cannot be more than the Council's income.

Available for Sale Financial Instruments Reserve – represents the cumulative gains and losses arising on the revaluation of available for sale financial instruments that have been recognised in the Council's Comprehensive Income and Expenditure Statement.

Business Improvement District – is a defined area in which a levy is charged to all business rate payers in addition to the business rates bill. The levy is used to develop projects which will benefit businesses in the local area.

Business Rates – is the commonly used name of non domestic rates (NDR), business rates are a tax on local business properties, the tax is set by central government but collected by local authorities.

Capital Adjustment Account – is 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 Allowance –is a provision which avoids the need for pooling non right-to-buy housing capital receipts.

Capital Charges – charges to revenue accounts to reflect the cost of long-term assets used in the provision of services. This includes the repayment of debt and the charge for depreciation.

Capital Commitment – this is future capital expenditure that the Council has committed to at some time in the future which has not yet become an actual liability.

Capital Expenditure – 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.

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

Capital Grants and Contributions Unapplied – this reserve holds capital grants and contributions, that do not have outstanding conditions, but which have not yet been used to finance expenditure.

Capital Investment – this refers to expenditure on long-term assets.

Capital Programme – is the Council's expenditure plan on agreed capital schemes, showing the total cost of schemes and the projected phasing over current and future financial years.

Capital Receipts – are 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 7 days and are convertible to known amounts of cash with insignificant risk of change in value.

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

Community Asset – is a category of long-term asset that the Council intends to hold in perpetuity, that has no determinable useful life and that may have restrictions on disposal. Examples of community assets held by the Council are: parks; and community buildings.

Components – are significant parts of property, plant and equipment that are separately identified for depreciation.

Contingent Asset – a potential asset/ that is uncertain because it depends on an outcome of a future event not under the Council's control.

Contingent Liability – is a potential liability that may occur, depending on the outcome of an uncertain future event.

Corporate Bonds - Are debt securities issued by a corporation to raise funds and sold to investors.

Council Tax - is a local tax levied by local authorities on domestic properties.

Community Infrastructure Levy (CIL) – is a planning charge on new development which is used to help deliver infrastructure.

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

Credit Rating – is a method of measuring the creditworthiness of a debt issuer.

Credit Risk – is the risk that a borrower may not repay a loan.

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

Current Liability – is 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.

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

Deferred Capital Receipts Reserve – this reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has not yet taken place.

Defined Benefit Scheme (Pensions) - 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.

Decent Home Standard – is a measure of general housing conditions introduced by the Government, it is a minimum standard that triggers action to improve social housing.

Depreciated Replacement Cost (DRC) – is a cost based method of arriving at a value for specialised assets that are generally held for the continuing use of their service potential and for which a market value cannot be obtained.

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.

Developers Contributions - also known as S106 contributions are paid by developers to contribute towards the cost of additional infrastructure needed as a result of new developments.

Discounting – is the process of determining the present vale of future payments.

Discretionary Benefits (Pensions) – are retirement benefits for which the employer has no legal, contractual or constructive obligation. 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 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 which is the Council's estimate of debt that will not be collected.

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

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.

Equity Instrument – is a financial instrument that demonstrates an ownership interest in a business.

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.

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.

Existing Use Value (EUV) – is a measure of fair value for land and buildings, it is the amount that would be paid for the asset in its existing use.

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

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 Costs – are the costs of borrowing money

Finance Lease – a lease where substantially all of the risks and rewards of ownership of a fixed asset are transferred to the lessee.

Financial Instruments - are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

General Fund/ General Fund Balance – the general fund is the main revenue fund from which the cost of services is met. The accounts include separate funds for the Housing Revenue Account and the Collection Fund. The general fund balance is the accumulated credit balance on the general fund. It is the excess of income over expenditure after adjusting for movements to and from other reserves and other non cash items. The level of this balance is kept under review and considered in the light of a number of factors concerning the Council's level of exposure to risk and particularly to changes in income and expenditure.

Government Bonds – are UK Government sterling denominated bonds issued by HM Treasury in order to finance public expenditure, they are also known as gilts. The term gilt (or gilt-edged) is a reference to the primary characteristic of gilts as an investment - their security. They 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.

Government Grants – are government assistance in either in the form of cash or of a transfer of assets. Grants either attract a condition or a restriction. Conditions are 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 (in Advance) – are grants and contributions received in advance of expenditure taking place and which have conditions on their use that might require the Council to return them to the contributor.

Heritage Assets – are a category of long-term assets with cultural, environmental or historical qualities principally held and maintained for their contribution to knowledge and culture.

International Accounting Standards 19 (IAS 19) Adjustments – IAS 19 outlines the accounting requirements for employee benefits including post-employment benefits. The adjustments represent the removal of employer pension contributions and replacing them with the current service cost and past service cost.

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

Infrastructure Assets - are a category of long-term assets that cannot be taken away or transferred and whose benefits can only be obtained 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, but have no physical substance (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.

International Financial Reporting Standards (IFRS) – are a set of international accounting standards that govern the accounting treatment and reporting of transactions in financial statements.

Inventories – are assets in the form of materials or supplies to be consumed in a production process or rendering of services.

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

Lessee – is an entity that holds an agreement that allows the use of an asset for a period of time in exchange for a payment or series of payments.

Lessor – is an entity that leases an asset to a lessee.

Liabilities – are the Council's debts and obligations.

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

Long-Term Assets –is 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 after the balance sheet date.

Long-Term Borrowing –is the total of loans repayable after more than one year of the Balance Sheet date.

Long-Term Debtor – is 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 more than one year of the Balance Sheet date.

Major Repairs Reserve – This is a statutory reserve used to finance the HRA capital program.

Materiality – relates to the significance of transactions and balances contained in the financial statements.

Monitoring Officer – this is a statutory role; this officer is responsible for ensuring that the Council operates within the law.

Net Assets –is the amount by which the total assets exceed the total liabilities in the Balance Sheet.

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

Net Current Replacement Cost – is the cost of replacing or recreating the particular asset in its existing condition and in its existing use.

Non Current Asset – an asset which is not expected to be consumed within one year of the balance sheet date.

Non Domestic Rates – also known as Business Rates, this is a tax on local business properties, the tax is set by the government but collected by local authorities.

Non Ring-fenced Government Grants – grant monies paid by the government to support the Council's general expenditure.

Operating Leases – this is a lease contract that allows for the use of an asset but does not convey rights of ownership of the asset.

Overheads – are indirect costs which cannot be directly attributed to a service.

Portfolio/ Portfolio Holder – portfolios are groupings of services determined by members of the Council. A member of the Council's Cabinet is responsible for each of the portfolios and is the portfolio holder.

Past Service Cost (Pensions) – is 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.

Pension Scheme Liability – is the difference between the total amount due to be paid to retirees and the assets available to meet those payments.

Pension Reserve – an unusable reserve that reflects the net liability/asset in the pension fund.

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

Prior Period Adjustment – is an adjustment that arises from a change in accounting policies or to correct a material error. Prior period figures are corrected by amending opening balances and comparative amounts for the prior period.

Property, Plant and Equipment (PPE) –are tangible long-term assets that are used in the provision of services and are expected to be used for more than one year.

Provision – is where the Council has a probable but uncertain economic obligation, and an estimate of that obligation is set aside to meet a future liability.

Provision for Non Domestic Rates Appeals - Local Authorities are liable for the cost of refunds from successful appeals against business rates valuations. A provision is recognised as an estimate of the Council's proportionate share of the potential liability.

Provision for the Financing of Capital Investment - Council's are required to set aside a prudent amount of revenue each year for the repayment of debt (as measured by the underlying need to borrow, rather than actual debt). This is also known as the Minimum Revenue Provision.

Public Works Loan Board (PWLB) – is a government body that issues central government loans to local authorities.

Remuneration – are 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 monetary value of any other non-cash benefits.

Rent Allowances –are housing benefit payments relating to property rents where the Council is not the landlord.

Rent Rebates – are housing benefit payments relating to property rents where the Council is the landlord.

Residual Value - is the amount that the council expects to receive for an asset at the end of its useful life less any anticipated disposal costs.

Retirement Benefits – are 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.

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,

Revenue Expenditure Funded from Capital under Statute (REFCUS) – this is expenditure which may properly be capitalised in accordance with statute but where no tangible long-term asset is created.

Revenue Support Grant (RSG) – is a general government grant that is not ring-fenced. It is based on the Government's assessment of the Council's spending need, its receipt from NDR and its ability to generate income from Council Tax.

Scheme Liabilities (Pensions) – the liabilities of the defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities are measured using the projected unit method and reflect the costs of future benefits that the employer is committed to providing for.

Section 151 Officer – this is a statutory role, every local authority is required to make arrangements for the proper administration of its financial affairs; the Council's S151 officer has the responsibility for the administration of those affairs.

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 within one year of the Balance Sheet date.

Short-Term Creditor – is an individual or body to whom the Council owes money that is due for payment within one year of the balance sheet date.

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

Short-Term Investments – are financial instruments with maturity dates within one year of the Balance Sheet date.

Soft Loan – is a loan with a rate of interest that is below the market rate.

Straight Line Basis – a method used to apportion an expense equally over the applicable 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.

Trading Account – is a separate account prepared to determine the gross profit or loss of a business concern.

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

Unrealised Gains and Losses – are movements in the value of an asset but the assets have yet to be sold.

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.

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.

	2017/18
	£000
Chargeable Costs	554
Chargeable Income	(462)
Net (surplus) or deficit	**93**
Building Control Earmarked Reserve (surplus brought forward)	(34)
Deficit carried over to 2018/19	**59**

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 Strategic Director (Resources), being the acting responsible officer under Section 151 of the Local Government Act 1972(4).

Signature: ……………………………………………… Date: 31 May 2018

Joseph Holmes
Strategic Director: Resources, 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:

	2017/18
	£000
Income from charges under regulation 8 (answering queries)	332

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

Signature: ……………………………………………… Date: 31 May 2018

Joseph Holmes
Strategic Director (Resources), Section 151 Officer