



Meeting	Audit and Governance Committee
Date and Time	Thursday, 20th July, 2023 at 6.30 pm.
Venue	Walton Suite, Winchester Guildhall

Note: This meeting is being held in person at the location specified above. Members of the public should note that a live video feed of the meeting will be available from the council's YouTube channel ([youtube.com/WinchesterCC](https://www.youtube.com/WinchesterCC)) during the meeting.

A limited number of seats will be made available at the above named location however attendance must be notified to the council at least 3 working days before the meeting. Please note that priority will be given to those wishing to attend and address the meeting over those wishing to attend and observe.

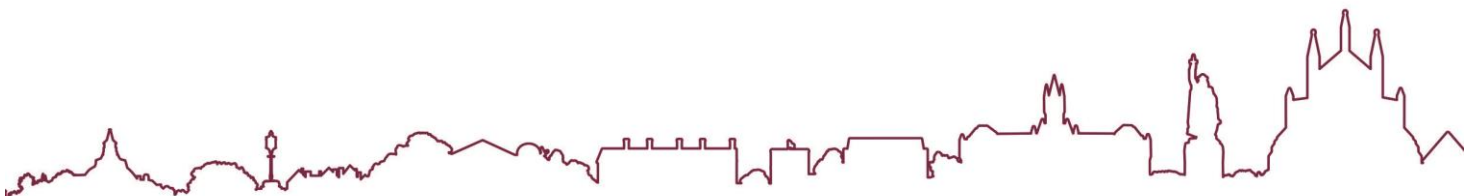
AGENDA

PROCEDURAL ITEMS

- 1. Apologies**
To record the names of apologies given.
- 2. Disclosure of Interests**
To receive any disclosure of interests from Members and Officers in matters to be discussed.
Note: Councillors are reminded of their obligations to declare disclosable pecuniary interests, personal and/or prejudicial interests in accordance with legislation and the Council's Code of Conduct.
- 3. Chairperson's announcements**

BUSINESS ITEMS

- 4. To note the Audit & Governance work programme 2023/24 (Pages 5 - 6)**
- 5. Minutes of the previous meeting held on 12 June 2023 (Pages 7 - 10)**



6. **Public Participation**

– To receive and note questions asked and statements made from members of the public on matters which fall within the remit of the Committee..

NB members of the public are required to register with Democratic Services three clear working days before the meeting (see below for further details).

Members of the public and visiting councillors may speak at this Committee, provided they have registered to speak three working days in advance. Please contact Democratic Services **by 5pm on Friday 14 July** via democracy@winchester.gov.uk or (01962) 848 264 to register to speak and for further details.

7. **Annual internal audit report & opinion 22/23, less exempt appendix (AG111) (Pages 11 - 30)**

8. **Certification of Claims and Returns Annual Report 2022/23 (AG110) (Pages 31 - 40)**

9. **Workforce report 22-23 (AG102) (Pages 41 - 54)**

10. **Q1 Governance Monitoring 23/24 (AG107) (Pages 55 - 84)**

11. **Treasury Management outturn 22/23 (AG109) (Pages 85 - 100)**

12. **Draft Annual Financial report 22/23 (Pages 101 - 204)**

13. **EXEMPT BUSINESS:**

To consider whether in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

- (i) To pass a resolution that the public be excluded from the meeting during the consideration of the following items of business because it is likely that, if members of the public were present, there would be disclosure to them of 'exempt information' as defined by Section 100 (I) and Schedule 12A to the Local Government Act 1972.

14. **Annual internal audit report & opinion 22/23 exempt appendix (AG111) (Pages 205 - 206)**

**Laura Taylor
Chief Executive**

All of the Council's publicly available agendas, reports and minutes are available to view and download from the Council's [Website](#) and are also open to inspection at the offices of the council. As part of our drive to minimise our use of paper we do not provide paper copies of the full agenda pack at meetings. We do however, provide a number of copies of the agenda front sheet at the meeting which contains the QR Code opposite. Scanning this code enables members of the public to easily access all of the meeting papers on their own electronic device. Please hold your device's camera or QR code App over the QR Code so that it's clearly visible within your screen and you will be redirected to the agenda pack.



12 July 2023

Agenda Contact: Nancy Graham, Senior Democratic Services Officer
Tel: 01962 848 235 email: ngraham@winchester.gov.uk

**With the exception of exempt items, Agenda, reports and previous minutes are available on the Council's Website www.winchester.gov.uk*

MEMBERSHIP

Chairperson:

Power (Liberal Democrats)

Vice-Chairperson:

Chamberlain (Liberal Democrats)

Conservatives

Godfrey

Miller

Liberal Democrats

Achwal V

Gordon-Smith

Deputy Members

Bolton and Cunningham

Eve and Wise

Quorum = 3 members

TERMS OF REFERENCE

Audit and Governance Committee – Included within the Council's Constitution (Part 2, Article 9)

PUBLIC PARTICIPATION

A public question and comment session is available at 6.30pm for a 15 minute period. There are few limitations on the questions you can ask. These relate to current applications, personal cases and confidential matters. Please contact Democratic Services on 01962 848 264 in advance of the meeting for further details.

If there are no members of the public present at 6.30pm who wish to ask questions or make statements, then the meeting will commence.

NB members of the public are required to register with Democratic Services three clear working days before the meeting (see below for further details).

FILMING AND BROADCAST NOTIFICATION

This meeting will be recorded and broadcast live on the Council's website. The meeting may also be recorded and broadcast by the press and members of the public – please see the Access to Information Procedure Rules within the Council's Constitution for further information, which is available to view on the [Council's website](#). Please note that the video recording is subtitled but you may have to enable your device to see them (advice on how to do this is on the meeting page).

DISABLED ACCESS:

Disabled access is normally available, but please phone Democratic Services on 01962 848 264 or email democracy@winchester.gov.uk to ensure that the necessary arrangements are in place.

WINCHESTER CITY COUNCIL – AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME – UPCOMING ITEMS

	Item	Lead Officer	Date of Meeting
1	Audit & Governance Committee Work Programme 2023/24	Nancy Graham	12 Jun 2023
2	Q4 Governance Monitoring	Simon Howson	12 Jun 2023
3	Annual Governance Statement 22/23	Sharon Evans	12 Jun 2023
4	Auditors annual report 21/22	Liz Keys	12 Jun 2023
5	Q1 Governance Monitoring 23/24	Simon Howson	20 Jul 2023
6	Annual internal audit report & opinion 22/23	Liz Keys	20 Jul 2023
7	Certification of claims & returns annual report 2022/23	Liz Keys	20 Jul 2023
8	Treasury Management outturn 22/23	Liz Keys	20 Jul 2023
9	Draft Annual Financial report 22/23	Liz Keys	20 Jul 2023
10	Workforce plan 22-23	Robert O'Reilly	20 Jul 2023
11	External audit plan 22/23	Liz Keys	28 Sep 2023
12	Constitution review	Sharon Evans	28 Sep 2023
13	Update on employee attitude survey 2023	Robert O'Reilly	28 Sep 2023
14	Monitoring Officer's annual report 22/23	Sharon Evans	9 Nov 2023
15	Annual review of EDI Forum work	Simon Howson	9 Nov 2023
16	Audit results report for year ending 22/23	Liz Keys	9 Nov 2023
17	Annual financial report 22/23	Liz Keys	9 Nov 2023
18	Treasury management mid-year 23/24	Liz Keys	9 Nov 2023
19	Q2 Governance Monitoring 23/24	Simon Howson	9 Nov 2023
20	Auditor annual report 22/23	Liz Keys	29 Feb 2024
21	Internal audit plan 24/25	Liz Keys	29 Feb 2024
22	Internal audit charter 24/25	Liz Keys	29 Feb 2024
23	Planning for and audit of the 23/24 accounts	Liz Keys	29 Feb 2024
24	Local Code of Corporate Governance	Simon Howson	29 Feb 2024
25	Risk Management Policy 24/25	Amy Tranah	29 Feb 2024
26	Q3 governance monitoring 23/24	Simon Howson	29 Feb 2024
27	Review of the complaints process	Sharon Evans	29 Feb 2024

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AUDIT AND GOVERNANCE COMMITTEE

Monday, 12 June 2023

Attendance:

Councillors
Power (Chairperson)

Achwal V
Chamberlain

Gordon-Smith

Apologies for Absence:

Councillors Godfrey and Miller

Deputy Members:

Councillors Bolton and Cunningham

Members in attendance who spoke at the meeting

Councillor Cutler

Other members in attendance:

Councillors Becker and Tod

[Video recording of this meeting](#)

1. **APOLOGIES**

Apologies were received as noted above.

2. **DISCLOSURE OF INTERESTS**

There were no disclosures of interest made.

3. **APPOINTMENT OF VICE-CHAIRPERSON FOR THE 2023/24 MUNICIPAL YEAR**

RESOLVED:

That Councillor Chamberlain be appointed as the Vice-Chairperson for the 2023/24 municipal year.

4. **CHAIRPERSON'S ANNOUNCEMENTS**

There were no announcements made.

5. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED:

That the minutes of the previous meeting held on 2 March 2023 be approved and adopted.

6. **PUBLIC PARTICIPATION**

There were no members of the public in attendance.

7. **AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME 2023/24**
(AG106)

The Chairperson requested that the review of the complaints process be added to the work programme, as had been raised at the previous meeting of the committee.

A correction to the work programme to remove a duplicate item at numbers 6 and 11 was also noted.

RESOLVED:

That subject to the points set out above, the Audit and Governance Committee Work Programme for 2023/24 be approved.

8. **AUDITORS ANNUAL REPORT 21/22**
(AG108)

Kevin Suter (Ernest Young) was present at the meeting and introduced the report.

Mr Suter summarised that the report confirmed that the auditor was able to give an unqualified audit opinion on the financial statements and that the council had put in place proper arrangements to secure value for money in the use of resources. He responded to questions from members on the detail of the report.

RESOLVED:

That the Annual Audit Report 2021/22 be accepted.

9. **ANNUAL GOVERNANCE STATEMENT 2022/23**
(AG105)

The Strategic Director and Monitoring Officer introduced the report and drew members' attention to its key contents.

In response to questions, the Strategic Director advised that although the process of reviewing exempt reports, with a view to disclose where possible, was not part of the record retention and disposal schedule, it was underway as a separate project.

RESOLVED:

1. That the annual governance statement for 2022/23 as set out in Appendix 1 be approved for inclusion in the Draft Annual Financial Report 2022/23.
2. That the issues arising, and proposed actions identified in Appendix 1 be noted and that progress against the actions be brought back to the Audit and Governance Committee as an appendix to the quarterly governance monitoring report.

10. **Q4 GOVERNANCE MONITORING**
(AG104)

The Strategic Director and Monitoring Officer introduced the report and emphasised the significant amount of work involved in its preparation and the large amount of information included. This would be reviewed with an aim to reduce its size whilst still ensuring members' received all the monitoring information required. She also highlighted that a total of 20 Code of Conduct complaints had been closed since the last update and there were now only two complaints active, both received recently.

The Strategic Director, the Corporate Head of Finance and Antony Harvey from the Southern Internal Audit Practice (SIAP) responded to questions from members on the following:

- a) The reason for the reduction in internal audit opinions over time.
- b) The anticipated timing of the working in partnership outstanding audit.
- c) The approach being taken to dealing with complaints, which included dealing with informally where appropriate.
- d) The sanctions currently available under the complaints regime.
- e) The terminology used in the Corporate Risk Register and in particular, whether all the actions listed in the current control column had taken place. The Corporate Head of Finance agreed to take this point back to the council's executive leadership board (ELB) for further consideration.
- f) The Strategic Director provided an update on action taken and proposed in relation to the standards investigation involving Denmead Parish Council. She acknowledged the significant time and cost involved to the city council in dealing with such complaints. The Committee requested that the length of time spent by officers and the cost be recorded for future complaints.

RESOLVED:

That the content of the report, the progress against the internal audit management actions and the action requested to be taken by officers outlined above be noted.

The meeting commenced at 6.30 pm and concluded at 7.50 pm

Chairperson

REPORT TITLE: ANNUAL INTERNAL AUDIT REPORT & OPINION 2022-23

20 JULY 2023

REPORT OF CABINET MEMBER: COUNCILLOR NEIL CUTLER, CABINET MEMBER FOR FINANCE AND PERFORMANCE

Contact Officer: Antony Harvey Tel No: 07784 265289

Email antony.harvey@hants.gov.uk

WARD(S): ALL

PURPOSE

The purpose of this report is to provide the Audit and Governance Committee with the Chief Internal Auditor's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2022-23.

RECOMMENDATIONS:

1. The Audit and Governance Committee note the Chief Internal Auditor's Annual Report and Opinion for 2022-23 attached as Appendix 1.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 Internal audit plays a vital role in supporting the Council to accomplish plan outcomes by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.
- 1.3 The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Council Plan Outcomes:
- Tackling the Climate Emergency and Creating a Greener District;
 - Homes for all;
 - Vibrant Local Economy;
 - Living Well; and
 - Your Services, Your Voice.

2 FINANCIAL IMPLICATIONS

- 2.1 The Internal Audit Plan is comprised of 310 resource days and was delivered within the agreed budget.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None directly from this report.

4 WORKFORCE IMPLICATIONS

- 4.1 None directly from this report.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None directly from this report.

6 CONSULTATION AND COMMUNICATION

- 6.1 The Executive Leadership Board have been consulted on the contents of the Annual Internal Audit Report and Opinion 2022-23.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 None directly from this report.

8 PUBLIC SECTOR EQUALITY DUTY

8.1 None arising from the content of the report. However, officers consider the Council's responsibilities under the Equalities Act 2010 when making any changes and decisions based on the outcomes of internal audit recommendations; completing an Equality Impact Assessment when required.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required.

10 RISK MANAGEMENT

10.1 The Southern Internal Audit Partnership follow a risk-based audit approach in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion is undertaken using this approach.

Risk	Mitigation	Opportunities
Financial Exposure	Internal Audit supports the Council to ensure proper financial management through its audit activities and assurance service.	Enhancement of the Council's reputation through the strengthening of the effectiveness of risk management, control and governance processes.
Exposure to challenge		
Innovation		
Reputation		
Achievement of outcome		

11 SUPPORTING INFORMATION:

11.1 In accordance with the Public Sector Internal Audit Standards, the Chief Internal Auditor is required to provide a written report reviewing the effectiveness of the system of internal control to inform the production of the Annual Governance Statement.

11.2 The Annual Report for 2022-23 (attached at Appendix 1) provides the Chief Internal Auditor's opinion on the system of internal control and summarises

the audit work from which that opinion is derived for the year ending 31 March 2023.

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 None.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG080 – Internal Audit Report and Opinion 2021-22.

Other Background Documents:-

AG074 – Internal Audit Plan 2022-23

APPENDICES:

Appendix 1 – Annual Internal Audit Report and Opinion 2022-23

Southern Internal Audit Partnership

Assurance through excellence
and innovation

WINCHESTER CITY COUNCIL

Annual Internal Audit Report & Opinion 2022-23

Prepared by: **Antony Harvey, Deputy Head of Partnership**

June 2023

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1. Role of Internal Audit

The Council is required by the Accounts and Audit (England) Regulations 2015, to

‘undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

In fulfilling this requirement, the Council should have regard to the Public Sector Internal Audit Standards (PSIAS), as the internal audit standards set for local government. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.



2. Internal Audit Approach

To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary. A full range of internal audit services is provided in forming the annual opinion.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisation's success.
- Risks inherent in the achievement of objectives.
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



The Southern Internal Audit Partnership (SIAP) maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our clients, with the necessity to provide comprehensive, compliant and value adding assurance.

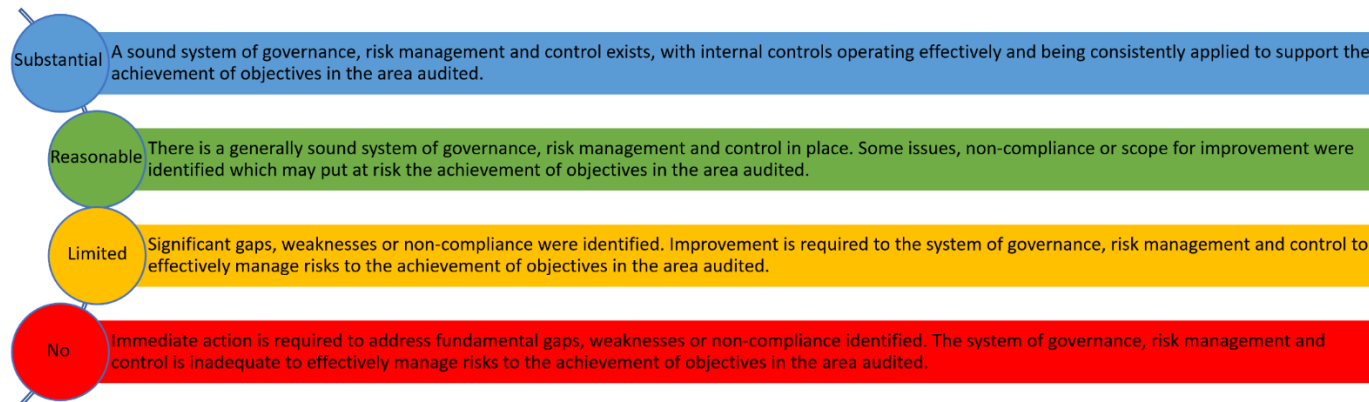
Working practices have been reviewed, modified and agreed with all partners following the impact and lessons learned from the COVID-19 pandemic and as a result we have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the need for site visits to complete elements of testing continues to be assessed and agreed on a case-by-case basis.

3. Internal Audit Coverage

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council activities and to support the preparation of the Annual Governance Statement. Work has been planned and performed to obtain sufficient evidence to provide reasonable assurance that the internal control system is operating effectively.

The 2022-23 internal audit plan was considered by the Audit and Governance Committee in March 2022. It was informed by internal audit's own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation. The plan has remained fluid throughout the year to maintain an effective focus and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate. Changes made to the plan were agreed with the Executive Leadership Board and reported to the Audit and Governance Committee in the internal audit progress reports which were reviewed at each meeting.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:



4. Internal Audit Opinion

As Chief Internal Auditor, I am responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform their Annual Governance Statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the Council's audit need that has been covered within the period.

We enjoy an open and honest working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk and control over the 2022-23 financial year.

Annual Internal Audit Opinion 2022-23

I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment.

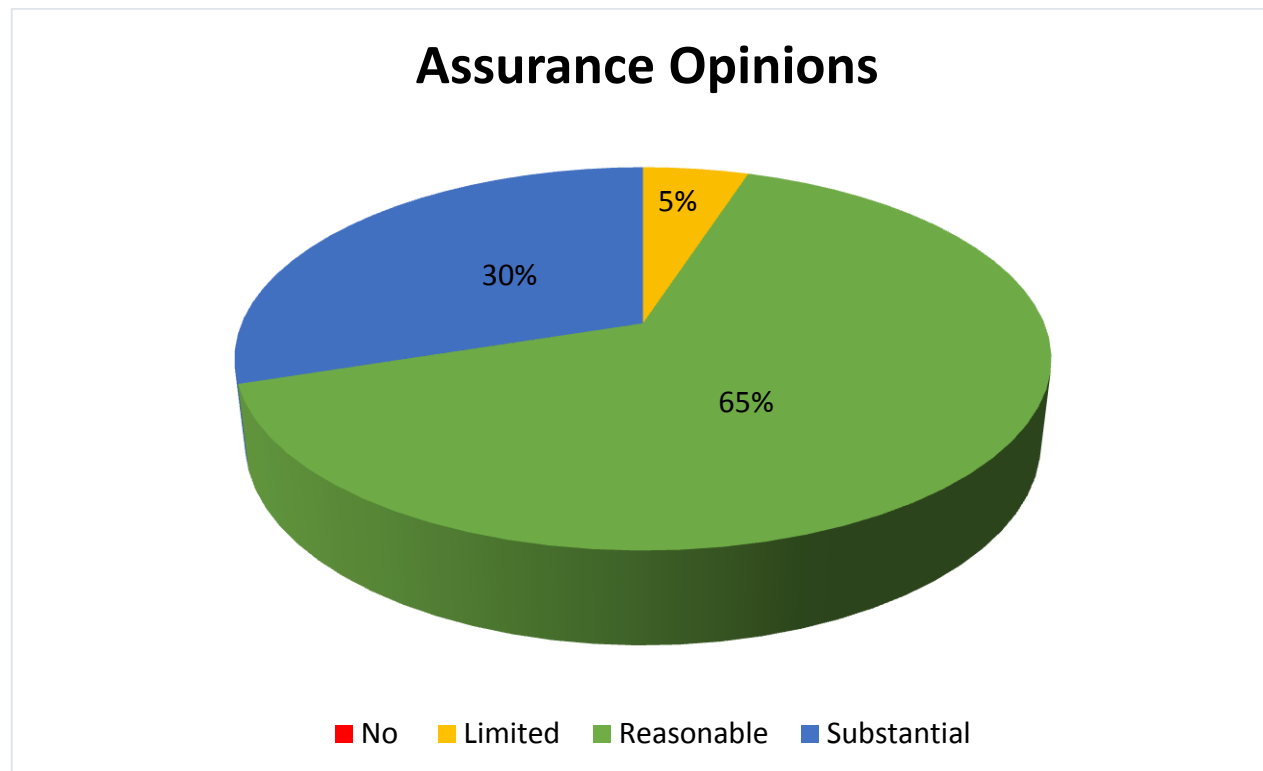
In my opinion, frameworks of governance, risk management and management control are **reasonable** and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

5. Governance, Risk Management & Control – Overview & Key Observations

Assurance opinions for 2022-23 reviews

The findings from our reviews have been reported to the Audit and Governance Committee throughout the year and a summary of the assurance opinions is outlined below, with a brief summary of each individual review and other audit activity provided in Annex 1.



Governance

Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes an overview of:

- the governance structure in place, including respective roles, responsibilities and reporting arrangements
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved and appropriately publicised and accessible to officers and staff.

In addition, during 2022-23 we undertook a review of the Corporate Governance Framework and Complaints which concluded with a 'Reasonable Assurance Opinion'.

Based on the work completed during the year in our opinion the governance frameworks in place across the Council are generally robust, fit for purpose and subject to regular review.

Risk management

We reviewed risk management arrangements in the Council during 2021-22 which resulted in a 'Reasonable Assurance Opinion'.

The Council has a comprehensive, up to date Risk Management Policy that is communicated to staff and Members. Roles and responsibilities for risk management are clearly defined and documented in the Policy and included within the Audit and Governance Committee's Terms of Reference:-

'Overview the Council's risk management arrangements and provide independent assurance of the adequacy of the risk management framework.'

This has been supported throughout the year through the opportunity to review and comment on the Risk Management Policy 2022-23 in March 2022 prior to Cabinet approval; through regular updates of the Corporate Risk Register within the Governance Monitoring Reports; and via a workshop, facilitated by Tillia Solutions, with Cabinet and Audit & Governance Committee members.

Control

In general, internal audit work found there to be a sound control environment in place across the majority of review areas included in the 2022-23 plan that were working effectively to support the delivery of corporate objectives.

We generally found officers and staff to be well aware of the importance of effective control frameworks and compliance, and also open to our suggestion for improvements or enhancements where needed. Management actions agreed as a result of each review are monitored to completion to ensure that the identified risks and issues are addressed.

We are pleased to report that no audits concluded with a 'No Assurance Opinion' although only one review concluded with a 'Limited Assurance Opinion' (please refer to summary, provided at Appendix 2 as an exempt paper).

Management actions

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers. Progress is reported to the Audit and Governance Committee throughout the year through the regular Governance Monitoring Reports which incorporates the Internal Audit Progress Reports.

6. Quality Assurance and Improvement

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include provision for both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020.

In considering all sources of evidence the external assessment team concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

7. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

'the Southern Internal Audit Partnership conforms to the Definition of Internal Auditing; the Code of Ethics; and the Standards'.

There are no disclosures of Non-Conformance to report.

8. Quality Control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2022-23 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success.
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach.
- A tailored audit approach using a defined methodology and assignment control documentation.
- Review and quality control of all internal audit work by professional qualified senior staff members.
- An internal quality assessment against the IPPF, PSIAS & LGAN.

9. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	Actual
Percentage of internal audit plan delivered (to draft report)	95%	93%
Positive customer survey response - SIAP – all Partners	90%	99%
Positive customer survey response – Winchester City Council	90%	99%
Public Sector Internal Audit Standards	Compliant	Compliant

Customer satisfaction is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date April 2023).

10. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Antony Harvey
Deputy Head of Southern Internal Audit Partnership

June 2023

Annex 1

Summary of Audit Reviews Completed 2022-23

Work is substantially complete for the audits of Asset Management (Corporate Estate) and Housing Rents however these have not sufficiently progressed to include within this annual report and will therefore contribute towards the 2023-24 Annual Internal Audit Report and Opinion.


 Substantial

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

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Review area	Summary
Financial Stability – Budget Setting, Monitoring and Reporting	The audit established there is a robust framework for reviewing, updating and approving the Medium-Term Financial Strategy (MTFS) and 10 year rolling Capital Investment Strategy prior to approval by Cabinet each year; key staff are involved in the annual budget setting process prior to approval by Full Council; there is effective, regular budget monitoring for both revenue and capital which informs quarterly reporting to ELB and Members; with no issues identified.
Information Governance – FOI/EIR/SAR	There are effective arrangements to help ensure that Freedom of Information (FOI), Environmental Information Requests (EIR) and Subject Access Requests (SAR) are responded to in line with statutory requirements (including refused requests and corresponding appeals if applicable); with an opportunity to improve by communicating if a request will be delayed.
Human Resources – Policies and Procedures	We compared the Council’s HR policy coverage at a summary level to guidance from the Chartered Institute of Personnel and Development and found that all key recommended areas had been included within the variety of policies. A detailed review of six policies found all clearly defined the overriding principles, processes, responsibilities and decision-making powers required to achieve prescribed outcomes, with minor enhancements identified for consideration within future updates.
Council Tax	There is a robust framework to ensure Council Tax bills are accurate, complete and correctly recorded; new properties are billed; valuation updates are identified; reliefs, exemptions and discounts are correctly awarded and supported with appropriate evidence; refunds are valid, accurate, processed promptly and paid to the correct recipient; and debts are identified and pursued. Write-offs had been initially suspended due to the Covid pandemic and latterly due to the additional demands placed upon the team by Central Government, however at the time of testing, work was underway to address the backlog and re-instate business as usual processes.

Payroll	There is an effective framework to ensure the payroll is complete, accurate, and paid on time, with starters and leavers processed promptly; appropriate segregation of duties throughout the payroll processes; and appropriate system accesses & restrictions. The arrangements for paying for electoral duties was also included within the review with no issues identified.
Housing and Homelessness – Housing Allocations	The audit established there is a sound framework which allows residents to apply for social housing through the use of a bidding system; with clear and transparent eligibility criteria for assessing applications and allocating housing through the Hampshire Home Choice Scheme. Eligibility assessments; requests for further information; communicating outcomes (including non-qualifying applications and subsequent ‘requests for review’) are prompt and consistent; with effective performance monitoring and reporting including a quarterly Housing Report to senior management and Members.

Reasonable There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

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Review area	Summary
Programme and Project Management	The Council have developed a high-level Project Management Framework, including standard document templates, to help ensure projects are effectively and consistently managed. At the time of review, however, the use of the framework had not become embedded as none of the projects (one from each of the four project Tiers) were utilising the framework. Whilst each of the approved projects were being managed, the approach was not consistent, with opportunities to improve project planning, on-going management and reporting identified with the projects; which would be achieved through consistent use of the framework.
Carbon Neutrality Action Plan	The Carbon Neutrality Action Plan (2020-2030) outlines the actions the Council propose to take to become carbon neutral, including targets for service areas and the measures required to achieve the targets. There is a generally sound governance framework, with opportunities to further enhance the arrangements and performance reporting, to help ensure the plan is achieved.
Health and Safety	There is a generally sound governance framework for planning and managing Health and Safety activities, including the investigation of accidents and acts of aggression or violence, with opportunities to improve including the update or development of specific operational procedures; central recording, monitoring and oversight of H&S risk assessments; and formal reporting to Members.
Procurement	There is an effective, well documented framework to support officers through the various procurement routes, with testing confirming the correct processes followed, with an opportunity to further enhance the framework through the introduction of periodic spend analysis to identify aggregated expenditure with individual suppliers where a contract or framework agreement should be in place, or identify instances where the correct processes had not been followed so appropriate action can be taken to

	help prevent future issues.
Contract Management	There is an effective, well documented contract management framework, setting out the expected activities (including frequency) for managing high, medium and low risk contracts, established through a contract risk assessment; with contracts managed appropriately in line with the assessed level of risk. At the time of the audit, we identified six contracts exceeding £5k that had not been published on the Contracts Register; one contract that had not been signed by the supplier; and one arrangement for approximately £180k with no contract in place.
Corporate Governance Framework and Complaints	The audit identified an established corporate governance framework, which is adhered to, in accordance with the 'CIPFA Delivering Good Governance in Local Government: Framework'; and a sound process for reviewing and responding to complaints on a timely basis; with opportunities to further enhance the arrangements implemented during the course of the audit / which are currently being addressed through the review of the constitution.
NNDR	There is a robust framework to ensure NNDR bills are accurate, complete and correctly recorded; new properties are billed; valuation updates are identified; reliefs are correctly awarded and supported with appropriate evidence; refunds are valid, accurate, processed promptly and paid to the correct recipient; and debts are identified and pursued. Write-offs had been initially suspended due to the Covid pandemic and latterly due to the additional demands placed upon the team by Central Government, however at the time of testing, work had not commenced to address the backlog and re-instate business as usual processes.
Accounts Payable	The audit confirmed that Purchase Orders are raised in advance of payments being made; invoices are paid promptly upon receipt; checks are performed to identify potential duplicate payments for investigation; payment runs are checked for accuracy and completeness; and new suppliers are only created upon receipt of all necessary information. Whilst most operational processes have been documented, the audit identified some missing or out of date processes; and transparency data relating to payment of supplier invoices which had not been published for several years.
Main Accounting and Reconciliations	The audit identified that all bank accounts were reconciled on a monthly basis; manual journals are supported by appropriate documentation and are approved; and automatic journals created via an interface to import data from various feeder systems are checked for accuracy. Prior to the introduction of a new monitoring procedure in November 2022, whilst a variety of reconciliations were regularly taking place, these were not consistently, or fully completed on a timely basis. Following the implementation of the revised procedure, we confirmed the situation has improved as, for example, all 19 suspense accounts are now consistently reviewed and reconciled.
Housing Asset Management – Responsive Repairs	The review confirmed there are appropriate systems in place for reporting, recording and categorisation of responsive repairs; standard repairs were charged by the contractor in line with the agreed schedule of rates; the budget is regularly monitored; and the target for positive customer satisfaction rate was achieved. Opportunities to improve included enhancing performance monitoring and the resumption of formal, documented contract management meetings (which had been intentionally suspended due to the prioritisation of clearing a backlog of non-urgent repairs which built up as a result of various pandemic lockdowns).

Planning / Development Management	The audit found a robust framework for managing the end to end process from receipt of an application through to the publication of a planning decision; with effective system controls throughout the process to help ensure applications are assessed against local and national requirements by professionally qualified staff; correct fees are received and systems reconcile; and performance is regularly monitored and reported; with opportunities to further enhance so the information recorded is complete and accurate.
Licencing	There is a generally sound governance framework to ensure that all applications for licenses are complete, verified, supported by all necessary documentation, and are appropriately approved prior to issue, with correct fees received in line with published rates. The audit found some procedures require an update to reflect updated licencing practices; reactive inspection and enforcement activities are completed when complaints are received, however no planned, preventative inspections are currently undertaken; and there are no key performance measures for the team. Animal Welfare Licencing was not covered by the audit as this is covered by the Environmental Protection Team due to the specialist training required.
Open Spaces (Play Areas)	The review focussed on the arrangements for inspecting and maintaining play areas and found that inspections are completed by appropriately trained staff, in line with the scheduled frequency, with annual inspections completed by a specialist contractor. Whilst inspections are regularly taking place and reported, there is currently no formal mechanism which consolidates and reflects expected inspections to those undertaken, the outcome of the inspections, any resulting additional, remedial work if required and when this was completed, which would enable performance monitoring and measurement.

Limited Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

Review area	Summary
	Please refer to the exempt summary (Appendix 2).

Other audit activities completed:-

Facilitation of the National Fraud Initiative; Bus Service Operator Grant (Certified); Mayor’s Charity Account (Certified); Market Manager Contract Procurement – Advisory/critical friend role.

We also completed a follow-up review of Disabled Facilities Grants following the ‘Limited Assurance’ Opinion in 2021/22 and found thirteen (out of sixteen) agreed actions fully implemented with progress being made towards addressing the remaining three actions.

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REPORT TITLE: CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2021/22

20 JULY 2023

REPORT OF CABINET MEMBER: Cllr Cutler – Cabinet Member for Finance and Performance

Contact Officer: Terri Horner Tel No: 01962 848160 Email THorner@winchester.gov.uk

WARD(S): ALL

PURPOSE

The purpose of the Certification of Claims and Returns Annual Report is to summarise the results of KPMG LLP's assurance work on the council's housing benefits subsidy claim for the year ended 31 March 2022.

Of the sample testing undertaken by KPMG one error affected benefit entitlement (an overpayment of 30p) and is detailed in Appendix A of the attached report. Another item was identified (created by a system bug) which had no impact on the amount of housing benefit paid, but did result in a small subsidy adjustment. An exception report has been created by our software supplier which identifies discrepancies and is now reviewed every four weeks as part of the subsidy monitoring process. This item is also detailed in Appendix C. As a result of the reduction in findings by KPMG this year, there will be no requirement for the further 40+ CAKE testing on Earnings next year, reducing the cost of the audit and work undertaken by the team.

Given the volume of claims processed for housing benefit in 2021-22, which is in excess of 13,500, this is again a very positive report, and highlights the level of accuracy executed by officers within the Benefits team. It should also be noted that the Benefits team at that time were still operating under significant pressure due to the effects of Covid and the economic impact on residents. They were also still required by central government at that time to administer the Test and Trace scheme. This provided valuable compensation to low income residents who were prevented from working, due to the restrictions around Covid, but it applied additional strain on the small team.

RECOMMENDATIONS:

1. That the Audit and Governance Committee considers the attached Annual Report (Appendix 1).

APPENDICES:

Appendix 1 Housing Benefit Assurance Process Accountants Report 2021/22



KPMG LLP

Tel [REDACTED]

15 Canada Square
London. E14 5GL
United Kingdom

Private & confidential

Housing Benefit Subsidy Team
House Delivery Division
DWP Business Finance & Housing Delivery
Directorate
Room B120D
Warbreck House
Blackpool
Lancashire
FY2 0UZ

Your ref

Our ref WCC/21-22

Contact Hannah Andrews

Liz Keys
Corporate Head of Finance
Winchester City Council
Colebrook Street
Winchester
SO23 9LJ

30 January 2023

Dear Madam,

Agreed-upon Procedures Report to Winchester City Council and the Department for Work and Pensions of factual findings in relation to the Housing Benefit Subsidy claim form MPF720A for the year ended 31 March 2022

Purpose of this Agreed-upon Procedures Report and Restriction on Use and Distribution

This report is produced in accordance with the terms of our engagement letter with Winchester City Council dated 22 June 2022 and the standardised engagement terms in Appendix 2 of HBAP Module 1 issued by the Department for Work and Pensions (DWP) for the purpose of reporting to the Section 151 Officer of Winchester City Council (the "**Local Authority**") and the DWP.

Our report is prepared solely for the confidential use of the Local Authority and the DWP and solely for the purpose of facilitating the claim for Housing Benefit Subsidy on form MPF720A dated 03 May 2022.

This report should not be copied, referred to or disclosed, in whole (save as otherwise permitted by the standardised engagement terms) or in part, without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the Local Authority and the DWP, we acknowledge that

the Local Authority and/or the DWP may be required to disclose this report to parties demonstrating a statutory right to see it.

This report is designed to meet the agreed requirements of the Local Authority and the DWP as described in the DWP HBAP reporting framework instruction 2021/22.

This report should not therefore be regarded as suitable to be used or relied on by any other party for any purpose or in any context. Any party other than the Local Authority and the DWP which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so entirely at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our work or this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by the reliance of anyone other than the addressees on our work or this report.

Local Authority's Responsibilities

As Section 151 Officer of the Local Authority, you have responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. You are also responsible for ensuring that the Local Authority maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Local Authority. It is also the Section 151 Officer's responsibility to extract relevant financial information from the Local Authority's accounting records, obtain relevant information held by any officer of the Local Authority and complete the attached form MPF720A in accordance with the relevant framework set out by the DWP.

The Section 151 Officer of the Local Authority and the DWP have acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Section 151 Officer is responsible for the completion of the MPF720A and is the signatory on the Local Authority's certificate on claim form MPF720A.

Our Responsibilities

For the purpose of the HBAP engagement we have been provided with a signed copy of form MPF720A 2021/22 dated 03 May 2022 by the Section 151 Officer.

We conducted our engagement in accordance with HBAP Modules 1 and 6 21/22 issued by the DWP, which highlight the terms under which DWP has agreed to engage with reporting accountants.

Our engagement was carried out in accordance with the DWP reporting framework instruction and in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-upon Procedures Engagements* issued by the International Auditing and Assurance Standards Board. The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis as set out in HBAP Modules of the HBAP reporting framework instruction on the Local Authority's form MPF720A dated 03 May 2022, and to report the factual findings, which are the factual results of those procedures to the Local Authority and the DWP. We make no representation regarding the appropriateness of the agreed-upon procedures.

The results of the agreed upon procedures are reported on in appendices A, B, C and D.

The procedures specified in DWP's HBAP Reporting framework instruction does not constitute an examination made in accordance with generally accepted auditing standards, the objective of which would be the expression of assurance on the contents of the local authority's claim for Housing Benefit subsidy on form MPF720A. Accordingly, we do not express such assurance. Had we performed additional procedures, or had we performed an audit or review of the local authority's claim for Housing Benefit subsidy on form MPF720A in accordance with generally accepted auditing or review standards, other matters might have come to our attention that would have been reported to you. This report relates only to the Local Authority's form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

Professional Ethics and Quality Control

We have complied with the ethical requirements in the ICAEW Code of Ethics issued by the Institute of Chartered Accountants in England and Wales. For the purpose of this engagement, there are no independence requirements with which we are obliged to comply.

We apply International Standard on Quality Control (UK) 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*. Accordingly, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements and professional standards (including independence, and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour) as well as applicable legal and regulatory requirements.

Summary of HBAP report

Summary of Initial Testing

In accordance with HBAP modules an initial sample of cases was completed for all general expenditure cells. The outcomes of the testing undertaken are summarised below:

Cell 011: Non HRA: No errors identified.

Cell 055: Rent Rebates: Our testing identified one case where the claimants PIP (personal independence payment) allowance had been included twice as a result of a duplicate record being entered into the system by ATLAS automation. This has no impact upon the value of benefit paid or subsidy claimed and is identified as an observation only. Further details can be found in Appendix B.

Cell 094: Rent Allowance: No errors identified.

Cell 214/225: Modified Schemes: Our testing identified one case where war pension income has been incorrectly uprated. This error has no impact upon the value of benefit paid or subsidy claimed. Further details can be found in Appendix B.

Completion of Modules

The Specific Test Requirements set out in Module 1 Appendix 3 have been completed, including testing required by Modules 2 and 5 as detailed below.

Completion of Module 2

We have completed testing of the Module 2 and no issues were identified.

Completion of Module 5

We have completed the questionnaire for the appropriate software supplier and no issues were identified.

Summary of testing arising from Cumulative Assurance Knowledge and Experience

In line with the requirements of the HBAP Modules we have undertaken two sets of CAKE testing based upon the preceding HBAP Accountants report in relation to:

- Cell 055: Rent Rebates: Incorrect assessment of earned income
- Cell 094: Rent Allowance: Miscalculation of private pension

The results of the CAKE testing can be found in the relevant appendix below. Our initial testing and CAKE testing undertaken in relation to cell 055 rent rebates incorrect assessment of earned income has returned no errors and is considered closed.

For the form MPF720A dated 03 May 2022 for the year ended 31 March 2022 we have completed the specific test requirements detailed in the DWP reporting framework instruction HBAP and have identified the results set out in Appendices A, B, C and D.

Firm of accountants KPMG LLP
Office Canada Square, London. E14 5GL.
Contact details Hannah Andrews, Director, [REDACTED]
 [REDACTED]

Signature KPMG LLP
Date 30 January 2023

Yours faithfully

KPMG LLP

KPMG LLP
Chartered Accountants

Name for enquiries: Hannah Andrews

Attachments:

- Appendix A: Exceptions/errors found
- Appendix B: Observations
- Appendix C: Amendments
- Appendix D: Other matters

Appendix A: Exceptions/errors found

Cell 094 Rent Allowance – Private Pension Miscalculation

Cell 094 Rent Allowances total expenditure

Cell Total: £9,958,373

Cell Total £576,661.13 – sub population

Cell Population: 1715 cases

Cell Population: 131 cases – sub population

Headline Cell: £9,958,373

The 2020/21 HBAP Accountants report identified that the Local Authority had incorrectly calculated private pension income resulting in an overpayment of benefit. Given the nature of the population and the errors reported in the 2020/21 HBAP Accountants report, an additional random sample of 40 cases where an assessment in the subsidy period included private pension income was tested. The additional testing identified:

- 1 case (total error value £0.30) where benefit has been overpaid as a result of the incorrect assessment of private pension income. The impact of the error is to overstate cell 102, with a corresponding understatement of cell 113. There is no impact on cell 094.

No errors were identified in our initial testing of a sample of 20 cases selected at random from cell 094.

This error was included in our previous year HBAP Accountants Report.

Overpaid benefit

The following table is based on these findings.

Sample	Movement / brief note of error:	Value of subpopulation: Cell 094 with private pension income	Sample error:	Sample value:	Percentage error rate (to 4 decimal places):	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]
Initial sample – 1 case	Cell 094: Assessment of private pension income	£576,661	£0	£5,947		
Additional testing sample – 40 cases	Cell 094: Assessment of private pension income	£576,661	(£0.30)	£176,302		
Combined sample - 41 cases	Cell 094: Assessment of private pension income. Cell 102 is overstated.	£576,661	(£0.30)	£182,249	0.0002%	(£1.15)
Adjustment:	Cell 094: Assessment of private pension income. Cell 102 is overstated.	£576,661	(£0.30)	£182,249	0.0002%	(£1.15)
Adjustment:						
Adjustment:						
Total Corresponding adjustment:	Cell 113 is understated					£1.15

Appendix B Observations

Cell 055: Rent Rebates Expenditure

Cell Total: £8,903,192

Cell Population: 2,072 cases

Our initial testing of a sample of 20 rent rebate cases selected at random from cell 055 identified:

- 1 case where the claimants PIP allowance had been included twice as a result of a duplicate record being entered into the system by ATLAS automation. This has no impact upon the value of benefit paid or subsidy claimed and is identified as an observation only.

In all instances this will always result in a nil impact of the value of benefit paid or subsidy claimed, and as such no additional testing has been undertaken.

Appendix C: Amendments to the claim form MPF720A

Cell 214/225: Expenditure Due to the Voluntary Disregarding of War Disablement Pensions or War Widows Pensions

Cell Total: £33,782

Cell Population: 14 cases

Our initial testing of a sample of 3 modified scheme cases selected at random from cell 214/225 identified:

- 1 case where war pension income has been incorrectly updated. The error identified has no effect on the value of benefit or subsidy paid. As there is no eligibility to subsidy for benefit which has not been paid, the nil effect case does not affect subsidy and has not, therefore, been classified as an error for subsidy extrapolation purposes.

In line with the requirements of module 6, an extended sample of 11 cases was selected (100% of cases in cell 214/225) to check whether war pension income had been correctly assessed. This testing identified:

- 1 case (total error value £3,778) where a system error caused the incorrect assessment of war pension income. This has led to a misclassification of expenditure and an understatement of cells 214 and 225, with a corresponding overstatement of cells 055 and 061. The error identified has no impact on the value of housing benefit paid to the claimant.

The Authority has updated the final MPF720A claim form dated 18 January 2023 to reflect the error identified above.

This is the first year this error has been included in the HBAP Accountants Report.

Appendix D Additional issues

No issues identified.

REPORT TITLE: - WORKFORCE REPORT 2022/23

20 JULY 2023

REPORT OF CABINET MEMBER: Cllr Neil Cutler Cabinet Member for Finance and Performance

Contact Officer: Robert O'Reilly (Service Lead HR) Tel No: 07890732036
Email ROReilly@winchester.gov.uk

WARD(S): ALL

PURPOSE

To provide an overview of the workforce of the Council and a summary of key HR activities for the year ending 31 March 2023.

RECOMMENDATIONS:

1. That the report be noted.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

- 1.1 The performance of the Council's workforce is critical to the delivery of all outcomes set out in the Council Plan.

2 FINANCIAL IMPLICATIONS

- 2.1 Maintaining staffing levels and having the right staff with the right skills is critical to the delivery of the council's services and priorities. Financial implications of the workforce matters covered in this report include: the cost of recruiting and inducting new joiners; the use of agency staff for difficult to fill essential vacancies; sickness absence; and, investment in learning and development.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None.

4 WORKFORCE IMPLICATIONS

- 4.1 Employees are critical to the delivery of the council's services and priorities and monitoring and reporting on key employment metrics enables proactive employment practises.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

6 CONSULTATION AND COMMUNICATION

- 6.1 This report is for information only and therefore no consultation or communication is required.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None.

8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 There is no differential impact on a specified group as all HR matters are applied consistently.
- 8.2 As required nationally, the council reports on any potential discrepancies in pay, based on gender ("Gender Pay Gap" reporting) in accordance with the statutory timeframe.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 This report does not include any confidential data and therefore a data protection impact assessment is not required.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
Financial Exposure <i>Failure to apply pay principles and rules fairly and consistently leading to discrimination and/or legal challenge.</i>	Consistent application of pay principles and rules.	Positioning the council as an Employer of Choice.
Exposure to challenge <i>Failure to comply with statutory reporting requirements, resulting in adverse local media coverage or legal challenge.</i>	Statutory reporting is embedded within HR's annual work programme, and within the committee work programme where appropriate, to ensure publication within statutory timeframes.	
Reputation <i>Failure to deliver public services and the Council Plan due to reduced workforce capacity, leading to public criticism and/or adverse local media coverage.</i>	Ongoing workforce monitoring to enable early identification and remedial action where recruitment difficulties and/or high sickness levels could impact on the Council's ability to deliver public services and the Council Plan.	

11 SUPPORTING INFORMATION:

11.1 The purpose of this report is to provide the Audit and Governance Committee with an overview of the workforce of the Council and a summary of key HR activities for the year 1 April 2022 to 31 March 2023.

11.2 This is the third workforce report to be considered by the Audit and Governance Committee since it assumed responsibility for the human resources functions of the Council from the former Personnel Committee.

11.3 Appendix 1 provides a range of indicators supporting the report commentary relating to:

- (i) the Council's staff establishment
- (ii) recruitment and turnover
- (iii) sickness absence
- (iv) equality

Tables, charts and graphs in Appendix 1 are as at 31 March 2023 unless stated otherwise and have been extracted from the Council's Access HR system and separate monitoring records. For ease of reference, the equivalent 2022 data is shown in red.

The Council's staff establishment

11.4 As at 31 March 2023, the Council employed 445 (431) permanent and fixed-term staff. This was an increase of 3.2% (1.1%) of headcount compared to March 2022.

11.5 Staff numbers by headcount and Full-Time Equivalent (FTE), distribution by grade and contract type metrics are provided in Appendix 1. Headcount is the actual number of staff employed by the council whereas FTE is the total number of hours worked by all staff (headcount) divided by the standard working week of 37 hours.

Recruitment and turnover

11.6 There were 79 (60) external appointments, made up of 57 (44) permanent employees and 22 (16) employees (including 1 apprentice) on fixed-term contracts.

11.7 There were 69 (60) leavers (56 (46) permanent employees and 13 (14) employees on fixed-term contracts). Reasons for leaving are shown in Appendix 1.

11.8 Staff who both started and left within the same year are included in the figures above.

11.9 Total annual turnover (i.e. employees leaving the Council for all reasons) was 16.7% as compared to 14.5% in 2021/22.

11.10 The average length of service was 9 years and 11 months (10 years).

11.11 Succession/workforce planning is managed through the annual service planning cycle.

- 11.12 Learning and development and discretionary employee benefits in addition to salary are key 'weapons' in an organisation's ability to recruit and retain staff.
- 11.13 Learning and development is actively encouraged and supported by the Council. Apprenticeships and the National Graduate Schemes offers entry level to local government and provides for a structured 'on-the-job' learning programme leading to a recognised qualification.
- 11.14 Continuing professional development, including 'upskilling' apprenticeships for existing staff, ensures staff have the right skills to do their jobs, provides for future service needs and provides and enables progression within the organisation. HR manages and co-ordinates organisational and services training priorities through the annual learning and development planning process.
- 11.15 1 x full-time apprenticeship, 2 x degree apprenticeships and 3 upskilling apprenticeships are currently in place across different services and the Council continues to explore ways to extend apprenticeship opportunities.
- 11.16 An organisation's benefits strategy has the potential to drive the employee experience, enhance the total reward package on offer to staff and be a market differentiator, impacting on an organisation's ability to recruit and retain staff. The employee benefits offered at WCC, in addition to salary, are listed below (N.B. the actual amount of annual leave depends on grade and previous local government service and is set out in the contract of employment):
- Employer paid health care cash plan scheme.
 - Cycle to Work and Green Car Benefit salary sacrifice schemes.
 - Up to 32 days annual leave per year (more than the Green Book minimum).
 - Flexible working arrangements.
 - Hybrid Working Policy allowing most employees to work from home for up to 50% of their working hours.
 - Up to 13 days additional flexi leave per year (subject to operational requirements) where the employee has built up enough hours.
 - 3 days (pro-rata for part-time staff) paid leave to carry out volunteering within the district.
 - Option to voluntarily buy up to five days additional annual leave.
 - Free park and ride scheme for all employees.
 - Membership of the Local Government Pension Scheme.
 - Confidential Employee Advice and Support Programme.
 - Employee retail and shopping discounts.
 - Season Ticket loans.
 - Excellent central location.

- Support for continuous professional development.

Sickness absence

- 11.17 Sickness absence continues to be closely monitored. Reports on sickness absence and completion of return to work interviews are reviewed with the Strategic Directors on a quarterly basis.
- 11.18 The average number of days of sickness per employee rose slightly to 6.82 days from 6.76 days in 2021/22. The 2022/23 absence figures represent a fall from pre-pandemic levels of 7.51 days in 2019/20.
- 11.19 The current rates are below the average sickness rate for the public sector of 7.7 days per employee in 2022 as reported by the ONS.
- 11.20 The pandemic had caused a swing towards a higher proportion of long term sickness (20 days or more) vs short term sickness in 2020/21, due to less seasonal illness and home working enabling continued productivity with minor ailments. 2021/22 saw a reversal of this trend and which continued into 2022/23, returning to typical pre-pandemic levels. This was also reflected in the reasons for absence, with the historically common absence reason of 'Infections including cold and flu' rising to be once again the most common sickness reasons recorded for the year.
- 11.21 Sickness rates relating to COVID 19 have reduced to 12.31% from last year's 13.48% with rates generally stabilising after their peak in March 2022. The average length of time per COVID-19 sickness has also reduced and subsequently flattened and is most likely due to new strains circulating causing typically milder symptoms.
- 11.22 'Mental health – Personal' has fallen to second place of the most common sickness absence reasons in 22/23 after holding the top spot for many years. It accounts for just 12.57% of all sickness absences across the year, nearly half of last year's figure of 24.25%.
- This is indicative of a wider downward trend in mental health related absences when mental health for all reasons (personal, work and reason not stated) are combined. Historically they have typically accounted for about 1/3 of all sickness yet it accounted for only 20.56% of sickness absence in 22/23, a significant decrease of 16.44% from last year.
- 11.23 It can be supposed the downward trend in mental health related absences is due to a number of reasons e.g. life continuing to return to normal following the pandemic, increased social interactions resulting in less social isolation

and hybrid working leading to a better work life balance. Whilst the downward trend is in line with those reported by the ONS, continuing mental health initiatives implemented by HR may have also contributed to such a significant decrease. Initiatives include mental health first aiders, an externally provided counselling service and an Employee Assistance Programme via the corporate health plan.

- 11.24 Cancer and surgery are new entries into the top 5 sickness reasons, which is not surprising given the delays COVID-19 caused to both cancer diagnoses and surgeries. It is worth noting that sickness absences due to cancer are only attributable to a handful of employees, but these absences tended to be long term.
- 11.25 HR continues to support managers to manage sickness absence within their teams, including referral to an external occupational health provider as required.
- 11.26 A revised absence management policy was published in May 2022 and 29 managers attended sickness absence management workshops run by HR in the autumn of that year.

Equality

- 11.27 The gender profile for all of the public sector shifted considerably in 2022 in favour of women (74.4% female and 25.5% male December 22 (ONS Quarterly Public Sector Employment Survey) compared to 65% female and 35% male January- March 2022 (EMP13: Employment By Industry)). In contrast, the Council's gender profile has remained relatively stable at 61% female and 39% male March 2023 (62% female and 38% male March 2022).
- 11.28 The Council reported a 13.9% median gender pay gap as at the snapshot date of 31 March 2023, a reduction from 15.5% as at the previous year's snapshot date of 31 March 2022. The gender pay gap is the difference between the average earnings of men and women across an organisation. Median average percentages are the way the government reports on gender pay gap data across the economy.
- 11.29 The Council is confident a gender pay gap is not an indicator of equal pay issues. However, it is also not complacent about the issue. Whilst the Council already has in place many of the employment practises widely reported as effective in reducing the gender pay gap (e.g. flexible working practises, family leave policies), HR will continue to keep abreast of best practice and; monitor employment and reward policies and practises to ensure they continue to provide equal recruitment, appointment and pay and

progression opportunities for all staff, irrespective of their gender (or any other protected characteristic); champion initiatives which support women's appointments and career development; and, explore and maximise opportunities to extend its recruitment reach across all sectors of the community it serves.

- 11.30 Employees are encouraged to update their ethnicity and disability status, which is disclosed on a voluntary basis, to facilitate equality monitoring and reporting. Ethnicity data for the 38% of staff who have disclosed their ethnicity as at 31 March 2023 is included in Appendix 1.
- 11.31 It is not possible in this report to publish meaningful analysis from the disability data available as it could possibly result in the identification of individual employees.

HR Update

- 11.32 As approved by Full Council on 23 February 2023 as part of the full budget papers for 23/24, the council implemented a new pay and grading structure for all grades from 1 April 23. This involved deleting the bottom scale point and adding an extra scale point to the top of each grade, with minor variations at some grades.

As well as leading the redesign of the grading structure, HR managed the assimilation process and communicating the changes to staff.

By improving the council's position within the employment market and being able to offer higher and more competitive entry salaries and more headroom for salary progression, the new pay structure should aid recruitment and retention.

- 11.33 Following an accepted recommendation to ELB of the A&G Workforce Matter Task & Finish sub-group which met early 2022, HR led a review of the Council's performance appraisal process and the form used for recording appraisal discussions. As a result of this, recording of appraisals in the council's learning management system was replaced with a simpler, user-friendly downloadable form which can be used to aid and record manager/employee performance discussions. By simplifying the process, focus is brought back to the importance, value and quality of the appraisal discussion itself.

The form focuses on targets for the following 12 months which link to service plans and the Council Plan. It also includes sections to encourage learning and development and wellbeing discussions.

Support for managers is available through accompanying guidance notes and training is available from HR.

- 11.34 With effect from 1 September 2022, the council introduced a hybrid operating model (hybrid working is the term used to describe a blend of in office and home working). With the exception of some job roles and those on home working contracts, staff are required to attend the office every week and manage their hours flexibly to work a minimum of 50% of their contracted hours in the office (N.B. staff are free to choose to work more than 50% of their time in the office and no member of staff is forced to work from home). This was considered the optimum approach for balancing the council's need to deliver the best possible outcomes and services for residents, service users, customers and stakeholders with feedback from staff surveys showing the majority of staff would prefer to continue with the home working arrangements introduced during the pandemic for most or some of the time, with work-life balance the primary reason cited.

HR led on the implementation of hybrid working and published the Hybrid Working Policy which sets out the principles and rules governing office and home working arrangements and includes areas such as on-line meeting protocols, home to work travelling, data security and health & safety.

- 11.35 A two year framework contract, with two year extension option, was awarded to Cordell Health UK for Occupational Health (OH) Services following a joint quotation process with Test Valley Council.

Occupational Health services can extend to anything that relates to the interaction of health and work; how work can affect health and vice versa, and keeping people healthy and well at work, both physically and mentally. OH give staff and managers rapid access to professional specialist advice which will help protect, maintain and support employees with health issues in the workplace and in turn help to increase productivity and reduce absence.

- 11.36 The employer paid health plan is a key employee benefit in the employment package on offer to council employees. By providing cash back on a range of everyday healthcare, a health plan encourages staff to proactively manage their health and can aid a quicker return to work following illness/injury. Feedback from employee's shows this is a highly valued benefit.

Operating on an opt-in basis, the council pays for entry level cover for eligible employees who voluntarily chose to enrol on to the scheme. The health plan also provides an inclusive Employee Assistance Programme and online

wellbeing resources which are available to all employees whether they are enrolled on the health plan or not. Children under the age of 18 (or 24 if in full-time education) can be added free of charge and employees can voluntarily elect and personally pay to upgrade their level of cover and/or to add a partner.

HR has secured a further 12 month contract with the council's chosen provider, UK Healthcare, at a no cost/premium increase.

- 11.37 HR have organised for the second year an employee attitude survey to find out how employees feel about various aspects of their working lives at the council and to inform senior managers and elected members how engaged employees are with their work and the Council as a whole. The survey is due to close on 7 July and the survey results will be discussed with ELB and Members (details to be discussed at A&G on 28th September 2023). Running the survey every year enables the analysis and identification of trends over time.
- 11.38 Under the sponsorship of the Service Lead for HR, the council became an Age Friendly Pledge employer. The Age Friendly Pledge is a nationwide programme, run by the charity Centre for Ageing Better, aimed at recognising the importance and value of older workers by improving the recruitment, retention and development of workers over the age of 50.
- 11.39 HR continues to deliver a variety of on-line and workplace resources to support staff wellbeing and mental health.
- 11.40 HR continues to review and update HR policies. In addition to the Hybrid Working Policy previously considered in this report, HR has published over the past year a revised Absence Management Policy, Disciplinary Policy and Procedure, Grievance Procedure, Long Service Recognition Policy, Recruitment and Selection Policy, a Death in Service guide for managers and a checklist of 'Dos and Don'ts for work experience placements and volunteers.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 This report is for information only. No decisions are required therefore consideration of other options was not required.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG63 Workforce Report 2020/21 11 November 2021

AG079 Workforce Report 2021/22 29 June 2022

AG085 Update on employee attitude survey and related matters 10 November 2022

Other Background Documents:-

None

APPENDICES:

Appendix 1 – Workforce Report 2022/23 Data

Appendix 1

Workforce Report 2022/23 Data

Establishment

Table 1 – Staff numbers by headcount and Full-time Equivalent (FTE)

	Headcount	% increase	FTE	% increase
March 2022	431	+3.2%	389.28	4.1%
March 2023	445		405.34	

Table 2 – Headcount of staff by grade

Pay Grade	Headcount
Apprentice Scale 3	1
Degree Apprentice Scale 4	1
Scale 3	89
Scale 4	117
Scale 5	92
Scale 6	78
Scale 7	22
Scale 8	24
Scale 9	8
Scale 10	8
Scale 12	4
Chief Executive	1
Total	445

Table 3 – Contract Type

Full time (37 hours)	76%
Part-time	24%
Permanent contract	92%
Fixed-term contract	8%

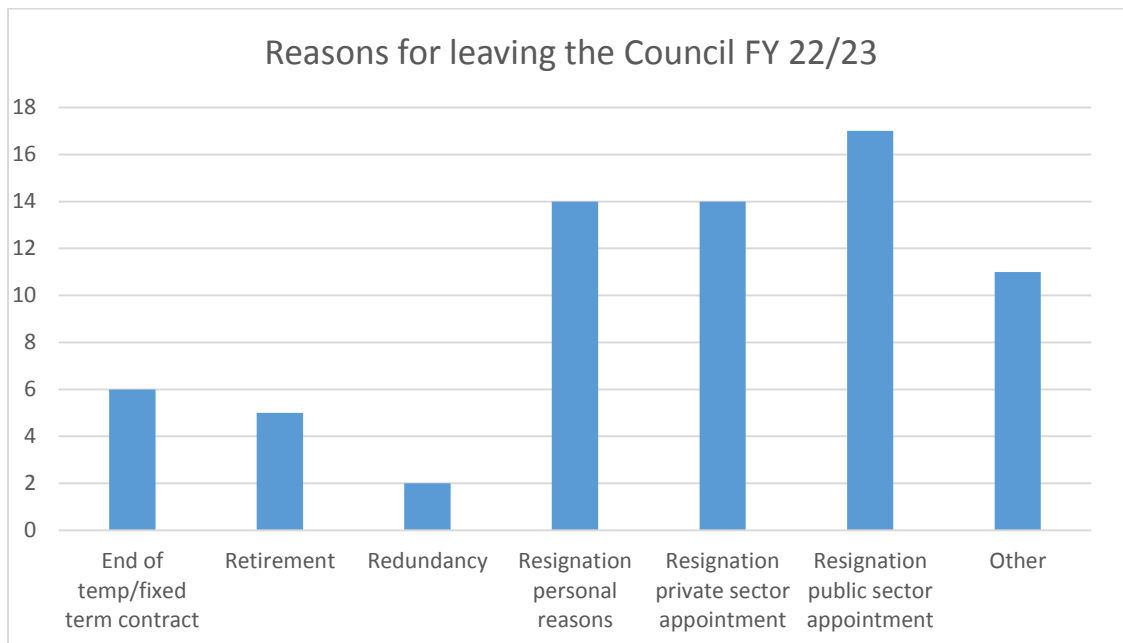
Sickness

Table 4 - Top 5 sickness absence reasons (averaged over April 22 – March 23)

Sickness Reason	Percentage of total annual sickness	Previous Year's ranking (out of 20)	Direction of travel
Infections incl cold and flu	13.87%	5	↑
Mental Health – personal	12.57%	1	↓
COVID-19 Coronavirus	12.31%	2	↓
Surgery related	9.76%	9	↑
Cancer	8.74%	7	↑

Recruitment and Turnover

Table 5 – Reasons for leaving the Council



Equality

Table 6 – Age profile (averaged over the 12 months)

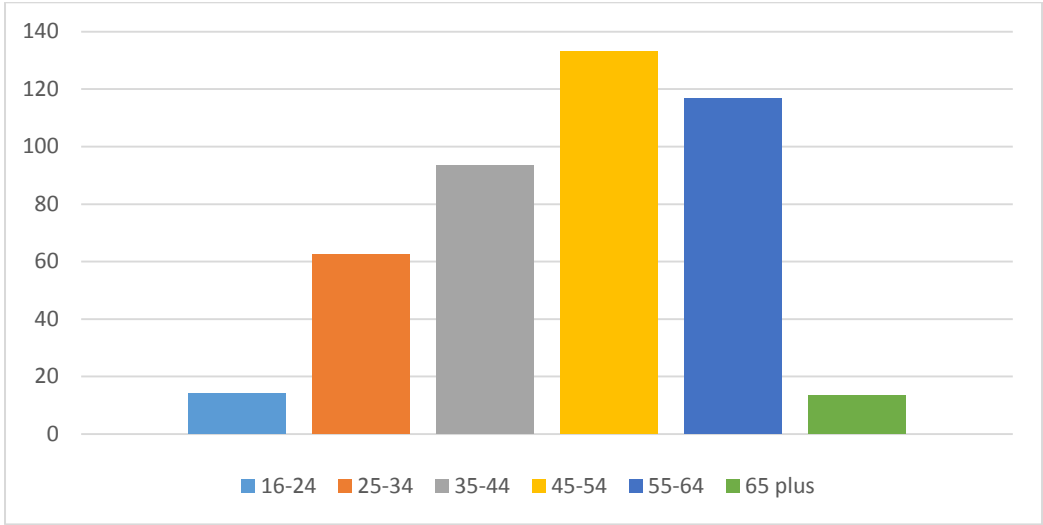
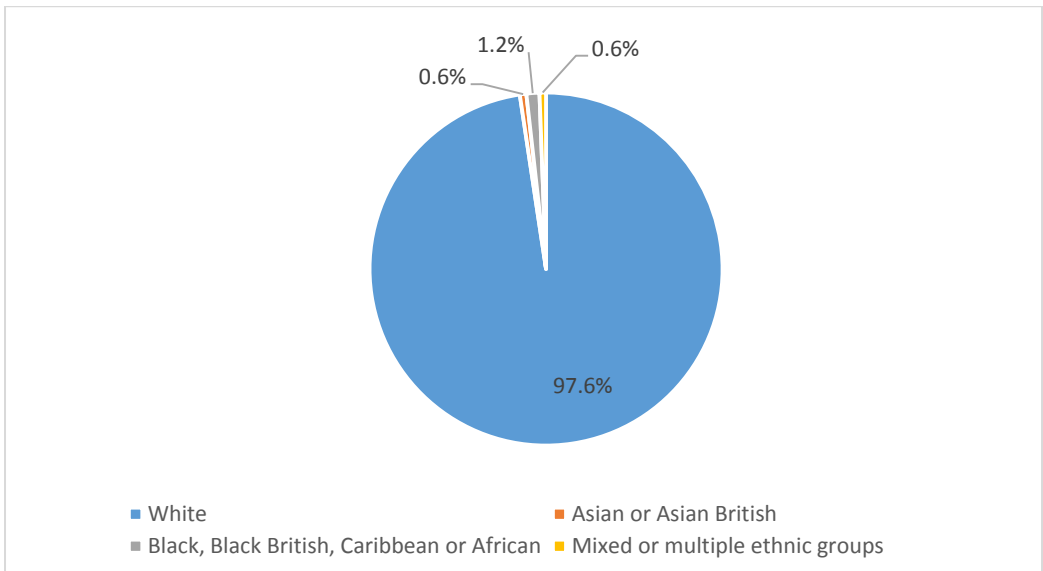


Table 7 – Ethnicity profile



It should be noted that the categories used in Table 7 have changed from last year’s workforce report as these new definitions align more closely with the current ethnicity profile of the workforce and better reflect government reporting description guidelines.

REPORT TITLE: Q1 GOVERNANCE MONITORING

20 JULY 2023

REPORT OF CABINET MEMBER: CLLR BECKER – CABINET MEMBER FOR
COMMUNITY AND ENGAGEMENT

Contact Officer: Sharon Evans – Tel No: 01962 848 135

Email: sevans@winchester.gov.uk

WARD(S): ALL

PURPOSE

To provide members of the Audit and Governance Committee with a summary overview of the key issues in respect of governance during the first quarter of the 2023/24 financial year.

RECOMMENDATIONS:

That the Audit and Governance Committee notes the content of the report including the update provided in the Health & Safety Annual Report 2022/23 and the progress against the internal audit management actions and raises any issues with the cabinet member.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

- 1.1 This summary document supports the council to be open and transparent by reporting the effectiveness of its governance framework and highlighting areas of weakness or issues of concern.

2 FINANCIAL IMPLICATIONS

- 2.1 There are no financial implications arising from the content of this report.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 There are no legal or procurement implications arising from the content of this report.

4 WORKFORCE IMPLICATIONS

- 4.1 There are no workforce implications arising from the content of this report.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 There are no property and asset implications arising from the content of this report.

6 CONSULTATION AND COMMUNICATION

- 6.1 Consultation on the content of this report has been undertaken with the Cabinet member for Inclusion and Engagement and with members of the Executive Leadership Board (ELB) and Corporate Heads of Service (CHoS). Owners of actions included in the internal audit reports that are referred to in this report have provided updates on the progress achieved against the agreed management actions.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 There are no environmental considerations arising from the content of this report.

8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 None arising from the content of the report, although officers will need to consider the council's Public Sector Equality Duty and if required complete an Equality Impact Assessment on any specific recommendations or future decisions to be made. This report is not making any decisions and is for noting and raising issues only.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 There are no data protection impact assessments required.

10 RISK MANAGEMENT

- 10.1 This report presents a summary update on how the council is performing against the governance processes and procedures that are in place and set out in the Risk Management Policy 2023/24 and Local Code of Corporate Governance. Independent assurance provided by the council's internal and external auditors evidence where there are weaknesses in the council's governance arrangements and are highlighted in this report.

11 SUPPORTING INFORMATION:

- 11.1 This report sets out the summary information in respect of the first quarter of the 2023/24 financial year concerning governance.

Annual Governance Statement

- 11.2 Progress against the actions included in the 2022/23 Annual Governance Statement is included in appendix 1 to this report.

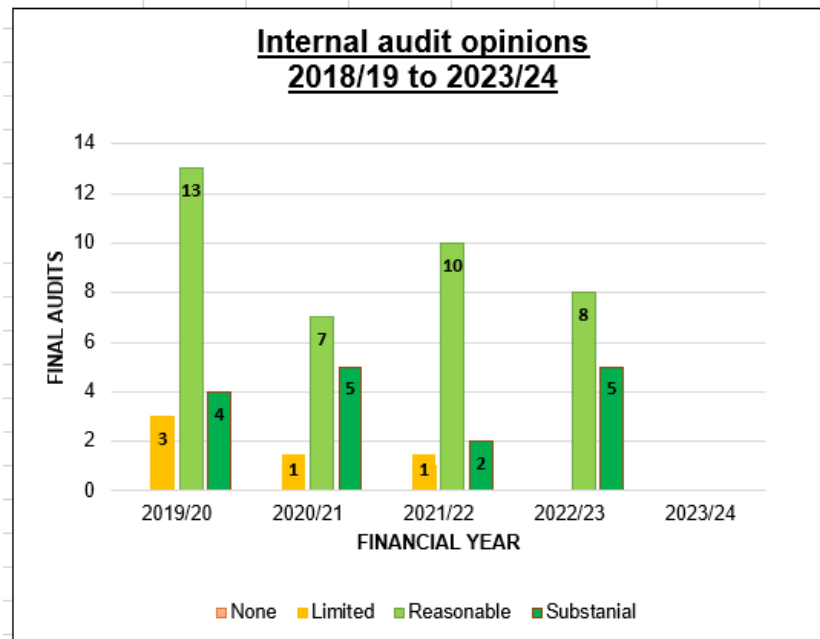
Declarations of gifts and hospitality

- 11.3 During the period 1 April 2023 to 30 June 2023 there were no declarations of gifts and hospitality made by officers in accordance with the Employee Code of Conduct:
- 11.4 Members regularly update their register of interest forms and during the period 1 April 2023 to 30 June 2023, there were 4 declarations of gifts or hospitality over the value of £50 made by members in accordance with the policy. All four declarations related to hospitality.

12 INTERNAL AUDIT ASSURANCE REPORTS

- 12.1 Internal audit provides an evaluation, through a risk-based approach, on the effectiveness of governance, risk management, and internal control operating at the council.
- 12.2 During 2022/23 there were no audit review reports that concluded with a 'no assurance' or 'limited assurance' opinion, meaning all were substantial or reasonable.
- 12.3 The opinions provided in audit review reports give assurance to senior management, external auditors and members of this committee that appropriate controls and processes are in place and are operating effectively.
- 12.4 In line with the agreed Audit Plan 23/24, audit reviews have commenced during the quarter and are in their early stages with no audits completed before 30 June. An update on progress covering both Q1 and Q2 will be included in the Internal Audit Progress Report 23/24 that will be appended to the Q2 Governance Monitoring report.

- 12.5 The graph below shows the assurance opinions of the completed internal audits that were included in the audit plans in the years 2019/20 to the current year 2023/24.



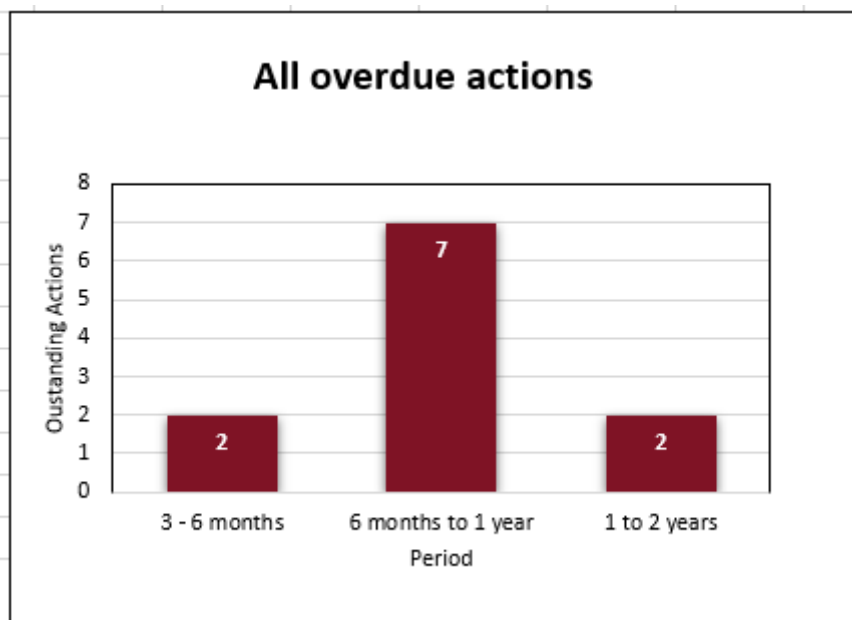
- 12.6 Since the Q4 2022/23 Governance Monitoring report was presented to Audit and Governance Committee on 12 June 2023 there have been 5 internal audit reports finalised and issued before the 30 June 2023. All the reports concluded with either reasonable or substantial assurance opinion.

- Contract Management Leisure Centres (reasonable assurance)
- Health and Safety (reasonable assurance)
- IT Asset Management (reasonable assurance)
- Procurement (reasonable assurance)
- HR Policies (substantial assurance)

- 12.7 An update on the progress against the Internal Audit Plan 2022/23 is provided in the Annual Internal Audit Report and Opinion 2022/23 included on this Committee's agenda (report AG111 refers).

Internal Audit Management Tracking

- 12.8 Corporate heads of service (CHoS), service leads, and Executive Leadership Board (ELB) regularly review the progress against the management actions included in the internal audit reports.
- 12.9 Reported on a quarterly basis is a summary table showing the status of these actions. These management actions are kept under regular review to assess where actions might become superseded or obsolete due to external or internal factors.
- 12.10 To assist member’s understanding, an additional narrative is included in the table to provide a brief explanation of the progress being made against the overdue audit actions and the reasons for the delay in completion.
- 12.11 There are currently 11 overdue management actions with 4 being high priority. This is 1 less than reported as overdue at the last meeting of the committee on 12 June 2023.
- 12.12 The chart below shows the 11 overdue management actions by the length of time that has passed since the target date for completion. The 2 actions overdue for between 1 to 2 years include IT Business Continuity and Working in Partnerships. An update on these actions can be found in the table in the next section of the report.



- 12.13 Further information relating to the current overdue internal management actions is shown in the table below.

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Reported	Not Accepted	Management Actions			LOW	MEDIUM	HIGH
						Pending	Cleared	Overdue			
Working in Partnership	09/09/2020	SDR	Limited	12 (2)	0	0	11 (2)	1 (0)		1	
<p>Progress update: There is one overdue, medium priority action remaining which is to <i>undertake a check with each partnership lead officer that the required management documents are in place.</i></p> <p>Policy officers are working with partnership lead officers over the Summer to ensure all management documents, including terms of reference, partnership risk registers and exit agreement are in place for each of the Tier 3 and Tier 4 partnerships included on the updated Partnership Register. The exercise will be completed by the end of October 2023.</p>											
IT Business Continuity & Disaster Recovery	06/07/2021	SDR	Reasonable	4 (0)	0	0	3	1 (0)		1	
<p>Progress update: There is one, medium priority overdue action remaining '<i>Complete IT only test with no user involvement</i>'. Citrix solutions continue to be progressed with new solutions are under review.</p>											
Information Governance Records Retention	0303/2022	SDR	Limited	14 (4)	0	0	6 (1)	8 (3)		5	3
<p>Progress update: The overdue high priority actions relate to the adoption of an updated Records Retention and Disposal policy and subsequent roll out across the organisation. Paragraph 13 to this report provide further details.</p>											

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Reported	Not Accepted	Management Actions			LOW	MEDIUM	HIGH
						Pending	Cleared	Overdue			
Health & Safety	10/03/2023	SDR	Reasonable	9 (5)	0	0	8 (4)	1 (1)			1

Progress update: There is one overdue, high priority management action remaining.
 This action relates to Portable Appliance Testing (PAT) of all office based electrical equipment.
 Arrangements are underway to organise PAT testing which will commence once requirements and costs have been agreed.
 Testing is expected to take several months and be completed before the end of the year.

- 13 The following section provides an update on the progress against the actions included in audit review reports that concluded with a limited assurance opinion.

13.1 **Information Governance – Records Management**

A review and refresh of the Retention and Disposal Policy has been completed and will be considered by Executive Leadership Board for adoption before the end of July 2023. The policy covers both digital and paper records that the council holds.

Work has already started on scoping the requirements for the roll out of the updated policy across the organisation and a project plan is under development.

Officers in the Policy Team have commenced collaborating with service leads to assess specific requirements to ensure the smooth roll out for each team across the council over the coming months which is expected to be completed by the end of the current financial year.

13.2 **Working in Partnerships**

Updates to the Partnership Register have been completed and Policy officers have begun working with Service Leads and partnership lead officers over the summer to ensure that all management documents, including terms of reference, risk register and exit agreements are in place before the end of October.

14 ***Risk Management***

- 14.1 The council's Risk Management Policy 2023/24 set out a timetable for this committee to review the policy and corporate risks (section 11 of the Risk Management Policy). The Corporate Risk Register is included at Appendix 4 of this report. The latest formal review of the Corporate Risk Register by Executive Leadership Board (ELB) was carried out on 5 July 2023.

- 14.2 As a result of the action arising from Audit and Governance Committee on 12 June 2023, ELB thoroughly reviewed the current controls on the Corporate Risk Register and confirmed that these are all active and relevant. A summary of the ELB review is below:

- CR001 Capacity to deliver services - The threat of potential industrial action was discussed. It was considered that any impact arising from a staff reduction could be mitigated through established business continuity plans.
- CR003 Ensuring decisions are made using evidence, customer insight and engagement - the controls were updated to include use of external specialist legal advice which it is currently doing.

- CR006 Effective partnership working – An additional control was added in recognition that external advice to enhance and facilitate partnership working is sought where appropriate.
- CR007 The need to ensure financial resilience – ELB agreed that the risk focussed mainly on the General Fund, but it should include the HRA too and updates were made to this effect. The controls were updated to reflect that TC25 is now being implemented.
- CR008 Availability of suitable sites for building new homes – The original likelihood was increased from 'likely' to 'highly likely' which was felt to be more reflective of the current climate, but the residual risk remains the same.

14.3 Unless stated above, the original and residual risk ratings were considered appropriate and tolerated. The causes, consequences and controls for each risk were reviewed and deemed to be current and sufficient at the time of the review.

14.4 ELB did not identify any new or emerging risks to be added to the Corporate Risk Register.

14.5 Of the 79 Operational Risks managed by Corporate Heads of Service, 3 of these were presented to ELB for review as residual 'red' risks. ELB agreed that the controls were sufficient, that the current residual risk score was correct and accepted and escalation to the Corporate Risk Register was not required at this stage.

15 ***Code of Conduct Complaints***

15.1 The Audit and Governance Committee has two sub-committees including the Standards Sub-Committee, whose purpose is to consider investigation reports in respect of Code of Conduct Complaints that have been referred to it by the Monitoring Officer.

15.2 Appendix 2 provides brief details of the Code of Conduct complaints received, in progress and closed and where enquiries have been made to the Office of the Monitoring Officer.

16 **OTHER OPTIONS CONSIDERED AND REJECTED**

16.1 None

BACKGROUND DOCUMENTS: -

Previous Committee Reports: -

AG104 Governance Monitoring Quarterly update Q4 2022/23, 12 June 2023.

Other Background Documents:

None.

APPENDICES:

Appendix 1 – Annual Governance Statement 2023/24 – progress update

Appendix 2 – Code of Conduct complaints

Appendix 3 – Corporate Risk Register

Appendix 4 – Annual Health & Safety report 2022/23

Annual Governance Statement 2022/23 – Action Plan update – June 2023

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
1.	Records Retention and Disposal Ensuring that the Records Retention and Disposal Policy and Schedule are refreshed and embedded into the organisation so that records are stored in accordance with the agreed schedule.	ELB endorsement of the refreshed Retention Policy and Schedule	Refresh of Retention and Disposal Policy complete and report for ELB being prepared for consideration by the end of July.	Senior Policy and Programme Manager	September 2023	In progress
		Map and align retention schedule to content/ indexing and values in business systems	Retention schedule being considered in line with implementation of upgrade to SharePoint and Microsoft 365.	Senior Policy and Programme Manager/ Corporate Heads of Service	December 2023	In progress
		Retention schedule implementation and application across business systems completed	Implementation of retention schedule to applied to upgrade of SharePoint due to take place later in 2023.	Senior Policy and Programme Manager/ Head of IT	March 2024	In progress
2.	Council Constitution Ensuring that the Council's Constitution is regularly reviewed and updated to take account of changes.	Review and refresh of Constitution before sharing with Working Group.	Completed	Strategic Director & Monitoring Officer	June 2023	Complete
		Draft Constitution considered by ELB.	Comments and amendments to feed into final draft.	Strategic Director & Monitoring Officer	June/ July 2023	Complete
		Final draft share with Working Group	On schedule to be completed before end of July/ end of August.	Strategic Director & Monitoring Officer	September 2023	In progress
		Draft Constitution considered by Audit & Governance Committee.	Scheduled for Audit & Governance Committee meeting	Strategic Director &	September 2023	In progress

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
			on 28 September	Monitoring Officer		
		Adoption of updated Constitution by Council.	For adoption at Full Council on 1 November.	Strategic Director & Monitoring Officer	November 2023	In progress
3.	Complaint Handling Review of performance for dealing with and responding to customer complaints, particularly stage one complaints	Promote across the organisation the standards that the Council has adopted for handling complaints	Internal comms being planned via City Voice staff newsletter	Service Lead for Corporate Support	June 2023	In progress
		Review current performance and identify areas and services where the council's standard is not being achieved	Each Corporate Head of Service receives a monthly report of complaints within their business areas which includes the % of complaints responded to within 10 working days. From May'23 this has also been shared with the relevant Director.	Service Lead for Corporate Support	July 2023	In progress
		Ongoing review and reporting of performance	There is a corporate KPI reporting overall % complaints responded to within 10 working days which is reported to PAC Board and Performance Panel (Scrutiny) and Cabinet. Performance by each Corporate Head of Service area is reviewed and reported as above	Service Lead for Corporate Support	Ongoing	In progress

Code of conduct complaints

Code of Conduct Complaints received by the office of the Monitoring Officer since previous meeting of Audit & Governance Committee and update of those previously reported - as of 10 July 2023.

Summary of current caseload:

- A. Number **Active Individual Complaints**: 1 complaint from 1 individual complainant.
- B. Number Complaints **Not Commenced**: 0
- C. Number **individual complaints** relating to a City Councillor: 0
- D. Number **individual complaints** relating to a Parish/Town Councillor: 1
- E. Number of complaints received since last report: 0.
- F. **Cases closed** since the last report: 2.
- G. Number of **Standards Sub Committees** held: 0.

Page 67
Analysis of active cases:

Date received	Relating to Parish/ Town/ City Councillor	Current status/update	Approx time spent on this complaint since 01/07/23 (see note below)
Apr 23	Town/ Parish Councillor	Decision finalised. No breach. Complaint closed.	8 hours
May 23	Town/ Parish Councillor	Response received from subject member to complaint. File reviewed by IP and to be considered by MO.	1 hour

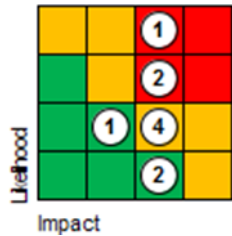
Officer Time Recording: Further to item 10 of the minutes of the Audit and Governance Committee on 12 June 2023, the Committee requested that the length of time spent by officers be recorded for future complaints. This process began on the 1 July 2023.

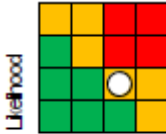
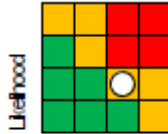
Officers continue to be involved in supporting Denmead Parish Council following the release of the Standards Investigation report earlier this year. This included the Chair of the Audit & Governance Committee and the Monitoring Officer attending the Full Council meeting at Denmead in June 2023 and will continue to provide support and guidance to both the Clerk and Parish Councillors. Since the last Audit & Governance Committee meeting this time is estimated at 18 hours.

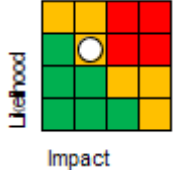
Corporate Risk Register 2023/24

As of 5 July 2023

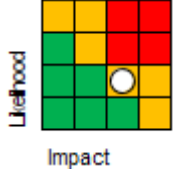
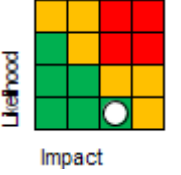
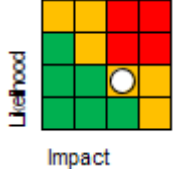
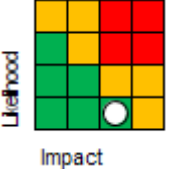
Residual Risk Summary:



Code	Risk Description	Risk Owner	What might go wrong?	What will happen?	Original Risk Rating	Current Controls	Residual Risk
CR001 Page 68	Given competing demands and multiple complex priorities, the risk is that the council does not maintain capacity to deliver services	Chief Executive	<ul style="list-style-type: none"> • Ambitious council plan with multiple strands of activity • Staff resources are lean, and teams are working at capacity to deliver services at current levels of demand. • Outbreak of a pandemic that increases the pressure to continue to provide critical services as well as respond to the needs of residents and businesses affected by the pandemic. • Competition from the 	<ul style="list-style-type: none"> • If decision making is slow, delays occur, and potentially available resources are redeployed or become unavailable if they are externally sourced. • Implementation of business continuity plan to target work in critical areas in cases of staff shortage. • If staff lack political 		<ul style="list-style-type: none"> • Council Plan is distilled into key priorities by service. If capacity becomes an issue, prioritisation of activity is in place. • Critical activities are reviewed with Cabinet alongside a refreshed Council Plan approved in January'23 • Proactive approach to communications internal and external 	


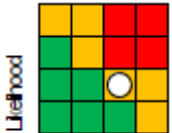
Code	Risk Description	Risk Owner	What might go wrong?	What will happen?	Original Risk Rating	Current Controls	Residual Risk
Page 69			<p>private sector for key staff roles e.g. planning, project management.</p> <ul style="list-style-type: none"> • Decision making can be slow. • Tension between day-to-day and strategic priorities • Key skills not in the right place 	<p>awareness, middle managers will be slow to redeploy resource to current priorities.</p> <ul style="list-style-type: none"> • If staff are diverted then can't deliver on other lower-level priorities or day-to-day work • Reputation is damaged as the council is not seen to be able to deliver projects. • Local members are not always kept informed of activity in their area. • Unable to deliver key council services 		<ul style="list-style-type: none"> • 50/50 hybrid working policy agreed. • Maintaining communication • Annual Service Planning • Regular meetings with relevant cabinet members • Positive use of fixed term contracts to aid flexible resourcing. • Targeted use of external resource • Reallocation of human and financial resources across and within the organisation as required. • CMM review resources on a regular basis 	
	CR003	Decisions made by the council are challenged due to a lack of a strong evidence base, customer insight and engagement with change or procedural errors.	Strategic Director and Monitoring Officer (SE)	<ul style="list-style-type: none"> • Lack of skill and/or time to identify evidence to support decision making. • Lack of consultation with ward members and/ or parish council's over local issues • Procedural error in statutory process 	<ul style="list-style-type: none"> • Lack of a robust and evidence based approach to customer engagement can lead to: <ul style="list-style-type: none"> - Reputational damage - Views that the council is too 		<ul style="list-style-type: none"> • Consultation with ward and parish councillors (on matters within their ward or parish) • Risks with regard to significant projects are recognised and addressed

Code	Risk Description	Risk Owner	What might go wrong?	What will happen?	Original Risk Rating	Current Controls	Residual Risk
Page 70			<ul style="list-style-type: none"> • Inconsistent and traditional approach to customer engagement across the council • Lack of awareness of the questions to ask. • Lack of awareness of the 'right time' to engage. • Lack of public awareness of the opportunity to engage. • Council is not aware of the full range of interested stakeholders. • Council may only hear the loudest voices and not the silent majority or those that do not readily engage. • 	<p>Winchester-centric.</p> <ul style="list-style-type: none"> - That decisions made are Inequitable. - There is a perception that people's views are ignored. <ul style="list-style-type: none"> • Ward members and/or parish council's not being informed. • Legal/ judicial review or challenge against a decision made 		<p>separately via robust Project Management and regular reports to the Programme and Capital Strategy Board</p> <ul style="list-style-type: none"> • Legal and Monitoring Officer consultation on decisions made. • Residents' survey completed 2022. • A proactive open and transparent approach to communication based on Gunning Principles • Use of external specialist advice when appropriate • Commitment made in the refreshed Council Plan in terms of 'Listening Better.' • Equality, Diversity and Inclusion Action Plan is being embedded across the organisation 	

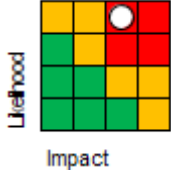
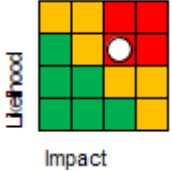
Code	Risk Description	Risk Owner	What might go wrong?	What will happen?	Original Risk Rating	Current Controls	Residual Risk
CR004	Failure to have plans and processes in place to recover and maintain services after a major incident (including pandemic) that has a significant impact on the ability of the Council to provide its services	Strategic Director and Monitoring Officer (SE)	<ul style="list-style-type: none"> • Not maintaining an effective corporate wide Business Continuity Plan • Not regularly testing the plan and following-up learning • Key staff unavailable • Communication systems ineffective • Lack of awareness of Business Continuity Plan • Failure to assess business critical functions and have plans in place 	<ul style="list-style-type: none"> • Unacceptable delay and uncertainty in returning to normal working after an emergency. • Adverse publicity and criticism • Reputation damage • Adverse social and/or economic impact 		<ul style="list-style-type: none"> • Business Continuity Plans reviewed and tested in 2022 and a report due to ELB early 2023. • Annual testing of IT Disaster Recovery Plan scheduled. • Critical services identified with individual business continuity plans. • Back up temporary office accommodation at Hyde Lodge • All staff able to seamlessly work from home, where job allows. • 2020 internal audit (Business Continuity) resulting in substantial opinion and no identified weaknesses 	
CR006	Breakdown of effective partnership working	Strategic Director (DA)	<ul style="list-style-type: none"> • Partnerships can falter due to lack of shared vision within partnerships. • Money spent on Partnership working 	<ul style="list-style-type: none"> • Significant project delivery such as the major projects and the new homes building programme could 		<ul style="list-style-type: none"> • Annual review by each CHoS of all partnerships undertaken to identify key strategic partners. 	

Code	Risk Description	Risk Owner	What might go wrong?	What will happen?	Original Risk Rating	Current Controls	Residual Risk
Page 72			<p>doesn't add value.</p> <ul style="list-style-type: none"> • Strategic partnerships may falter due to conflicting demands within individual partners. • Incorrect application of the procurement regulations due to a misunderstanding as to how and when they apply to partnership working. • Partnerships may be unsuccessfully commissioned due to lack of skills and poor scoping. • Significant local, regional or national partners may close down, affecting the council 	<p>fail due to failure of strategic partnerships.</p> <ul style="list-style-type: none"> • Local delivery could fail if local strategic partners are not aligned. • Reputational damage to all partners • Lack of value for money (VfM) 		<ul style="list-style-type: none"> • Annual performance reporting for significant partnerships by CHoS' • External support to enhance and facilitate partnership working where appropriate. 	
	CR007	Lack of sufficient funding and/or escalating costs over the medium term reducing financial viability and inability to achieve a balanced budget (General Fund and HRA)	Corporate Head of Finance and s151 (LK)	<ul style="list-style-type: none"> • Reduced Government funding • Reliance on strategic partners to deliver services and projects. • Macro economy, including effects of Brexit, reduces locally generated Business Rates and parking income. • Failure to achieve 	<ul style="list-style-type: none"> • Unable to balance the budget. • Increased Council Tax • Public's ability to pay for services. • Reduce services provided. • Demand/cost of services • Increased construction costs 		<ul style="list-style-type: none"> • Strategic Budget review mid-year 22/23 • One year funding settlement in place • MTFS approach setting out medium and longer term options. • Quarterly finance reporting and

Code	Risk Description	Risk Owner	What might go wrong?	What will happen?	Original Risk Rating	Current Controls	Residual Risk
Page 73			income targets. <ul style="list-style-type: none"> • Inflation rises. • Penalties are imposed on the Council due to falling standards in services. • Impact of a Pandemic 	and impact on delivery and viability of key projects <ul style="list-style-type: none"> • Over borrowing and avoidable cost 		monitoring of key income sources <ul style="list-style-type: none"> • Regular policy review and monitoring • Scenario planning and sensitivity analysis of key risks • Transformation Challenge 2025 (TC25) is now in the process of being implemented. • Maintain General fund reserve of at least £2m. • Regular review of reserves • Annual review of fees and charges • Monthly budget monitoring and regular HRA business plan updates 	
	CR008	Availability of suitable sites to meet the strategic need for building new homes (HRA)	Strategic Director (SH)	<ul style="list-style-type: none"> • Increasing demand for new houses • High cost of housing, including private rented sector • Unable to identify new sites for new houses. • Increasing 	<ul style="list-style-type: none"> • Increased housing waiting list numbers. • Increasing homelessness • Difficulty accessing housing markets. 	<p>A 3x3 grid with 'Likelihood' on the y-axis and 'Impact' on the x-axis. The top row is yellow, the middle row is green, and the bottom row is red. The top-right cell (High Likelihood, High Impact) is red and contains a white circle, indicating a high risk rating.</p>	<ul style="list-style-type: none"> • A variety of plans in place to deliver new homes. • Regular monitoring of projects • Revised Housing Strategy

Code	Risk Description	Risk Owner	What might go wrong?	What will happen?	Original Risk Rating	Current Controls	Residual Risk
			infrastructure demands on new sites. • Higher build costs • Increasing inflation and interest rates affecting supply	• Outward migration of younger residents • Adverse publicity • Government intervention • Ability to meet the business plan target which will have a negative effect on income		• Cost benchmarking	
CR009	Failure in cyber security leaving the council exposed to phishing and other attacks leading to compromised IT systems and data loss	Corporate Head of Finance and s151 (LK)	• Malicious attack by Hackers for financial gain • Malicious attack by Hackers to disrupt business and ability to deliver services. • Viral code attack in order to data mine information and identities	• Possible complete shutdown of Council IT Systems and Infrastructure • Business\service delivery disruption • Significant Financial loss • Credibility and confidence lost in engaging with digital services and e-payments	 <p style="text-align: center;">Impact</p>	• Mandatory Cyber Security awareness training held for all staff. • IT Systems and processes administered to PSN (Public Services Network) standards and protocols. • ITILv3 Methodology adoption for ITSM • Comprehensive and regular reviews of ISP (Information Security Policies) and IT Network Access Policies • Operational daily checks and proactive	 <p style="text-align: center;">Impact</p>

Code	Risk Description	Risk Owner	What might go wrong?	What will happen?	Original Risk Rating	Current Controls	Residual Risk
						monitoring of Firewalls and pattern updates <ul style="list-style-type: none"> • Staff qualified in Cyber Scheme Professional standards and within GOV UK CESH guidelines. • Regular system health checks and vulnerability scans • System and software maintained to supported levels. • Email security managed by accredited 3rd party. • Insurance for potential losses of a cyber attack • Third party review jointly with TVBC being undertaken to see what further actions the councils can pro-actively take to mitigate this risk further 	

Code	Risk Description	Risk Owner	What might go wrong?	What will happen?	Original Risk Rating	Current Controls	Residual Risk
CR010	Failure to effectively respond to the Climate Change Emergency and reduce the council and district carbon emissions	Strategic Director (DA)	<ul style="list-style-type: none"> • Failure to achieve target for the council to be carbon neutral by 2024 and the district by 2030. • Carbon emissions increase • Air quality drops • Insufficient project capacity in-house 	<ul style="list-style-type: none"> • Reputational damage for failing to meet targets. • Increased risk of flooding - damage to property, disruption to business, health and wellbeing of displaced residents • Increased risk of droughts - pressure on river system health, depleted aquifer/reservoir volumes, negative impact upon agriculture, fire risk • Extreme heat and cold - health risk for vulnerable people, pressure on emergency and health services. • Protests by lobby groups • House price volatility 		<ul style="list-style-type: none"> • Review of progress against the Winchester Carbon Neutrality Action Plan (CNAP). Currently reviewing the milestone report to determine next actions. • Climate Emergency declared. • Asset Management Strategy • £15mil HRA 	

Code	Risk Description	Risk Owner	What might go wrong?	What will happen?	Original Risk Rating	Current Controls	Residual Risk
CR011	Lack of preparedness and incapability to respond to events caused by climate change	Strategic Director (DA)	<ul style="list-style-type: none"> Failure to prepare for an adverse weather event, for example long period of rain, heavy snow or heatwave. Failure to manage sluice gates and maintain rivers. Failure to respond to an adverse weather event, e.g. making safe city footpaths and car parks after heavy snow fall 	<ul style="list-style-type: none"> Flooding causing damage to property and assets. Loss of income to the council e.g. closed car parks due to snow Adverse publicity Damage to reputation 		<ul style="list-style-type: none"> Multiagency Emergency Response Plan in place, reviewed and updated annually. Annual Emergency Planning exercise to test the Plan. Completion of flood alleviation schemes Temporary flood defence barrier purchased and available to be used where there is a need. The Emerging Local Plan has clear objectives to support the council priority of Tackling the climate emergency and creating a greener district. 	
CR012	Nutrient neutrality - Phosphates	Strategic Director (DA) and Corporate Head of Planning and Regulatory (EE)	<ul style="list-style-type: none"> Inability for developers to achieve nutrient neutrality specifically related to phosphates will delay housing and delivery of other forms of residential 	<ul style="list-style-type: none"> Adverse impact on economy Reduction in supply of new homes Inability to maintain a 5-year 		<ul style="list-style-type: none"> £200k grant funding has been awarded by Government across the affected Solent area and we are 	

Code	Risk Description	Risk Owner	What might go wrong?	What will happen?	Original Risk Rating	Current Controls	Residual Risk
			development within the affected area	housing land supply leading to unplanned development being permitted. <ul style="list-style-type: none"> • Reputational damage 		currently working with PUSH to identify strategic solutions. <ul style="list-style-type: none"> • A formal project is underway. 	



Annual Corporate Health and Safety report 2022-23

Written by: Margareta Flicos - Corporate H&S advisor.

Date: 6 July 2023

Executive Summary

This report details progress made on the delivery of Health & Safety governance arrangements for Winchester City Council and covers:

- implementation of Governance framework
- reporting to Executive Leadership Board (ELB)
- summary of service delivery

Recommendations

It is recommended that:

- (a) a Corporate Health & Safety report is submitted annually to the Audit and Governance Committee.
- (b) Audit and Governance Committee notes the progress in implementing the Health and Safety governance arrangements and service updates

Background

1. The service provided by the Corporate Health & Safety service is to ensure competent, specialist and risk-based advice and guidance is afforded to the Council to enable it to carry out statutory duties regarding both the Health & Safety at Work etc Act 1974, the Regulatory Reform (Fire Safety) Order 2005, the Buildings Safety Act 2022 and other relevant fire safety legislation and to promote a positive safety culture throughout WCC.
2. The WCC Council Health, Safety and Welfare Policy (reviewed Feb 22) and the Corporate Fire Safety Policy (to be issued July 2023) set out the roles and responsibilities across all levels and sections of WCC.
3. The WCC Health & Safety group governance framework (Jan 22) details the governance arrangements including ELB, H&S group meetings and Service area H&S management

Ongoing Governance arrangements

4. The Corporate Health & Safety service updates ELB quarterly and as needed for specific items
5. Health & Safety group meetings take place quarterly and are now held face to face.

These meetings are a key part of the Health and Safety governance.

The group comprises H&S representatives from each Service area, the Union H&S representative, a Corporate Head of Service, FM, insurance and HR. It is chaired by the Corporate H&S advisor. The Strategic director overseeing H&S attends these meetings. The group provides a means for consultation with all employees as per statutory requirements. Colleagues can share best practice, learning points and discuss any current issues at the workplace.

Details of all accidents and incidents reported are shared, with actions taken to prevent a reoccurrence and any other learning points.

6. Service areas have H&S as a standing item at their management meetings

Reporting to Executive Leadership Board (ELB)

7. Health and safety and fire safety reports are provided quarterly to an ELB meeting, providing information on such matters as policy & guidance updates, staff training, Fire risk assessments, significant accidents & incidents, contact with enforcement bodies and accident and near-miss data for health and safety and fire incidents.
8. Progress with the implementation of the Corporate Health and Safety Management Plan is also reported in the quarterly update
9. Health & Safety items are now included in the Corporate Risk Register and reviewed periodically at ELB meetings. This contains high level H&S risks that are considered to need significant further mitigation measures to reduce the current risk level.
10. Progress with recommendations from any external H&S audits are reported quarterly to ELB

COVID-19 Response

11. All legal requirements for Covid for employers have now been removed. Covid guidance now refers to 'Living safely with respiratory infections including COVID-19'.
12. A watching brief will be maintained on local/national levels of Covid and review and Public Health workplace guidance adopted as required.

Service Updates

13. The Corporate H&S service is managed by the Service Lead for Public Protection and comprises a part time Corporate H&S advisor (three days per week).
14. The Corporate H&S service was audited in March 23 by the Southern Internal Audit Partnership and was rated reasonable. Good progress is being made on completing the actions required.
15. It has been agreed with HR that H&S training required across two or more Service areas is to be managed by HR, with support and assistance from Corporate H&S advisor. HR officer now allocated to implement 2023/4 training plan, following confirmation on training requirements from Corporate H&S advisor.

Corporate H&S training delivered to date to WCC staff by external trainers includes first aid, fire safety for fire marshals and conflict training (both dealing with face-to-face violent behaviour and dealing with it on the telephone)

Corporate H&S advisor has delivered risk assessment training to staff nominated as Service area H&S risk assessors.

16. A business case is being prepared by Public Protection for ELB for the purchase of additional lone working devices. This is to ensure that relevant roles, who have already been identified, in Built Environment, Public Protection, Special Maintenance, Guildhall, Governance and Revenues and Benefits have access to a device. Housing is already using such devices where needed.
17. A review of the entries on the Violent Persons Contact list (register) by Housing is ongoing to ensure that it is up to date and complies with Data Protection regulations
18. Following a H&S risk assessment review during 2022, further checks on risk assessments and the review process will be carried out in the planned 2023/24 H&S audit/inspections to be carried out starting in July 23 until March 24. Findings from these audits will be shared with ELB through the quarterly H&S reports.
19. Policy updates

Policy reviews were carried out on the following during 22/23:

- Management of violent and aggressive behaviour
- Lone working
- First aid procedure
- Accident/incident reporting and investigation
- Violent persons contact list - procedure.
- Corporate Fire policy (target issue date 31 July 23, following final approval by ELB and H&S group during July)
- Corporate asbestos policy (target issue date 31 July 23, following final approval by ELB and H&S group during July)
- Asbestos Management plan for WCC (target issue date 31 July 23, following final approval by ELB and H&S group during July).

The following policies require review during 23/24:

- H&S - procurement of contractors
- Contractor monitoring and H&S performance
- Working at height
- Legionella policy

- Driving at work
- Manual handling
- Stress policy
- DSE
- Home working
- Portable appliance testing
- Health surveillance

20. Accidents and incidents reporting

The table below shows the number of accidents and incidents reported per quarter in 22/23:

Quarter	Number of accidents and incidents reported
Apr 22-Jun 22	4
Jul 22- Sep 22	12
Oct 22-Dec 22	7
Jan 23-Mar 23	10
Total	33

Violent behaviour (verbal abuse, threatening behaviour and physical violence) accounted for 16 of these 33 accidents and incidents.

Conflict training has been delivered to a number of teams.

21. Between April 22 and March 23, one accident was reported to the Health and Safety Executive (HSE) under the RIDDOR regulations. There was no follow up from the HSE.
22. Corporate H&S gives H&S support to the Winchester Safety Advisory Group (SAG) for events on WCC land.
23. Housing Property Services are working on the new duties required to ensure WCC high rise Housing stock buildings comply with the new Building Safety Act 22 requirements. This includes registration of high rise residential buildings with the new Building Safety regulator.
24. The fire evacuation procedure for the City Offices and Annex has been updated and the number of fire marshals increased following the Hybrid working policy implementation

25. Housing Property Services are working on actions required following visits by the Hampshire and IOW Fire and Rescue Service (HIOWFRS). This includes:
- Flat front doors are well underway to Council tenanted flats, some difficulty in accessing despite the tenants being keen for the replacement.
 - Flat front doors are underway to the Leaseholder flats (all orders raised on accepted flats), albeit still awaiting the final stages of challenge with legal on those that refused.
 - Cross corridor doors – contractors have all assessed the sites and have tendered, these works will work around the programme of flat front door replacements.
 - The remodelling of the bin store/shed areas has commenced, some delays in moving of existing bins to secure location and liaising with tenants and leaseholders over remodelling their sheds.
 - The new alarm systems have already made significant progress within the communal areas and are almost at phase 2, which will be individual flat access to link them to main system.
 - The assessment is completed for the automatic opening vents undertaken. (Further quotes are being sourced as initial responses were circa £200k+). Work by Wates around the site needs to complete for scaffolding to be erected to support the works.
 - CCTV works – awaiting a final quote, however, the system will match the ones being put inside the new builds adjacent.
 - Fire coating the balcony cladding, fire-retardant materials obtained and started where access has been gained.
 - Bathroom windows on ground floor to lift lobby – Completed.
 - New office/ control rooms have been compartmentalised. Awaiting the main sprinkler, CCTV and alarm systems completions.
 - Communal areas - Timinox paint certifications have been sought to validate the fire coating applied to all communal stair, corridors, and service area walls.
26. Following a visit by HIOWFRS in March 23 to inspect the Guildhall, the following actions have been taken to address the improvements required by the fire and rescue service:
- Fire risk assessment undertaken by a specialist contractor.
 - external consultant has undertaken a detailed condition survey of the doors which has highlighted works required.
 - fire drill held.
 - work is being carried out to enable contractors to improve the signage, lighting, doors and fire stopping.

- additional fire safety information given to third parties using guildhall.

REPORT TITLE: TREASURY MANAGEMENT OUTTURN REPORT 2022/23

20TH JULY 2023

REPORT OF CABINET MEMBER: Cllr Neil Cutler, Deputy Leader and Cabinet Member for Finance and Performance

Contact Officer: Liz Keys Tel No: 01962 848421 Email lkeys@winchester.gov.uk

WARD(S): ALL WARDS

PURPOSE

In accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, this report provides details of the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and confirmation that there were no instances of non-compliance with the council's Treasury Management Policy Statement and Treasury Management Practices, for the year 2022/23.

RECOMMENDATIONS:

1. Note the Annual Treasury Outturn Report 2022/23.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

- 1.1 Treasury management is an integral part of helping to deliver the council Strategy and all of its outcomes. Of key importance is ensuring the security and sufficient liquidity of the council's cash and investment balances whilst, where possible, optimising the yield from those investments. The income from investments is available to be used by the council in achieving its objectives.

2 FINANCIAL IMPLICATIONS

- 2.1 Effective treasury management ensures both the financial security and liquidity of the council. The 2022/23 outturn shows £1,080,000 of income achieved against a budget of £284,000 delivering an additional £796,000 of income above budget. This was primarily due to much higher interest rates receivable than anticipated when the 2022/23 budget was set as well as slippage in the capital programme.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Council's Treasury Management Strategy Statement follows the latest codes of practice and the MHCLG and CIPFA guidance.
- 3.2 With effect from September 2014 Hampshire County Council (HCC) and Winchester City Council (WCC) established arrangements for the joint discharge of functions under Section (101)(1) and (5) of the Local Government Act 1972 and Section 9EA and 9EB Local Government Act 2000. Under this arrangement, HCC's Investments and Borrowing Team provide a Treasury Service which includes the management of WCC's cash balances and investment of surplus cash or sourcing of short-term borrowing in accordance with the agreed Treasury Management Strategy Statement.

4 WORKFORCE IMPLICATIONS

- 4.1 HCC's Investments and Borrowing Team carry out the day to day management of the council's cash balances and investments. The council's in-house finance team undertake the accounting and retain responsibility for long-term borrowing decisions.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None

6 CONSULTATION AND COMMUNICATION

- 6.1 This report has been produced in consultation with HCC's Investments & Borrowing team.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 Following the council's declaration of a Climate Emergency in June 2019 and in line with the ethical stances in its investment policy, the council has no direct or indirect equity investments in companies directly involved in the fossil fuel industry.

8 EQUALITY IMPACT ASSESSEMENT

8.1 There are no actions which arise directly from this report.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Returns from investments are too low</i>	A diversified strategy that attempts to manage the balance between liquidity risk, credit risk and yield within the council's risk appetite.	Returns above budgeted levels
<i>A counterparty fails</i>	A diversified strategy that has relatively low levels of counter-party risk	
<i>Cash is not available</i>	A balanced portfolio of liquid and long term funds are held to ensure cash is available to utilise. The council also mitigates this risk through cashflow forecasting	More accurate and immediate cashflow forecasting can help improve the return on investments through more active treasury management activity

11 SUPPORTING INFORMATION:

12 Introduction

12.1 The council has adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), last updated in 2021. The CIPFA Code requires the council to approve a treasury management strategy before the start of the year, a mid-year report, and annual treasury outturn report. The purpose of this report is therefore to meet this obligation by providing an update on the performance of the treasury management function during 2022/23.

13 Summary

- 13.1 The report fulfils the council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code and provides an update on the performance of the treasury management function during 2022/23.
- 13.2 The council's treasury management strategy was most recently updated and approved at a meeting of Full Council in February 2023. The council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the council's treasury management strategy.
- 13.3 Treasury management in the context of this report is defined as: "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 13.4 This annual report sets out the performance of the treasury management function during 2022/23, to include the effects of the decisions taken and the transactions executed in the past year.
- 13.5 Hampshire County Council's Investments & Borrowing Team has been contracted to manage the council's treasury management balances since September 2014 but overall responsibility for treasury management remains with Winchester City Council. No treasury management activity is without risk and as such the effective identification and management of risk are integral to the council's treasury management objectives.
- 13.6 All treasury activity has also complied with the council's Treasury Management Strategy and Investment Strategy for 2022/23, and all relevant statute, guidance and accounting standards. In addition, support in undertaking treasury management activities has been provided by the council's treasury advisers, Arlingclose.
- 13.7 The Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by Full Council covering capital expenditure and financing, treasury management and non-treasury investments. The latest iteration of the council's Capital and Investment Strategy, complying with CIPFA's requirement, was approved by Full Council in February 2023.

14 External Context

- 14.1 The following sections outline the key economic themes in the UK against which investment and borrowing decisions were made in 2022/23.

Economic commentary

- 14.2 The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March 2023 period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.
- 14.3 Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.
- 14.4 Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October 2022. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February 2023. Annual headline CPI registered 10.4% in February, up from 10.1% in January 2023, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October 2022. In February 2023 RPI measured 13.8%, up from 13.4% in the previous month.
- 14.5 Following the decision by the UK government under Rishi Sunak and Jeremy Hunt to reverse some of the support to household energy bills announced under Liz Truss, further support in the form of a cap on what energy suppliers could charge household was announced in the March Budget to run from April until end June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April 2023.
- 14.6 The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December 2022. The most recent information for the period December-February 2023 showed an unemployment rate of 3.7%.
- 14.7 The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December 2022 and February 2023 and then 25bps in March 2023, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.

Financial markets

- 14.8 Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.

Credit review

Credit Default Prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September/October 2022 at the time of the then-government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, they had moderated somewhat by the end of the period as fears of contagion subsided, but many are still above their pre-March levels reflecting that some uncertainty remains.

On the back of this, Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list.

- 14.9 As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the PCC's counterparty list recommended by Arlingclose remains under constant review.

15 Local Context

- 15.1 At 31 March 2023 the council's underlying need to borrow for capital purposes was £271.4m as measured by the Capital Financing Requirement (CFR). The Council held £23.6m of investments and £161.7m of external borrowing.

Table 1: Balance sheet summary	31/03/22 Balance £m	Movement £m	31/03/23 Balance £m
General Fund CFR	(72.8)	1.2	(71.6)
Housing Revenue Account CFR	(186.0)	(13.8)	(199.8)
Borrowing CFR	(258.8)	(12.6)	(271.4)
External borrowing	(166.7)	5.0	(161.7)
Internal borrowing	(92.1)	(17.6)	(109.7)
Total funding of the CFR	(258.8)	(12.6)	(271.4)

These factors are summarised in Table 1.

Total investments	47.6	(24.0)	23.6

15.2 T
he
CF

Rose by £12.6m during 2022/23, due to an increase in the Housing Revenue Account (HRA) underlying need to borrow. This was partially offset by a reduction in the General Fund's underlying need to borrow as the annual Minimum Revenue Provision (MRP – equivalent to principal repayment on prior year unfinanced capital expenditure) exceeded the amount of new unfinanced capital expenditure in year. Although the increase in the total borrowing CFR is £12.6m, external borrowing reduced by £5.0m during 2022/23 due to the maturity of a PWLB loan and the council having sufficient cash and investment balances to increase its internal borrowing.

- 15.3 The council's strategy was to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, to reduce risk and keep interest costs low. The treasury management position as at 31 March 2023 and the change during the year are shown in Table 2.

Table 2: Treasury management summary	31/03/22 Balance £m	Movement £m	31/03/23 Balance £m	31/03/23 Rate %
Long-term borrowing	(161.7)	5.0	(156.7)	(3.25)
Short-term borrowing	(5.0)	-	(5.0)	(2.70)
Total borrowing	(166.7)	5.0	(161.7)	(3.24)
Long-term investments	5.0	-	5.0	3.62
Short-term investments	21.1	(11.5)	9.5	3.68
Cash and cash equivalents	21.5	(12.5)	9.1	4.00
Total investments	47.6	(24.0)	23.6	3.79
Net borrowing	(119.1)	(19.0)	(138.1)	

Note: the figures in Table 2 are from the balance sheet in the council's statement of accounts but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

- 15.4 The reduction in net borrowing of £5.0m shown in Table 2 reflects the repayment at maturity of borrowing of £5.0m from the PWLB, in line with the Council's policy. The decrease in total investments is a result of an increase in internal borrowing, the repayment of the PWLB debt, and a decrease in the council's working capital (primarily due to the council being in receipt of £5m of government funding for the council tax rebate scheme in response to rising energy bills as at 31 March 2022). Further details are provided in the Borrowing Strategy and Treasury Investments Activity sections of this report.

- 16 Borrowing Update

- 16.1 The council has no plans to borrow to invest primarily for commercial return and so is unaffected by the changes to the Prudential Code. The council is not planning to purchase any investment assets primarily for yield, so is able to retain full access to the PWLB.
- 16.2 Further, the council has invested in a pooled property fund as part of its Treasury Management strategy. This is not a policy to primarily generate yield but a part of the implementation of the wider Treasury Management strategy to invest the council's surplus cash and reserves ensuring it is investing its funds prudently, having regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. By investing a diversified portfolio in respect of yield this meets the council's aim of protecting reserves from high inflation.
- 16.3 The council is a net borrower and as stated in the Treasury Management Strategy 2023/24, the council expects a positive liability benchmark across the forecast period, which generally means an authority is required to take external borrowing to fund the gap between its resources and the CFR. Although the council currently has taken external borrowing, this is not predicted to be sufficient to meet the CFR and, depending on the internal borrowing position, further borrowing will be considered by the Section 151 Officer if required.
- 16.4 The Section 151 Officer will review the current pooled fund investment prior to making any external borrowing decisions.

17 Borrowing Strategy

- 17.1 At 31 March 2023 the council held £161.7m of loans, the vast majority of which (£156.7m) relates to the financing settlement of the HRA in 2012. The year-end treasury management borrowing position and year-on-year change are summarised in Table 3. During 2022/23 £5m of borrowing matured and was not replaced.

Table 3: Borrowing position	31/03/22 Balance	Net movement	31/03/23 Balance	31/03/23 Weighted average rate	31/03/23 Weighted average maturity (years)
	£m	£m	£m	%	
Public Works Loan Board	(166.7)	5.0	(161.7)	(3.24)	20.0
Total borrowing	(166.7)	5.0	(161.7)	(3.24)	20.0

Note: The figures in the table above are from the balance sheet in the council's statement of accounts but adjusted to exclude accrued interest.

- 17.2 The council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the council's long-term plans change is a secondary objective.

17.3 This borrowing strategy has been monitored with the assistance of Arlingclose and has enabled the council to keep long-term borrowing costs low and mitigates against future interest rate increases.

18 Treasury Investment Activity

18.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

Table 4: Treasury investment position	31/03/22 Balance	Movement	31/03/23 Balance	31/03/23 Income return	31/03/23 Weighted average maturity (years)
	£m	£m	£m	%	
Short term investments:					
Banks and building societies:					
- Unsecured	7.97	(4.66)	3.31	3.83	0.08
- Secured	4.04	(4.04)	-	-	-
Money market funds	18.09	(10.31)	7.79	4.09	0.00
Government:					
- Local authorities	3.00	(3.00)	-	-	-
- UK treasury bills	3.00	3.49	6.49	3.87	0.16
- Debt Management Office	4.50	(4.50)	-	-	-
- UK Gilt	1.00	(1.00)	-	-	-
Cash plus funds	1.00	-	1.00	1.65	0.02
Total	42.60	(24.01)	18.59	3.84	0.07
High yield investments					
- Pooled property fund*	5.00	-	5.00	3.62	N/A
Total	5.00	-	5.00	3.62	N/A
Total investments	47.60	(24.01)	23.59	3.79	0.07

* The rate provided for the pooled property fund investment is reflective of annualised income returns over the year to 31 March 2023.

Note: the figures in Table 4 are from the balance sheet in the council's statement of accounts but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

18.2 The council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year the principal value of the council's investment balances have ranged between £23.6m and £66.6m due to timing differences between income and expenditure. The year-end investment position and the year-on-year change are shown in Table 4.

- 18.3 The CIPFA Code and government guidance both require the council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The council's objective when investing money is therefore to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults against the risk of receiving unsuitably low investment income. The council's Treasury Management Strategy Statement (TMSS) sets out how it will manage and mitigate these risks.
- 18.4 The security of investments has been maintained by following the counterparty policy and investment limits within the TMSS, taking advice from Arlingclose on changes in counterparty credit worthiness, and making use of secured investment products that provide collateral. The council invests in liquid investments to ensure money is available when required to meet its financial obligations, spreading these investments across a number of counterparties to mitigate operational risk.
- 18.5 Given the risk of short-term unsecured bank investments, the Authority has invested in alternative and/or higher yielding asset classes as shown in table 4 above.
- 18.6 The council benchmarks the performance of its internally managed investments against that of other Arlingclose clients. Internally managed investments include all investments except externally managed pooled funds but do include MMFs. The performance of these investments against relevant measures of security, liquidity and yield are shown in Table 5, providing data for the quarter ended 31 March 2023 and at the same date in 2022 for comparison.

Table 5: Investment benchmarking (excluding pooled funds)	Credit rating	Bail-in exposure	Weighted average maturity (days)	Rate of return
		%		%
31.03.2022	AA-	63	35	0.39
31.03.2023	AA-	63	27	3.95
Similar LAs	A+	63	56	3.57
All LAs	A+	59	12	3.67

- 18.7 Table 5 shows the average credit rating of the portfolio has remained consistent at AA-, as has bail-in risk exposure when compared to the same point in 2022. However, this does not reflect that a significant proportion of liquid balances are invested in money market funds, which are technically exposed to bail-in risk however these are diversified products and are considered by Arlingclose to be 'bail-in risk light'. Despite the changes in 2022/23 the Council's investment portfolio compares favourably to other Arlingclose clients, with a higher credit rating and average rate of return.

Externally managed pooled property fund

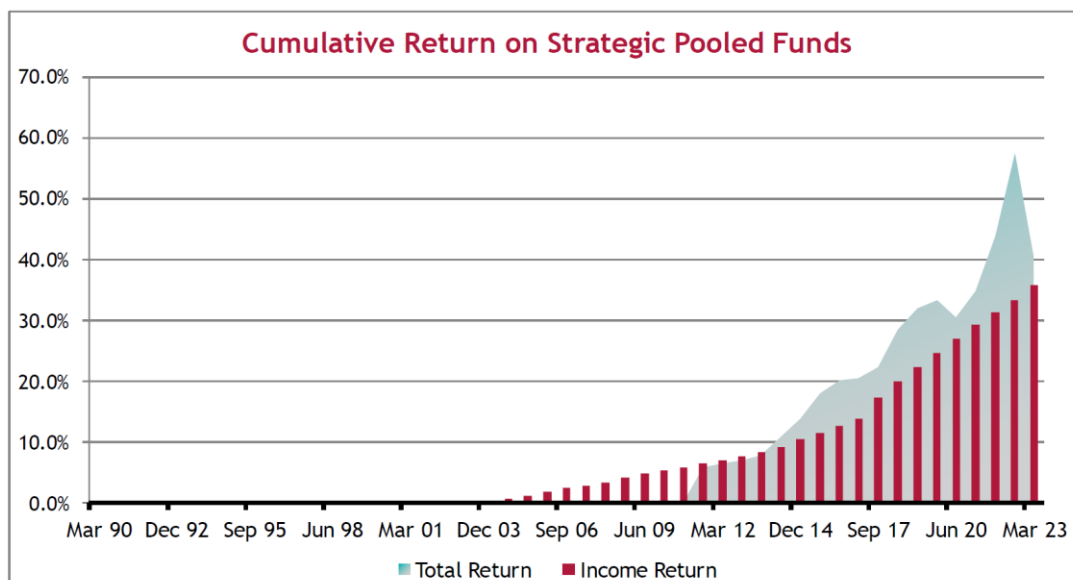
- 18.8 In order to minimise the risk of receiving unsuitably low investment income, the council has continued to invest a proportion of steady core balances in an externally managed pooled property fund as part of its higher yielding strategy.
- 18.9 The CIPFA Code requires the council to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest yield. As a result, the council's investments targeting higher yields have been made from its most stable balances and with the intention that they will be held for at least the medium term. This means that the initial costs of any investment and any periods of falling capital values can be overcome and mitigates the risk of having to sell an asset for liquidity purposes, helping to ensure the long-term security of the council's investments.
- 18.10 Tighter financial conditions in 2022/23, higher bond yields and challenges in some segments of commercial real estate (e.g. offices post-COVID, high street shops and shopping centres) saw commercial property values fall during 2022, with a large fall in the final calendar quarter. Despite the fall in value in 2022/23 giving away gains made in 2021/22, the investment in pooled property is worth more than the initial sum invested, as shown in Table 6. This demonstrates the importance of taking a longer term approach and being able to ride out periods of market volatility, ensuring the council is not a forced seller at the bottom of the market.

Table 6 – Higher yielding investments – market value performance	Amount invested*	Market value at 31/03/23	Gain/(fall) in capital value	
			Since purchase	2022/23
	£m	£m	£m	£m
Pooled property fund	5.00	5.25	0.25	(1.04)
Total	5.00	5.25	0.25	(1.04)

- 18.11 The council's investment in the pooled property fund targets long-term price stability and regular revenue income and brings significant benefits to the revenue budget. As shown in Table 7 the annualised income returns have averaged 3.27% pa (per annum) since purchase, contributing to a total return of 53.13%.

Table 7 – Higher yielding investments – income and total returns since purchase	Annualised income return	Total return
	%	%
Pooled property fund	3.27	53.13
Total pooled funds	3.27	53.13

- 18.12 The margin in returns between cash and non-cash (pooled fund) investments reversed by the end of March 2023. In these conditions it is unlikely any new pooled fund investments will be made. The existing allocation of £5m to pooled funds has provided good income returns for the Council (as shown in the return figures above), mostly in contrast to very low interest rates prior to 2022. This allocation will continue to provide protection against a return to lower interest rates but the position remains under review with the assistance of Arlingclose.



- 18.13 The DLUHC published a consultation on the IFRS 9 pooled investment fund statutory override for English authorities for fair value gains and losses on pooled investment funds which was due to expire with effect from 2023/24. The options under evaluation were to allow the override to lapse, to extend it, or to make it permanent. The override will be extended for two years and therefore remain in place for the 2023/24 and 2024/25 financial years. Under the Regulations, gains and losses resulting from unrealised fair value movements relating to treasury pooled investment funds, that otherwise must be recognised in profit or loss under IFRS 9, are not charges to the revenue account, and must be taken into an unusable reserve account.

19 Financial Implications

- 19.1 The outturn for debt interest paid in 2022/23 was £5.4m on an average debt portfolio of £159.2m at an average interest rate of 3.24%.
- 19.2 The outturn for investment income received in 2022/23 was £1.08m on an average investment portfolio of £52.6m, therefore giving a yield of 2.05%, against a budgeted £284,000. In comparison in 2021/22 investment income received was £258,000 on an average investment portfolio of £45.4m, therefore giving a yield of 0.57%.

20 Non-Treasury Investments

- 20.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the council as well as other non-financial assets which the council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).
- 20.2 Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.
- 20.3 This could include loans made to local businesses or the direct purchase of land or property and such loans and investments will be subject to the council's normal approval process for revenue and capital expenditure and need not comply with the treasury management strategy.
- 20.4 Further information on the council's non-Treasury investments will be included in CAB3416 General Fund Outturn 2022/23 which will be presented to Cabinet on 13 September 2023.

21 Compliance Report

- 21.1 The council confirms compliance of all treasury management activities undertaken during 2022/23 with the CIPFA Code of Practice and the council's approved Treasury Management Strategy.
- 21.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in Table 8.

Table 8: Debt limits	2022/23 Maximum £m	31/03/23 Actual £m	2022/23 Operational Boundary £m	2022/23 Authorised Limit £m	Complied?
Borrowing	166.8	156.7	292.5	305.6	✓
Finance leases	-	-	2.6	3.3	✓
Total debt	166.8	156.7	295.1	308.9	✓

22 Treasury Management Indicators

- 22.1 The council measures and manages its exposures to treasury management risks using the following indicators.

Interest rate exposures

- 22.2 The following indicator shows the sensitivity of the council's current investments and borrowing to a change in interest rates:

Table 9 – Interest rate risk indicator	31/03/23 Actual	Impact of +/-1% interest rate change
Sums subject to variable interest rates:		
Investments	£15.27m	+/-£0.15m
Borrowing	(£0.00m)	+/-0.00m

- 22.3 Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity structure of borrowing

- 22.4 This indicator is set to control the council's exposure to refinancing risk. The upper and lower limits show the maximum and minimum maturity exposure to fixed rate borrowing as agreed in the TMSS:

Table 10: Refinancing rate risk indicator	31/03/23 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	3%	25%	0%	✓
12 months and within 24 months	3%	25%	0%	✓
24 months and within 5 years	15%	25%	0%	✓
5 years and within 10 years	15%	30%	0%	✓
10 years and within 20 years	22%	50%	0%	✓
20 years and within 30 years	12%	50%	0%	✓
30 years and within 40 years	23%	75%	0%	✓
40 years and within 50 years	6%	100%	0%	✓

Principal sums invested for periods longer than a year

- 22.5 The purpose of this indicator is to control the council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

Table 11: Price risk indicator	2022/23	2023/24	2024/25
Actual principal invested beyond year end	£5m	£5m	£5m
Limit on principal invested beyond year end	£20m	£25m	£25m
Complied	✓	✓	✓

22.6 The table includes investments in strategic pooled funds of £5m as although these can usually be redeemed at short notice, the council intends to hold these investments for at least the medium term.

23 OTHER OPTIONS CONSIDERED AND REJECTED

23.1 The council could elect to bring all treasury management activity back in-house. This option has been rejected as the arrangement with Hampshire County Council's Investments and Borrowing team provides significant resilience and economies of scale.

23.2 The council could make more risky investments than those proposed in the Strategy to increase its yield. This has been rejected as priority is given to ensuring security and liquidity in line with the key principles of the CIPFA Treasury Management Code.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AUD119: Treasury Management Practices, 22 June 2015

CAB3333: Treasury Management Strategy 2022/23, 17 February 2022

AG081: Treasury Management Outturn 2021/22, 21 July 2022

AG094: Treasury Management Mid-Year Monitoring Report 2022/23, 10 November 2022

CAB3390: Treasury Management Strategy 2023/24, 9 February 2023

Other Background Documents:-

None

APPENDICES:

None

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REPORT TITLE: DRAFT ANNUAL FINANCIAL REPORT 2022/23

20 JULY 2023

REPORT OF CABINET MEMBER: COUNCILLOR NEIL CUTLER, CABINET MEMBER FOR FINANCE AND PERFORMANCE

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 production of the Draft Statement of Accounts for the year ended 31 March 2023.

It is important that Members consider the key issues contained in the draft financial statements and their supporting notes. Members are requested to raise any matters of detail with the Corporate Head of Finance in advance of the meeting.

RECOMMENDATIONS:

That the Audit and Governance Committee:

1. Note the report in respect of the council's Draft Statement of Accounts for 2022/23.
2. Take the opportunity to discuss the content of this report and ask any questions regarding the Draft Statement of Accounts 2022/23 with officers present at the meeting.

IMPLICATIONS:**1 COUNCIL PLAN OUTCOME****1.1 Your Services, Your Voice**

- 1.2 The preparation of the Annual Financial Report is fundamental to open and transparent accountability for public finances. Ensuring strong financial reporting and transparent stewardship of public funds underpins the council's ability to deliver all its outcomes but in particular the priority to ensure stable council finances.

2 FINANCIAL IMPLICATIONS

- 2.1 The planned fee for the audit of the 2022/23 accounts is £52,379. In past years, in addition to the scale fee rebasing, EY have submitted to PSAA scale fee variations for additional work they have conducted over and above the original audit scope. The variation submitted to the PSAA for 2021/22 was £35,332 and this is still subject to agreement with the PSAA.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Local authorities in the UK are required to prepare their accounts in accordance with 'proper (accounting) practices' as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code). The Code specifies the principles and practices of accounting, required to prepare financial statements that give a true and fair view of the financial position and transactions of a local authority.
- 3.2 The Audit and Accounts Regulations 2015 require an authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and include a statement reporting on the review alongside the Statement of Accounts.
- 3.3 The necessity to conform to these Regulations and the Code is recognised accurately in this report.

4 WORKFORCE IMPLICATIONS

- 4.1 None

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None

6 CONSULTATION AND COMMUNICATION

- 6.1 A public notice is published to inform interested parties of their rights to inspect the statement of accounts and records relating to them. The public notice also details how to access this information and how to ask questions of

and make objections to the council's external auditor. This is published the day following publication of the unaudited Annual Financial Report.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 None

8 PUBLIC SECTOR EQUALITY DUTY

8.1 None

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required

10 RISK MANAGEMENT

10.1 A risk, outside of the council's control, to publication of the audited Annual Financial Report by the 30 September target date (set out in the *Accounts and Audit Regulations (2015)*) exists in so much as the audit may not have concluded by this deadline. For the 2022/23 financial statements, the external auditor has already indicated that they have scheduled the Council's audit for September – November 2023.

Risk	Mitigation	Opportunities
Reputation The financial statements receive an adverse external audit opinion	The statements are prepared in accordance with the CIPFA code of practice. Accounts staff attend regular public sector accounting workshops delivered by CIPFA.	
Achievement of outcome Failure to produce financial statements in compliance with statutory requirements	A comprehensive project plan for the delivery of the accounts closedown is in place and weekly Finance meetings are held during the Closedown	

11 SUPPORTING INFORMATION:

11.1 The Accounts and Audit Regulations (2015) were amended for 2020/21 and 2021/22 because of the pandemic, the deadline for the publishing the

unaudited financial statements was extended to 31st July and the deadline for publishing the audited statements was moved to 30th September.

- 11.2 The 2022 Amendments to the Accounts and Audit Regulations move the audited statements publication deadline to 30th September for the next five financial years (up to and including 2027/28). The deadline for publishing the unaudited 2022/23 financial statements reverted back to 31st May. The council was unable to meet the 31st May through the sickness absence of key staff and published the required notice explaining the delay to the public inspection period. The unaudited financial statements were published on the council's website on 23rd June 2023 and the delayed public inspection period commenced the next working day.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 Not applicable

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

[AG099 Planning for and audit of 22-23 accounts](#)

Other Background Documents:-

None

APPENDICES:

Appendix 1 - Annual Financial Report 2022/23 Unaudited



ANNUAL FINANCIAL REPORT 2022/23

FOR THE YEAR ENDED 31 MARCH 2023



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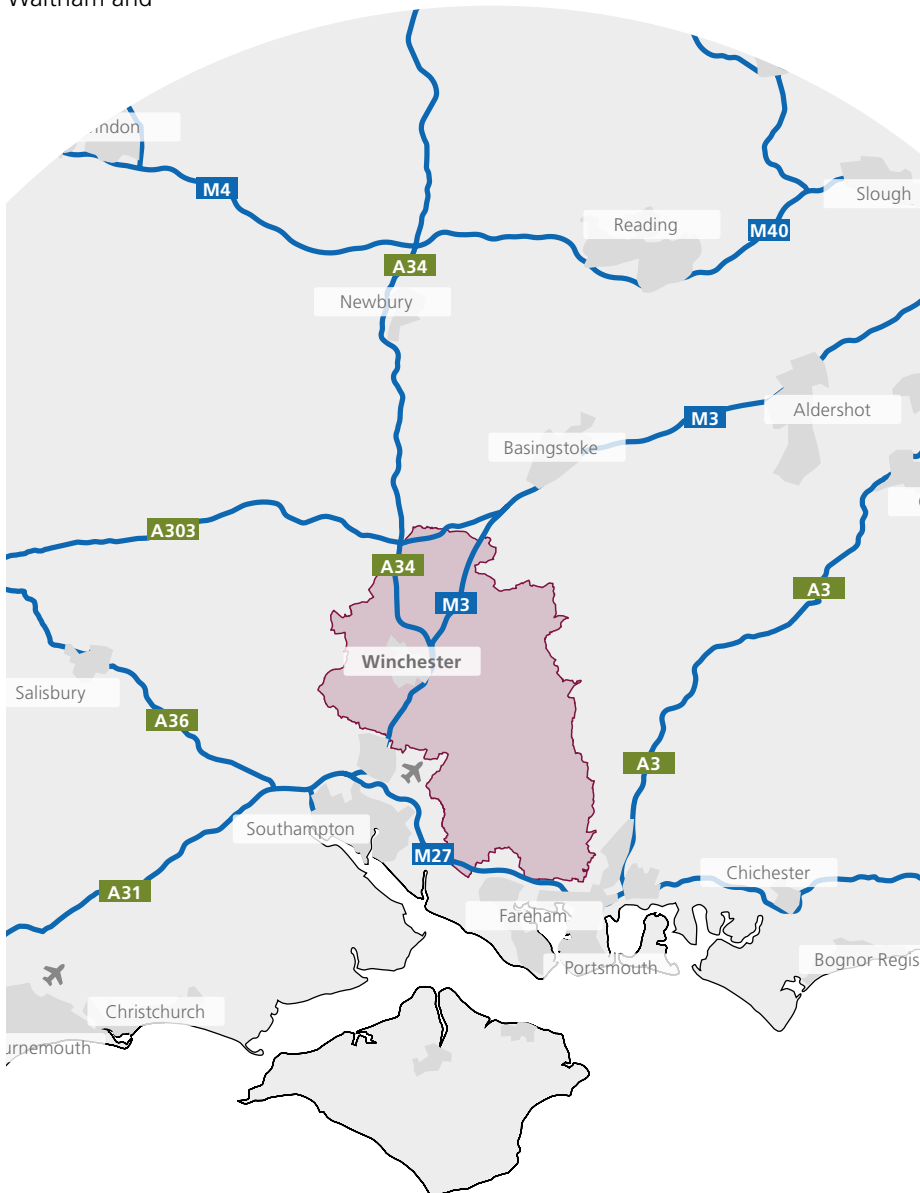
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THE WINCHESTER DISTRICT

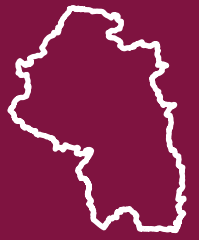
Winchester City Council is one of 11 district and borough councils in Hampshire and serves an estimated population of 134,000 residents.

Winchester is the county town of Hampshire, situated in the heart of the district; it is a designated heritage city and attracts over 5 million visitors each year. In addition to the historic county town there are the busy market towns of Bishop's Waltham and

Alresford and the flourishing business district at Whiteley. As well as the urban centres there are many miles of unspoilt countryside, the Winchester District spans 250 square miles of central Hampshire with a substantial part of the district situated within the South Downs National Park.



DISTRICT
COVERS
250
SQUARE
MILES



POPULATION
134,000
(Hampshire County Council 2023 district population forecast)

75.1%

OF RESIDENTS
AGED 16-64 YRS
IN EMPLOYMENT
(Jan 2022- June 2022 figures)



48.6%
OF RESIDENTS
QUALIFIED TO
NVQ4 AND ABOVE

8,165
BUSINESSES

Local Enterprises (2021)



51,715
HOMES

ORGANISATION

From September 2022 the council moved to a 50/50 hybrid working model, where staff spend a minimum of half their working time in the City Offices in Winchester but, where service operation can accommodate it, staff are able to work remotely for the remainder of the time. This hybrid model is supported by enhanced mobile technology to allow for seamless communication with customers.

The delivery of services is overseen by committees led by Members. The

council has adopted the Leader and Cabinet model as its political structure. This means that a councillor is appointed as leader of the executive and is then responsible for appointments to the Cabinet, allocation of portfolios and the delegation of executive functions. A Mayor is also elected by councillors each year to represent the council at civic events and to raise funds for the Mayor's nominated charities. The management of the council is led by the Chief Executive supported by four Strategic Directors.



A two tier system of local government operates in this part of the county, whereby Hampshire County Council provides services such as social care, education and highways and district councils are responsible for the provision of a number of other services such as housing, waste and recycling.

MEMBERS

(FOLLOWING MAY 2023 ELECTIONS)

45 Councillors

16 wards

The political make-up of the council is:

Liberal Democrat 30 Councillors;

Conservative 12 Councillors;

Independent 1 Councillors

Green 2 Councillor

EMPLOYEES

Chief Executive

Four Strategic Directors

Nine Corporate Heads/Programme Leads

445 employees (405 F/T equivalents) Just under two-thirds of the council workforce is female (figures at 31/3/23).

PARTNERSHIPS

The council has a shared Information Management and Technology (IMT) service with Test Valley Borough Council. Hampshire County Council provides internal audit and treasury management services.

SERVICES THE COUNCIL PROVIDES

Revenues & Benefits

Housing options and social inclusion

Housing operations & community safety

Housing property services

New Homes

Engineering & Transport

Community

Economy & Tourism

Development Management

Strategic Planning

Building Control

Environmental Health

Licensing

Parking

Household waste and recycling collections

Special Maintenance

TACKLING THE CLIMATE EMERGENCY

AT THE HEART OF WINCHESTER CITY COUNCIL'S FIVE YEAR PLAN

In 2020, the city council agreed a plan to take us through to 2025 with five priority areas:

- Tackling the climate emergency
- Living well
- Homes for all
- Vibrant local economy
- Your services, your voice

This plan sets out the main challenges faced by the Winchester district:

- The climate emergency and the pressing need to reduce the Winchester district's carbon footprint
- Economic uncertainty and the rise in the cost of living
- Continuing to improve our services while balancing a reduced council budget
- The high costs of buying and renting a home
- Poor air quality in parts of the district
- Inequality within our district and its effects on mental and physical wellbeing
- Poor provision of public transport and safe walking and cycling routes across the district
- Responding to the diverse experiences, needs and views of everyone in our community, and making sure all voices are heard.

Our Council Plan places the climate emergency as the overarching priority: focusing on the council becoming carbon neutral by 2024 and the wider district carbon neutral by 2030. We need to look at everything we do in the context of our impact on the carbon footprint. We aim to create a greener district whilst providing excellent and easy to use services for everyone.

The plan recognises the need to attract younger people to live and work in the district increasing the provision of affordable homes. In addition we aim to improve the energy efficiency of homes as well as address homelessness.

Health and well-being are also high on the council's agenda, and we aim to address health inequalities and improve participation in physical and cultural activities. This is underpinned by the opening of Winchester's new Sport and Leisure Park in 2021. The plan also focuses on ensuring that the Winchester district economy remains vibrant by finding increased opportunities for high quality, well-paid employment across the district.

The plan sets out ways in which the authority will be open and transparent, with better services for residents that are more accessible and usable. We want our residents to have the opportunity to make their voice heard and be able to see and understand how the council makes its decisions.

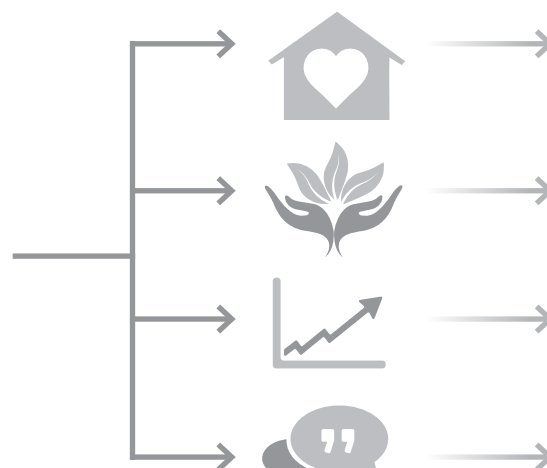
Our latest Residents' Survey shows that these remain the priorities most local people want us to focus on. The Plan was refreshed in December 2022, and there are four areas of enhanced focus for the upcoming year. These are:

- Cost of living support – pivoting our services and resources to support our residents, businesses and voluntary organisations with the cost of living crisis
- Greener faster – adding weight to our commitment to achieve our net zero targets for 2024 and 2030
- Pride in place – making a visible difference to our places to delight residents and visitors
- Listening better – being more effective at hearing the voice of residents and enabling them to influence our decision making.

OUR PRIORITIES



Tackling the climate emergency and creating a greener district



AND, ENHANCED FOCUS ON:

- COST OF LIVING**
- PRIDE IN PLACE**
- GREENER FASTER**
- LISTENING BETTER**

THE COUNCIL HAS DECLARED A

CLIMATE EMERGENCY

IT'S OUR GOAL, TO BECOME
A CARBON NEUTRAL ORGANISATION BY 2024
CARBON NEUTRAL DISTRICT BY 2030

Your council agreed a comprehensive Carbon Neutrality Action Plan in December 2020 to meet these ambitious targets

COUNCIL PLAN ACHIEVEMENTS

LIVING WELL



- Introduced a £200,000 emergency package of measures to help residents most affected by the rise in cost of living
- Welcomed over 1 million visitors to Winchester Sport & Leisure Park since it opened in 2021
- Refurbished and reopened the Meadowside Leisure Centre in October 2021
- Continued to improve our open spaces and parks, including the refurbishment of Abbey Gardens play area and investment in a new pavilion at King George V playing fields
- Worked closely with Winchester City of Sanctuary to support refugees and asylum seekers arriving in the district, including 206 families fleeing the war in Ukraine

HOMES FOR ALL



- Built 112 new homes in Stanmore and Kings Worthy, with another 129 under construction in Winnall and Whiteley
- Introduced higher energy efficiency standards for new council homes and energy efficiency improvements for our existing council homes through our £15.7m Retrofit programme
- Continued support for our homeless and most vulnerable people through direct work, partnerships with and funding for the voluntary sector, such as The Beacon, Two Saints and Trinity
- Grant funded £75k Trinity Centre project to support new 12 bed 'housing first' project to help homeless people get their lives back on track

VIBRANT LOCAL ECONOMY



- Offered free business support to help businesses cut costs and carbon
- Delivered new industrial units in Bishop's Waltham
- Promoted and supported events and festivals such as Hat Fair, the Wickham Festival, Lights in the City, Christmas in Winchester – as well as Jubilee events across the district
- Created new pedestrian areas and outdoor seating

YOUR SERVICES, YOUR VOICE



- Broadcasted all our public meetings and made recordings available online
- Made it possible to complete all customer transactions online
- Introduced a new Customer Charter and simplified our complaints policy



REDUCED CITY COUNCIL
EMISSIONS BY

-34%



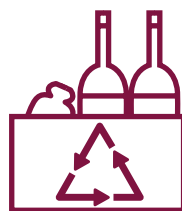
40.5%



ANNUAL RECYCLING RATE

INCREASED FROM 36.1% TO 40.5%

3,362



TONNES OF
**GLASS RECYCLED FROM
DOORSTEPS (2021/22)**

DEVELOPMENT OF A
NEW PARK & RIDE



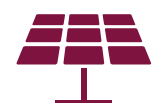
Providing 287 parking spaces and
featuring roof mounted photovoltaic solar
panels and electric vehicle charging points

58



ELECTRIC VEHICLE
CHARGING POINTS INSTALLED

1,411



SOLAR PANELS INSTALLED
THROUGHOUT THE DISTRICT
SINCE 2020

2022/23 GENERAL FUND BUDGET

The council's income has still not fully returned to the levels of before the pandemic. The 2022/23 budget was set on the assumption of a reduction in income, fees and charges for services of 7.5% when compared to pre pandemic levels.

The council was able to produce a balanced budget in 2022/23, whilst supporting the delivery of the key priorities of the Council Plan. Measures taken to balance the budget included a 3% Council Tax increase and a 3% increase in fees and charges.

Government funding included an unexpected further one year of New Homes Bonus grant. Whilst this did not assist the council to address longer term funding pressures, the budget was able to include £1.3m of "one off" proposals to support the delivery of the Council Plan funded from this allocation.



£

One Off Council Plan Proposals £1.3m
Including:

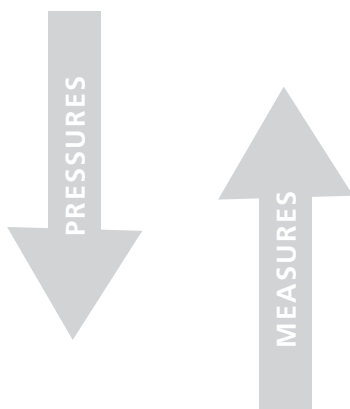
- Essential maintenance to Monuments and Historic Assets £0.5m
- Low carbon transport trials £0.25m
- Feasibility work food waste collection £0.15m
- Additional city and town centre cleansing £0.15m
- Increases to staffing capacity £0.175m
- Other investment proposals £0.885m

Total £2.110m

£

- Additional one-off Government Funding £1.3m
- Council Tax 2.7% increase £0.3m
- Transitional Reserve allocation £0.3m
- Fees and charges 3% increase £0.21m

Total £2.110m



MEDIUM TERM FINANCIAL STRATEGY

The medium term financial strategy attempts to balance the resources known and estimated to be available with the ambitions of the Council Plan.

The key proposals for achieving long term budget sustainability for the General Fund include:

- Transformation Challenge 2025 Programme. TC25 is the Council's organisation-wide programme to address the forecast budget challenge; it will seek out and ensure delivery of the transformational changes needed to save £3m a year within 3 years.
- Utilising the Exceptional Inflation and Transitional Reserves in the short term to cover the forecasted impact of high inflation and the necessary investment for the TC25 programme.
- The implementation of fee increases and other more immediate budget options with effect from April 2023.

Reserves are projected to reduce significantly over this period. The Transitional reserve and Exceptional Inflation Reserve can be used to maintain a balanced budget through to 2023/24, with the remainder providing cover for the risk of forecasts being worse than projected.

The focus on efficiency and transformation that forms a key element of the MTFS has ensured the council has maintained service provision in a climate of reducing resources. Significant savings and efficiencies have been identified, with £2.4m of budget reductions identified in 2020/21 and a further £3m of operational savings achieved in 2021/22.

MEDIUM TERM FINANCIAL PROJECTIONS (£M)

	22/23	23/24	24/25	25/26	26/27
Council Tax	(8.822)	(9.233)	(9.551)	(9.879)	(10.176)
Business Rates	(5.596)	(6.149)	(6.272)	(6.397)	(3.916)
Govt Funding	(2.930)	(0.349)	(0.349)	(0.349)	(1.717)
Investment Activity	(2.160)	(2.505)	(1.547)	(1.521)	(1.632)
Baseline Resource Requirement	16.967	18.363	18.725	19.671	20.184
One off budgets & Reserve related movements	2.542	0.840	1.045	1.209	1.248
(Surplus)/ Shortfall	0	0.967	2.051	2.733	3.991



MEDIUM TERM FINANCIAL STRATEGY

The MTFs groups the medium-term financial challenge options around six themes; funding, modernising service delivery/Transformation, asset management/regeneration, efficiency, income generation and enabling partnerships. These themes are being used to establish the brief for the more detailed Transformation Challenge 25 (TC25) to identify options for reducing net operating costs by £3m within 3 years.



- **Funding**
Detailed analysis of impact of Spending Review announcements, use of existing and future non-ring-fenced grant funding, scope for accessing additional funding programmes.
- **Modernising service delivery/Transformation**
A focus on digital transformation and channel shift, to include a review of the potential for adopting a more commercial approach.
- Specific work will focus on digitisation of planning services, use of technology to modernise the management of off-street parking and the management and monitoring of CCTV services.
- **Asset Management/Regeneration**
Making best use of existing buildings/assets, bringing forward development of existing assets to improve return on investment. Opportunities have become more challenging in the last year affected by increased build costs.
- **Efficiency**
The 2021/22 budget process reduced net operating costs by over £3m and scope for further efficiency savings will be limited. However, whilst previous “salami slicing” style targets for budget holders will be of very limited benefit, a coordinated “cross service” efficiency programme can still make an important contribution towards the process.
- The council is required to provide a number of services by statute and like many councils offers a range of discretionary services either by itself, or through partners. The council will need to consider how much funding it provides to a range of discretionary services and potentially the level of provision of statutory services. Council services must remain affordable within the overall financial context, and it is proposed to include a focus on discretionary services and statutory service delivery approaches within this programme.
- **Income Generation**
Opportunities to invest which also generate a financial return, either through reductions in cost or income generation, are assessed on a case-by-case basis and scope for this will be included in all Strategic Budget Review work moving forward. The scope for strategic investments to make a positive contribution to council finances is very limited in the short term.
- **Grants/Partnerships**
The council administers a well-established grants programme which underpins the work of core partners. The council also operates an effective IT service partnership with Test Valley Borough Council. Scope to switch more existing direct service delivery to shared services through partnerships or partner delivery funded by grant will form part of the review process.

GENERAL FUND 2022/23 OUTTURN

The outturn underspend has enabled the council to increase the net transfer movement to earmarked general fund revenue reserves by £2.1m.

The Environment adverse variance is due to lower than budgeted parking income, this was anticipated and is covered within a corporate covid-19 contingency budget. The Living Well favourable variance of £1.1m relates to a successful NDR appeal and lower than budgeted support service costs. The £0.75m Vibrant Local Economy adverse variance relates to additional one-off expenditure on the Central Winchester Regeneration project. The underspend on Your Services Your Voice is through slippage in the maintenance programme for historic monuments £0.5m and lower than budgeted corporate project support costs.

SERVICE	ORIGINAL BUDGET	OUTTURN	VARIANCE
	£'000	£'000	£'000
ENVIRONMENT	4,448	6,426	1,978
LIVING WELL	5,023	3,877	(1,147)
HOMES FOR ALL	2,560	2,167	(393)
VIBRANT LOCAL ECONOMY	1,111	1,863	752
YOUR SERVICES, YOUR VOICE	3,892	2,651	(1,241)
TOTAL	17,034	16,984	(50)
FUNDING AND OTHER ACTIVITY	(18,132)	(20,190)	(2,058)
TRANSFER TO (FROM) EARMARKED RESERVES	1,098	2,253	1,155
UNDERSPEND		(953)	(953)

2022/23 OUTTURN

The HRA outturn shows a decrease in the HRA balance of £1.3m this is just over £0.7m higher than was budgeted. Repairs are higher than planned through higher expenditure on cyclic repairs and an unbudgeted accrual. Interest payable is much lower than budgeted through an underspend on capital expenditure because of slippage in the programme, and lower borrowing costs. Other income is higher because of additional interest earned on balances and from insurance receipts.

SERVICE	ORIGINAL BUDGET	OUTTURN	VARIANCE
	£'000	£'000	£'000
RENT, SERVICE CHARGES AND OTHER INCOME	(29,093)	(28,957)	136
HOUSING MANAGEMENT GENERAL	5,882	6,167	285
HOUSING MANAGEMENT SPECIAL	1,775	2,031	256
REPAIRS (INCLUDING ADMINISTRATION)	6,721	8,890	2,169
EXTERNAL INTEREST PAYABLE	6,689	5,362	(1,327)
DEPRECIATION	8,635	9,341	706
OTHER INCOME AND EXPENDITURE	(41)	(1,532)	(1,491)
TRANSFERS TO (FROM) EARMARKED RESERVES	0	2	2
INCREASE IN HRA BALANCE	568	1,304	736

GENERAL FUND MOVEMENT

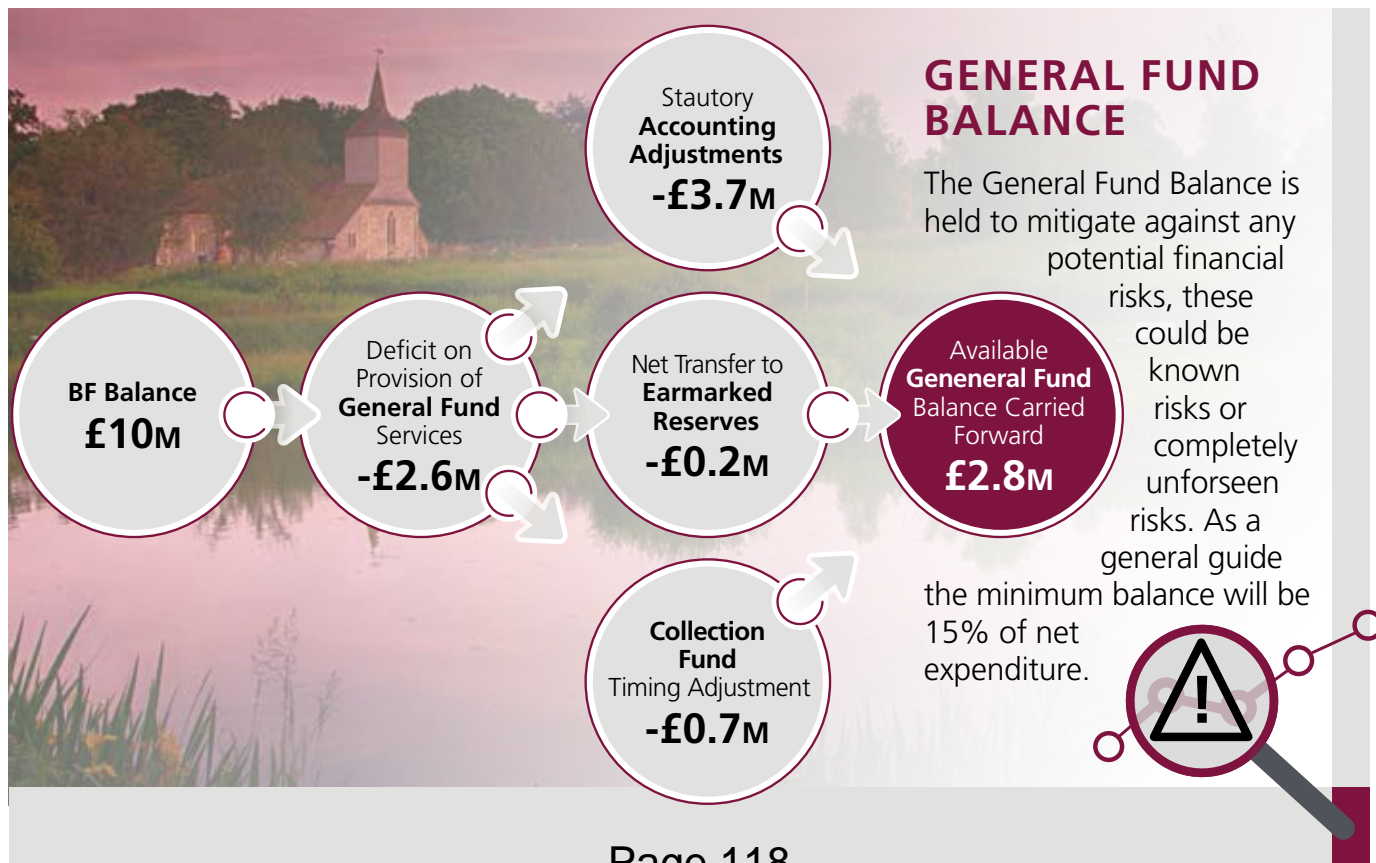
The table shows the in year movements of the General Fund balance. The Surplus on the Provision of Services (within the council's Comprehensive Income & Expenditure Statement) was £23.7m. However, once the surplus on HRA services is adjusted for there is a deficit for General Fund services of £2.6m.

We prepare the accounts in accordance with International Accounting Standards (as adopted by the CIPFA Code) but then apply adjustments required by Government regulations. These are summarised in the Movement in Reserves Statements and set out in detail in Note 8. Once these adjustments are applied the reduction in the General Fund balance is £6.3m.

A further net transfer of £0.2m has been made to earmarked reserves from the General Fund.

After taking account of the Collection Fund timing adjustment the fund balance remains at the minimum approved level of £2.8m.

	£m	£m	£m
Brought Forward Balance			10
Surplus on provision of all services	23.7		
Adjust for HRA related surplus	(26.3)		
		(2.6)	
Apply Accounting Adjustments		(3.7)	
In year deficit on Provision of General Fund Services			(6.3)
Movements (to)/ from Earmarked Reserves			
Major Investment Reserve	1.3		
Business Rates Retention	0.9		
Exceptional Inflation Pressures	(0.9)		
Local Development Framework	(0.6)		
Transitional Reserve	(0.6)		
Other unrestricted reserves	(0.5)		
Net movement unrestricted reserves		(0.4)	
Net movement restricted reserves		0.2	
Net Earmarked Reserves transfer			(0.2)
Sub total (revised General Fund Balance)			3.5
Collection Fund Timing Adjustment			(0.7)
Available General Fund Balance			2.8



COUNCIL TAX REBATE – SUPPORT FOR ENERGY PRICES

During 2022/23 the government awarded additional funding to local authorities in order to provide support to households for the increase in fuel costs. Following the government announcement all eligible district households in Council Tax bands A to D received a £150 Council Tax rebate. The council also administered a further Discretionary Scheme for residents meeting specified criteria. In total the council administered £4.6m of Energy Rebate Grants to households in the district.



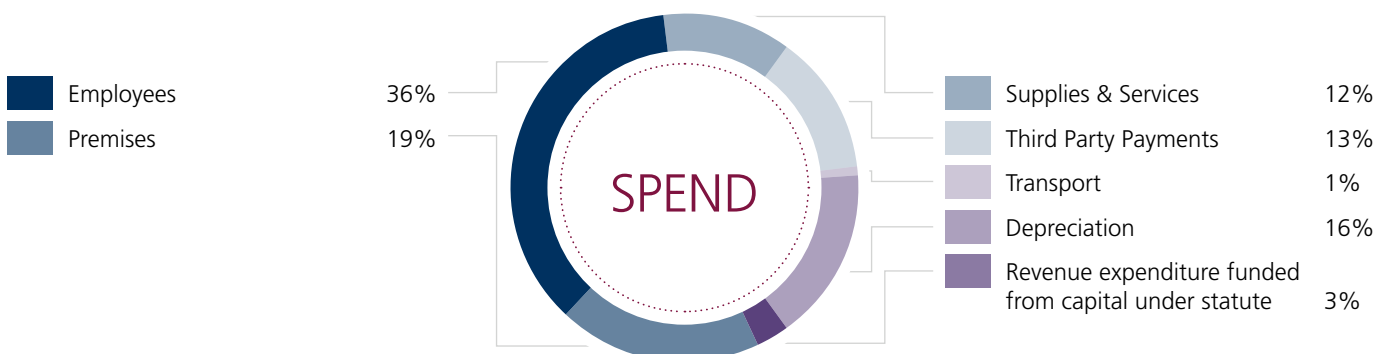
WHERE THE COUNCIL'S FUNDING CAME FROM

(excluding income related to welfare transfer payments)



HOW THE COUNCIL SPENT MONEY TO PROVIDE SERVICES

(excluding valuation adjustments and welfare transfer payments)



THE COUNCIL'S BALANCE SHEET

THE COUNCIL'S BALANCE SHEET SHOWS IT HAS A NET WORTH OF £566M.

TOTAL LONG TERM ASSETS OF £755M AT THE BALANCE SHEET DATE INCLUDE:

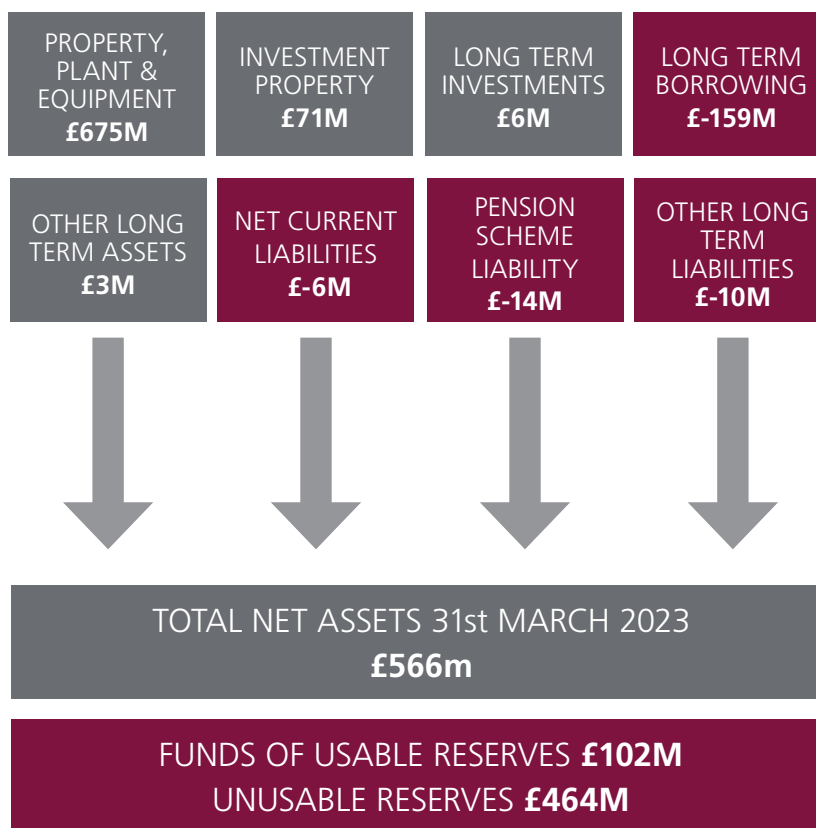
- Council dwellings £538m
- Other operational land and buildings £103m
- Investment property £71m.

TOTAL LONG TERM LIABILITIES OF £183M INCLUDE:

- Long term borrowing of £159m
- The pension scheme potential future liability of £14m.

The council's balance sheet includes £102m of usable reserves available to fund future spending plans and programmes.

The overall increase in the council's net worth of £77m is from an increase in the value of the council's housing stock, £26m, and a £47m reduction in the pension scheme liability.



EARMARKED RESERVES

General Fund reserves have all been reviewed as part of the budget process and the levels are considered to be appropriate. The overall levels are reviewed each year in line with the Medium Term Financial Plan.

Operational Reserves

are revenue reserves which can be used to support revenue or capital expenditure, for example major projects.

Asset Reserves

are used to maintain existing council assets and are supported by spending plans such as the asset management plan.

Restricted Reserves

can only be used for restricted purposes and therefore must be considered separately to other reserves which can be used for wider purposes.

Risk Reserves

are available to mitigate risks faced by the council. The overall levels are reviewed each year in line with the Medium Term Financial Plan.

EARMARKED RESERVES

The council holds strategic reserves for specific purposes which are consistent with corporate priorities. These reserves are a key source of funding, helping to support specific service strategies and plans. They are also critical to our ability to fund the transformation of services and ability to invest in order to generate the necessary savings to balance the budget over future years. This includes one-off costs in relation to service and staffing reviews as well as investing in systems to help develop digital service delivery. It is important to note that reserves are finite and can therefore only be used to fund one-off expenditure. One-off expenditure can include projects which span a number of financial years but cannot include recurring expenditure such as utilities.

In summary, reserves are used to support:

- a. Funding of the capital programme
- b. Investment in transformation
- c. Funding one-off costs associated with staffing reviews and organisational development work.
- d. Providing one-off support for service budgets (such as the Local Plan)
- e. Community infrastructure plans
- f. Council Plan support
- g. Asset management plans, IT strategy, car parking strategy
- h. Winchester Town account (notably major refurbishment and replacements of play areas.)

As at 31 March 2023 the council held £38m of earmarked reserves.



OPERATIONAL & ASSET RESERVES

There are significant existing budget commitments - particularly in relation to major projects such as central Winchester regeneration.

RISK RESERVES

As at 31 March 2023 the council held £7.8m within Risk Reserves. The purpose of the Transitional Reserve is to both support the significant financial risks faced by the council in relation to Government and other funding reductions and also to enable investment in the Council Plan (for example supporting the Climate Emergency).

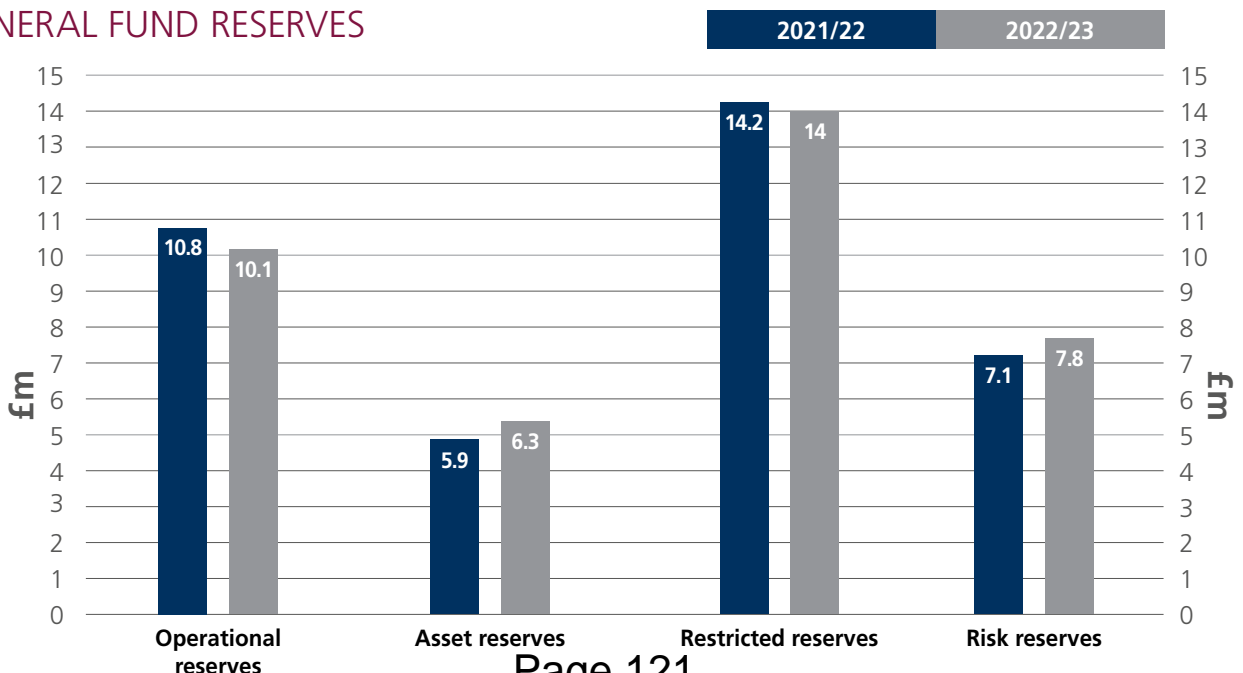
The council currently holds a balance of £2.9m to mitigate the risk of exceptional inflationary pressures.

A minimum balance of £1m is also held within the business rates retention reserve in order to provide mitigation against the short term risks of a reduction in income.

RESTRICTED RESERVES

The council also held £14m of restricted reserves as at 31 March 2023. Of these £12.7m are Community Infrastructure Levies which can only be used to deliver infrastructure.

GENERAL FUND RESERVES



CAPITAL STRATEGY

The investment of capital resources will contribute to the achievement of the council's main objectives and priorities in the Council Plan. The Capital Strategy is an integral part of the Medium Term Financial Strategy and impacts directly on the Treasury Management Strategy.

The Capital Strategy sets out the council's capital spending programme and the principles which underpin this in order to deliver the desired priorities as set out in the Council Plan. It sets out the overall programme for the next 10 years, how this will be financed, and the impact of the programme on the Council's Medium Term Financial Strategy. The forecast capital programme over the next 10 years to 2032/33 totals £470 million of which £37.4 million is General Fund and £432.6 million is Housing Revenue Account.

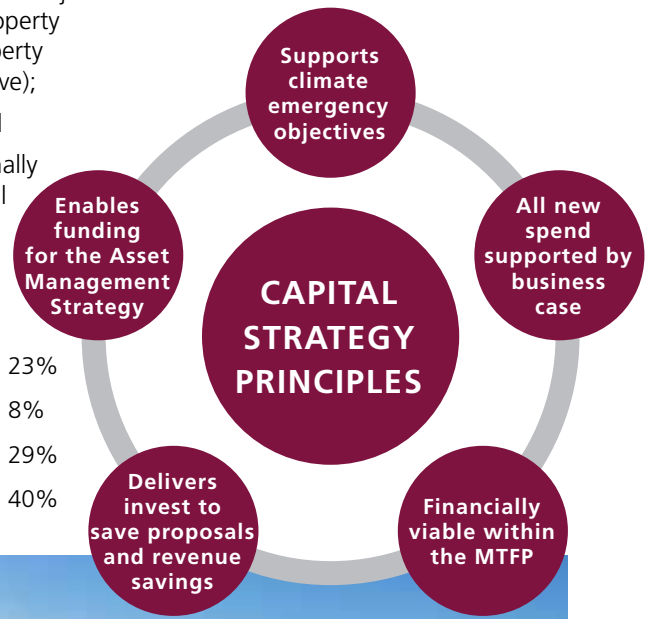
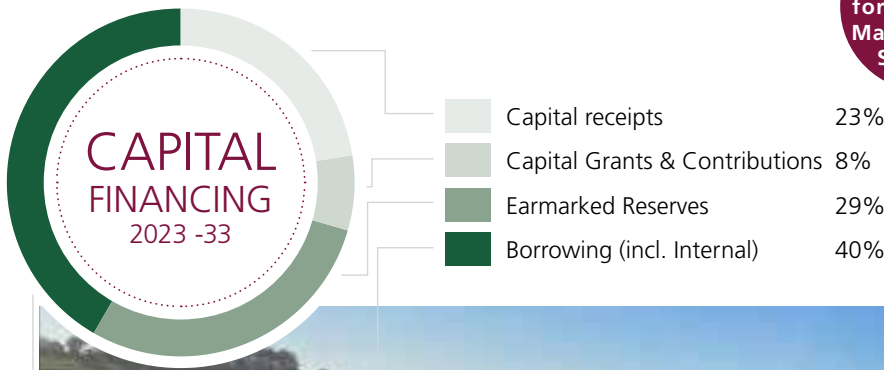
The proposed financing is made up of £188.5 million of prudential borrowing, £136.3 million from revenue including earmarked reserves, £108.2 million of capital receipts and £37.0 million of capital grants and contributions.

The main sources of finance for capital projects are as follows:

- Capital receipts (from asset sales);
- Capital grants (e.g. Disabled Facilities Grant);
- External contributions (e.g. Section 106 developers' contributions and Community Infrastructure Levy (CIL));
- Earmarked Reserves (e.g. the Major Investment Reserve, the Property Reserve, the Car Parks Property Reserve, and the IMT Reserve);
- Revenue contributions; and
- Borrowing, including internally (also known as the "Capital Financing Requirement").

Borrowing (or Capital Financing Requirement) makes up a significant element of the council's proposed financing over the next 10 years.

The council currently has £161.7m in external borrowing all of which is related to the HRA. In recent years the council has had sufficient cash and investment balances to internally borrow all of its increased need but may need to increase its external borrowing in the future. The amount and timing of additional external borrowing is dependent on the delivery of the capital programme and on the council's overall reserve position.



CAPITAL PROGRAMME 2022/23

The Council Plan details how the council will deliver its five strategic priorities: Tackling the climate emergency and creating a greener district, Homes for all, Vibrant local economy, Living well, and Your services your voice. Several of these priorities will be delivered through capital spend and associated projects including for example: additional investment in the council's housing stock to improve energy efficiency and help tenants reduce their carbon emissions; the provision of new housing and maintenance of existing housing stock; major regeneration schemes; the refurbishment of the council's existing assets; and provision of leisure facilities.

The following charts illustrate the percentage of total capital expenditure forecast for each of the council's priorities (the charts are based on the main priority for each project or scheme; however, many meet more than one priority).

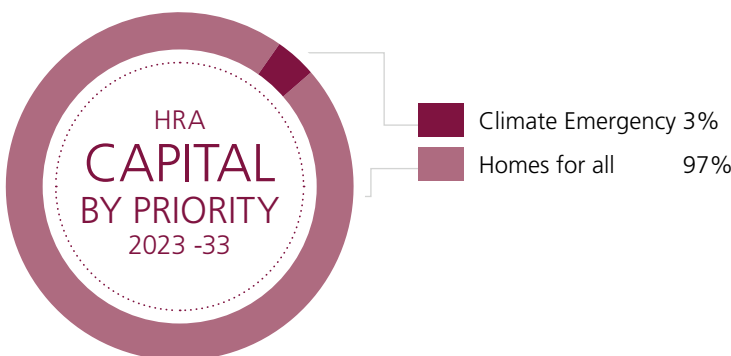
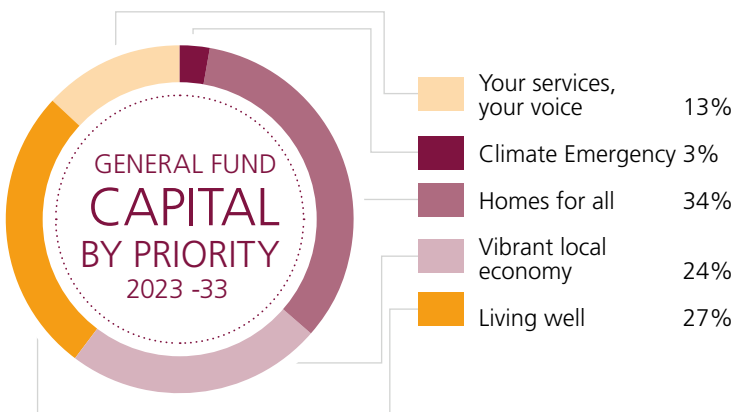
The council has made further progress in 2022/23 in delivering its capital programme. In the General Fund, projects completed or commenced include:

- Replacing the pavilion at the King George V playing fields
- Repair works at the Weirs,
- Play area refurbishments at Abbey Gardens and King George V playing fields

In the HRA, In addition to the required investment in major works to the existing stock to maintain the current decent homes standard, significant additional funding towards a challenging new build programme is included within the programme to facilitate the delivery of the council's objective of 1000 new homes within the life of the current 10 year plan, these projects include:

- Winnall Flats with 76 units (35 shared ownership, and 41 market rent
- 54 units at North Whiteley (27 shared ownership, and 27 affordable) – 12 complete
- Barton Farm with 60 units 45 affordable rent and 15 shared ownership)
- Southbrook Cottages (6 units of affordable) delivered to Passive House standard

Of the £28.9m total capital expenditure in 2022/23, £16.3m was funded, meaning an increase in the underlying financing requirement of £12.6m.



FUNDING	
Capital Receipts	£10.7m
Government grants and other contributions	1.9m
General Fund Reserves	£2m
Provision for financing of capital investment	£1.7m
TOTAL FUNDING APPLIED £16.3M	
Increased underlying financing requirement £12.6m	
INVESTMENT	
HRA new build	£16.9m
HRA Major repairs	6.4m
HRA Disabled adaptations	0.7m
HRA other	0.4m
Disabled facilities grants	1.1m
King George V pavillion & Skate Park	0.8m
Abbey Gardens Play area	£0.2m
General Fund Other	£2.4m

CAPITAL PROGRAMME

HOUSING BUILD

£140m is planned for the HRA new build programme over 10 years (2020-2030), funded from borrowing and capital receipts, targeting 1000 new homes. The plan is to build high quality affordable homes, to meet identified need. Homes will also be designed to deliver net zero carbon to help address the climate emergency.

SHARED OWNERSHIP

Some Winchester residents are one step closer to home ownership thanks to new shared ownership homes from the council. 60 homes, such as those at the council's Stanmore development, The Valley, have so far been taken up as part of shared ownership agreements. People on the scheme purchase a share of a property – meaning a smaller mortgage and deposit – and pay subsidised rent on the remaining share. In addition to the 60 existing homes, the council has allocated almost half of the properties at its upcoming Winnall and North Whiteley developments – another 60 homes in total – for sale through shared ownership.

WHITELEY

The council has entered into a conditional purchase contract to acquire 54 homes for the purchase price of £17m plus tax and fees.

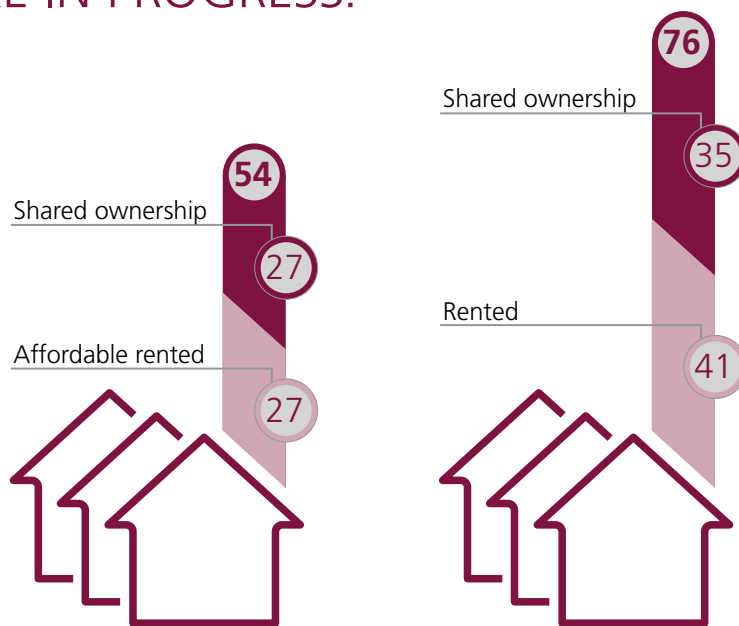
The new homes provide a mix of tenures with 27 new shared ownership homes and 27 affordable rented homes. The homes are designed with a high energy specification reflecting the council's commitment to Carbon Neutrality.

The purchase requires 25% funding upfront in 2021-22 with the remaining 75% payable upon practical completion and handover expected to be in 2023.

A NUMBER OF HRA NEW BUILD SCHEMES HAVE BEEN COMPLETED, OR ARE IN PROGRESS:



NEW HOMES



WHITELEY

WINNALL FLATS



WINNALL FLATS

A new affordable housing scheme for Winchester City Council at Winnall Flats has just started on site, with completion planned for 2023. The new flats, which will be accredited to Passivhaus low energy building standard will provide a total of 73 new flats in two new blocks and three new houses, and will make an important contribution to making the activities of the council carbon neutral by 2024 and for the district as a whole to be carbon neutral by 2030.

A major feature of the scheme is the upgrading of the public open space around the existing four blocks on the site, by changing the previous car-dominated areas to a more people focussed environment – making it more pleasant to walk around the site and also making space for a new pocket park to encourage positive resident interactions.

The scheme, will provide a mix of 35 shared ownership and 41 rented homes.



HOUSING COMPANY

Providing Homes for All is a key priority identified within the council plan, and this includes the need to address the limited supply of housing for residents who, whilst they may not qualify to apply through the housing register, still struggle to access affordable longer-term housing within the local housing market due to both limited supply and the very high cost of private housing. This group includes those often regarded as being key workers.

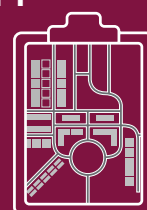
To support meeting this priority the council has established a wholly owned local housing company Venta Living to provide high quality, energy efficient homes at reasonable rents. The company hopes to lease and rent out from late 2023.

Setting up a local housing company that leases properties from the council will allow it to act in a manner similar to an “institutional grade landlord” offering a product that compliments the council’s other housing offers and addresses this gap in the local housing market. Importantly, it would offer tenants far greater security as the housing company, as the landlord, would have a long-term commitment to renting homes to the community. Tenants would benefit from living in a well designed, energy-efficient home, high quality property management and maintenance services provided by the council’s own landlord team as well as the security of democratically accountable governance arrangements.

PROGRESS ON PROGRAMME TO DATE

IN FEASIBILITY

300



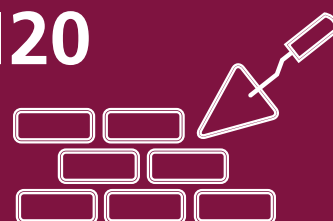
IN PLANNING

23



ON SITE

120



HOMES COMPLETED

139



HOMES TOTAL

582

Progress February 2023

CAPITAL PROGRAMME



KING GEORGE V PAVILION REPLACEMENT

The new pavilion, adjacent to the new Winchester Sport and Leisure Park and the University of Winchester Sport Ground, will create a hub of high-quality, sports and community facilities. This replaces out-dated, underused and inaccessible pavilions with a larger, accessible, modern facility designed with sustainability and carbon saving measures that supports the development of grass roots football,

especially women's, girls' and youth football. This is enhanced by the inclusion of a club room that can be used independently for community and social events and activities.

The design of the new pavilion at King George V playing fields includes elements to ensure a sustainable and energy efficient building such as high performance insulation and solar PV.



REGENERATION



CENTRAL WINCHESTER REGENERATION

Our vision for Central Winchester Regeneration, as set out in the supplementary planning document (SPD,) is for a mixed-use, sustainable, pedestrian-friendly quarter that reflects the distinctive character of the city centre, set within attractive open spaces. The regeneration site includes Kings Walk, Friarsgate and the bus station, as set out in the approved SPD.

Having listened to local people through the consultation on the development proposals for the site, we are bringing sustainable high quality homes for local people, creative work spaces, shops, hotel, leisure facilities and improved public spaces that will better connect the area to the wider city and district. The proposals will not compete with what Winchester already has, but will be distinctive and add to it.

In 2023 the council announced the appointment of Jigsaw Consortium trading as Partnerships & Places as the development partner for the project. The consortium has assembled its team from the best creative talent in the UK, including architectural practices, urban designers, engineers, landscape architects, and specialist archaeologists. Jigsaw Consortium is committed to working closely with local people and businesses in Winchester throughout the life span of the project, bringing both social and economic value to the area.



STATION APPROACH

As a gateway to the city Station Approach is an area within Winchester envisioned for regeneration, and a consultation has been launched to allow the public and local businesses the opportunity to share their opinions to help bring a viable vision to life.

Winchester City Council agreed to restart the Station Approach project in July 2022 and launched a comprehensive and active engagement process working with the community and adjacent landowners. The project was originally launched in 2016 and was put on hold in 2020 due to the Covid-19 pandemic. The council, Network Rail, and London & Continental Railways are working

in partnership to explore transformation of the area around the rail station with a sustainable mixed-use development approach. The aim is to create a vibrant, green economy that revitalises the urban environment for those that live locally, travel from the station, or visit the city.



WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the 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 2023 and its income and expenditure for the year then ended.

Signature:

Date:

Chief Financial Officer, Section 151 Officer

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

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.

2021/22				2022/23		
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
23,016	(10,890)	12,126	Environment	20,322	(10,990)	9,332
12,664	(608)	12,056	Living Well	4,060	(985)	3,075
12,214	(9,419)	2,795	Homes for All (General Fund)	13,586	(9,601)	3,985
24,052	(29,711)	(5,659)	Homes for All (HRA)	28,206	(30,626)	(2,420)
5,910	(1,922)	3,988	Vibrant Local Economy	2,690	(721)	1,969
19,680	(12,436)	7,244	Your Services, Your Voice	19,037	(11,309)	7,728
97,536	(64,986)	32,550	Cost of service delivery	87,901	(64,232)	23,669
(42,854)	0	(42,854)	HRA Property Revaluation (Note 1)	(26,099)	0	(26,099)
54,682	(64,986)	(10,304)	Cost Of Services	61,802	(64,232)	(2,430)
			Other Operating Income and Expenditure			
		3,499	Parish Council Precepts			3,776
		763	Payments to the Government Housing Capital Receipts Pool			0
		(3,349)	(Gains)/Losses on the Disposal of Non Current Assets			(2,509)
		2,024	Other (Income)/ Expenditure - Surplus Assets			(71)
			Financing and Investment Income and Expenditure			
		5,436	Interest Payable and Similar Charges (Note 18)			5,499
		1,611	Net Interest on the Net Defined Benefit Liability (Note 13)			1,604
		(258)	Interest Receivable and Similar Income (Note 18)			(1,248)
		(4,911)	Income and Expenditure in relation to Investment Properties and Changes in their Fair Value (Note 16)			(3,663)
		(924)	(Gains)/losses for financial assets classified as fair value through profit or loss (Note 18)			1,044
			Taxation and Non-Specific Grant Income			
		(5,506)	Non-Domestic Rates Income and Expenditure (Note 9)			(5,771)
		(4,780)	Non-Ringfenced Government Grants (Note 9)			(4,580)
		(13,026)	Capital Grants and Contributions (Note 9)			(2,569)
		(12,043)	Council Tax Income			(12,741)
		(41,768)	(Surplus) or Deficit on Provision of Services			(23,659)
			Other Comprehensive (Income) and Expenditure			
		(11,031)	(Surplus)/Deficit on Revaluation of Non Current Assets			(1,169)
		(22,854)	Remeasurements on Net Defined Benefit Liability (Note 13)			(52,264)
		(75,653)	Total Comprehensive (Income)/ Expenditure			(77,092)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

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 2022	(10,040)	(37,990)	(16,659)	(172)	(16,799)	(20,286)	(1,176)	(103,122)	(385,650)	(488,772)
Movement in Reserves during 2022/23										
(Surplus) or Deficit on Provision of Services	2,640	0	(26,299)	0	0	0	0	(23,659)	0	(23,659)
Other Comprehensive (Income) and Expenditure	0	0	0	0	0	0	0	0	(53,433)	(53,433)
Total Comprehensive (Income) and Expenditure	2,640	0	(26,299)	0	0	0	0	(23,659)	(53,433)	(77,092)
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 8)	3,630	0	27,601	0	(9,341)	2,257	196	24,343	(24,343)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	6,270	0	1,302	0	(9,341)	2,257	196	684	(77,776)	(77,092)
Transfers to/(from) Earmarked Reserves (Note 23)	258	(258)	2	(2)	0	0	0	0	0	0
(Increase)/Decrease in Year	6,528	(258)	1,304	(2)	(9,341)	2,257	196	684	(77,776)	(77,092)
Balance at 31 March 2023 Carried Forward	(3,512)	(38,248)	(15,355)	(174)	(26,140)	(18,029)	(980)	(102,438)	(463,426)	(565,864)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

	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 2021	(14,569)	(33,902)	(15,596)	(70)	(8,211)	(13,234)	(1,168)	(86,750)	(326,369)	(413,119)
Movement in Reserves During 2021/22										
(Surplus) or Deficit on Provision of Services	7,457	0	(49,225)	0	0	0	0	(41,768)	0	(41,768)
Other Comprehensive (Income) and Expenditure	0	0	0	0	0	0	0	0	(33,885)	(33,885)
Total Comprehensive (Income) and Expenditure	7,457	0	(49,225)	0	0	0	0	(41,768)	(33,885)	(75,653)
Adjustments between Accounting Basis & Funding Basis Under Regulations (Note 8)	(7,016)	0	48,060	0	(8,588)	(7,052)	(8)	25,396	(25,396)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	441	0	(1,165)	0	(8,588)	(7,052)	(8)	(16,372)	(59,281)	(75,653)
Transfers to/(from) Earmarked Reserves (Note 23)	4,088	(4,088)	102	(102)	0	0	0	0	0	0
(Increase)/Decrease in Year	4,529	(4,088)	(1,063)	(102)	(8,588)	(7,052)	(8)	(16,372)	(59,281)	(75,653)
Balance at 31 March 2022 Carried Forward	(10,040)	(37,990)	(16,659)	(172)	(16,799)	(20,286)	(1,176)	(103,122)	(385,650)	(488,772)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
BALANCE SHEET AS AT 31 MARCH 2023

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 22		Note	31 Mar 23
£000			£000
638,854	Property, Plant and Equipment	14	675,093
2,750	Heritage Assets	15	2,750
69,343	Investment Property	16	71,033
99	Intangible Assets		61
6,478	Long-Term Investments	18	5,441
182	Long-Term Debtors		288
717,706	Long-Term Assets		754,666
21,143	Short-Term Investments	18	7,109
40	Inventories		22
16,704	Short-Term Debtors	20	9,439
17,053	Cash and Cash Equivalents		11,624
54,940	Current Assets		28,194
(5,504)	Short-Term Borrowing	18	(5,513)
(39,731)	Short-Term Creditors	21	(25,011)
(4,117)	Provisions	22	(3,504)
(49,352)	Current Liabilities		(34,028)
(164,361)	Long-Term Borrowing	18	(158,919)
(60,837)	Pension Scheme Liability	13	(13,823)
(9,324)	Grants and Contributions in Advance	9	(10,226)
(234,522)	Long-Term Liabilities		(182,968)
488,772	Net Assets		565,864
103,122	Usable Reserves		102,438
385,650	Unusable Reserves	25	463,426
488,772	Total Reserves		565,864

Signature:

Date:

Chief Financial Officer, Section 151 Officer

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

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.

2021/22			2022/23	
£000	£000		£000	£000
		<u>Cash Flows from Operating Activities</u>		
	(41,768)	Surplus on the Provision of Services		(23,659)
		<i>Adjustments for Non-Cash Movements</i>		
(10,165)		Depreciation of Property, Plant and Equipment	(11,676)	
29,264		Revaluation gains on property, plant and equipment and investment property	28,155	
(57)		Amortisation of Intangible Assets	(54)	
(5,558)		Pension Fund Adjustments	(5,250)	
29		(Increase)/Decrease in Impairment for Bad Debts	(148)	
(414)		Contributions (to)/from Provisions	613	
(5,324)		Carrying Amount of Property, Plant and Equipment sold or derecognised	(6,185)	
924		Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	(1,044)	
		<i>Accruals adjustments:</i>		
12		Increase in Inventories	(18)	
2,876		Decrease/(Increase) in Short-term and Long-term Debtors	(6,963)	
(8,126)		Increase/(Decrease) in Short-term Creditors	14,720	
(3,066)	395	Decrease/(Increase) in Grants and Contributions	(902)	11,248
	(41,373)			(12,411)
		<i>Adjust for Items that are Investing and Financing Activities</i>		
8,673		Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	8,694	8,694
	8,673			(3,717)
	(32,700)			
		<u>Cash Flows from Investing Activities</u>		
21,103		Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	26,482	
20,874		Purchase of Short Term and Long Term Investments	6,000	
(8,673)		Proceeds from the Sale or Property, Plant, Equipment, Investment Property and Intangible Assets	(8,694)	
(11,008)		Proceeds from the Sale of Short Term and Long Term Investments	(20,074)	
	22,296			3,714
		<u>Cash Flows from Financing Activities</u>		
		Cash receipts from Short & Long Term Borrowing	4,999	
2		Other receipts from financing activities	0	
424		Cash Payments for the Reduction of the Outstanding Liabilities Relating to Finance Leases	433	
	426			5,432
	(9,978)			5,429
		<u>Net Cash Flows from Financing Activities</u>		
	7,075			17,053
		Cash and cash equivalents at the beginning of the year		17,053
	17,053			11,624
		Cash and cash equivalents at the end of the year		11,624

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 2022/23 the value of dwellings has increased by £26.099 million, in consequence there is a material decrease in 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). 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; reversal of previous revaluation losses; 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.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

<u>2022/23</u>	Net charge to the General Fund & HRA under statutory funding provisions £000	Adjustments for Capital Purposes £000	Net change for Pensions Adjustments £000	Other £000	Net costs in the Comprehensive Income and Expenditure Statement £000
Environment	6,425	2,064	843	0	9,332
Living Well	3,876	(981)	180	0	3,075
Homes for All	(10,409)	(15,141)	1,016	0	(24,534)
Vibrant Local Economy	1,863	11	95	0	1,969
Your Services, Your Voice	6,685	429	614	0	7,728
Cost of Services	8,440	(13,618)	2,748	0	(2,430)
Other income & expenditure	(20,827)	(2,904)	2,502	0	(21,229)
Other General Fund & HRA items	11,660	(5,133)	0	(6,527)	0
(Surplus)/deficit on the General Fund & HRA	(727)	(21,655)	5,250	(6,527)	(23,659)

Opening General Fund and HRA balance at 1 April 22	(81,660)
Surplus on General Fund and HRA	(727)
Loss on valuation (to Pooled Fund Adjustment Account)	(1,044)
Other	2
Closing General Fund & HRA balance 31 March 23	(83,429)

<u>Analysis of Reserve Balance</u>	General Fund £000	HRA £000	Total £000
General Fund Balance	(3,512)		(3,512)
Earmarked Reserves	(38,248)	(174)	(38,422)
HRA balance		(15,355)	(15,355)
Major Repairs Reserve		(26,140)	(26,140)
Total	(41,760)	(41,669)	(83,429)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

<u>2021/22</u>	Net charge to the General Fund & HRA under statutory funding provisions	Adjustments for Capital Purposes	Net change for Pensions Adjustments	Other	Net costs in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Environment	5,207	6,025	894	0	12,126
Living Well	4,847	6,990	219	0	12,056
Homes for All	(13,492)	(33,273)	1,047	0	(45,718)
Vibrant Local Economy	3,881	11	96	0	3,988
Your Services, Your Voice	4,303	2,269	672	0	7,244
Cost of Services	4,746	(17,978)	2,928	0	(10,304)
Other income & expenditure	(31,593)	(2,500)	2,629	0	(31,464)
Other General Fund & HRA items	16,612	(12,389)	0	(4,223)	0
(Surplus)/deficit on the General Fund & HRA	(10,235)	(32,867)	5,557	(4,223)	(41,768)

Opening General Fund and HRA balance at 1 April 21	(72,348)
Surplus on General Fund and HRA	(10,235)
Loss on valuation (to Pooled Fund Adjustment Account)	924
Other	(1)
Closing General Fund and HRA balance at 31 March 22	(81,660)

<u>Analysis of Reserve Balance</u>	General Fund £000	HRA £000	Total £000
General Fund Balance	(10,040)		(10,040)
Earmarked Reserves	(37,990)	(172)	(38,162)
HRA balance		(16,659)	(16,659)
Major Repairs Reserve		(16,799)	(16,799)
Total	(48,030)	(33,630)	(81,660)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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

2021/22		2023/23
£000		£000
24,312	Employees	26,263
11,501	Premises	13,567
394	Transport	375
7,203	Supplies & services	8,302
8,556	Third party payments	9,401
22,312	Transfer Payments	18,596
(18,164)	Capital Charges	(13,277)
(1,432)	Support Services	(1,425)
(64,986)	External income	(64,232)
(10,304)	Cost Of Services	(2,430)

2021/22	<u>Analysis of External Income</u>	2022/23
£000		£000
(22,336)	Government Grants & Contributions	(19,898)
(29,887)	HRA: Rent, Service Charges, & Other Income	(30,625)
(12,763)	General Fund: Fees, Charges & Other Income	(13,709)
<u>(64,986)</u>		<u>(64,232)</u>

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 27 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.
- 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). In February 2021 the council signed a contract agreement with Biffa Waste Services Limited for the provision of waste and recycling collection services. The contract involves the exclusive use of a fleet of refuse collection vehicles with an initial value of approximately £3.5m, the council has determined that there is in substance a lease of those vehicles and has recognised them on the Balance Sheet.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

- In 2022/23 the council has received funds for distribution to district households as part of the Government's initiative to help household with rising energy costs. The council is of the view that it is acting as an agent of the government in distributing the funds, because it is applying specified scheme rules and has no effective control over which households receive support and how much they are paid. As a result in 2022/23 £4.4m of receipts and payments have been treated as cash flows only and not included as income or expenditure in the Comprehensive Income and Expenditure Statement.

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

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used; the rate at which salaries are projected to increase; changes in retirement ages; mortality rates; and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension's 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 13 to the accounts.
Arrears/Debt Impairment	At 31 March 2023, the council had a balance of sundry debtors of £2 million. A review of debtors, profiled by the age of the debt, suggested that a loss allowance of 27% (£0.56 million) 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 charge of 88k would need to be set aside as an allowance.
Provision for Business 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 2022/23 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 known relevant information.	The council's share of the total business rate appeal provision of £8.6 million amounted to £3.4million which has reduced the amount of income that is distributed from the Collection Fund to the council's General Fund. A 10% increase or decrease in the council's share of the provision would require an adjustment of £340k.
Valuation of operational property	The council's external valuer provided valuations as at 31 March 2023 for the whole portfolio. Asset valuations are based on market prices.	A reduction in estimated valuations would result in reductions to the revaluation reserve and/or a loss recorded in the Comprehensive Income and Expenditure statement (CIES). If the value of operational properties reduced by 10% this would result in a £10.3m total reduction to the revaluation reserve and/or loss to the CIES. The charge to the CIES

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Item	Uncertainties	Effect if actual results differ from assumptions
		<p>would be reversed out to the Capital Adjustment Account (CAA) and would not affect the General Fund balance.</p> <p>An increase in estimated valuations would result in increases to the revaluation reserve and/ or reversals of previous negative revaluations in the CIES.</p>
Fair value measurement of investment property	The council's external valuer uses valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. Valuers base assumptions on observable data where it's available and the best information available where it is not.	<p>Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.</p> <p>Revaluation movements are accounted for in the CIES. If the value of Investment properties reduced by 10%, this would result in a £7.1m charge to the CIES. The charge to the CIES would be reversed out to the Capital Adjustment Account (CAA) and would not affect the General Fund balance.</p>
Valuation of Council Dwellings	The council's HRA dwellings are valued on a beacon methodology based on a number of information sources. These include sales of directly comparable property, local information on house price movements and other regional and national indices.	<p>A reduction in estimated valuations would result in reductions to the revaluation reserve and/or a loss recorded in the Comprehensive Income and Expenditure statement (CIES). If the value of council dwellings reduced by 5% this would result in a £26.9m charge to the CIES. The charge to the CIES would be reversed out to the Capital Adjustment Account (CAA) and would not affect the HRA balance.</p> <p>An increase in estimated valuations would result in increases to the revaluation reserve and/ or reversals of previous negative revaluations in the CIES.</p>

5. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was certified by the Chief Financial Officer 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 2023, the figures in the financial statements and notes have, in all material respects, been adjusted to reflect the impact of this information.

6. GOING CONCERN

Underlying principle

These accounts have been prepared on a going concern basis that the authority will continue in operational existence for the foreseeable future. The provisions in the Code of Audit Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

A balanced 2022/23 budget was set in February 2023 and included a 7.5% forecast income shortfall compared to pre-pandemic levels. The assumption that economic pressures would reduce the council's income by 7.5% was highly uncertain and subject to significant potential variance, any excess shortfalls would be funded from the Transitional Reserve.

The final outturn is just under £1m favourable to the February 2023 forecast to the original budget, with reduced draws on earmarked reserves which have been protected as far as possible and in some cases even replenished. With the uncertainty in relation to future funding local government projections indicating the potential for longer term deficits, the Transitional Reserve will be used to ensure that the council is able to maintain services and produce a balanced budget while it continues its programme of identifying and implementing cost savings as part of the Medium Term Financial Strategy. A balanced budget has been set for 2023/24 and the level of reserves are expected to be adequately maintained to provide a robust medium term financial strategy.

Cash position

The council had a cash and investment balance of £24.2m as at 31 March 2023. Of this, £5m is invested in the CCLA property fund and is therefore not readily liquid. The council has undertaken a cashflow forecast looking forward through 2023/24 and the following financial period, and without the impact of the capital programme does not forecast the need to borrow for revenue purposes. Due to its capital programme, and prior year unfinanced capital expenditure, the council may need to increase its external borrowing within the current or following period. However, due to its forecast reserve position, a significant proportion of its capital financing requirement will remain covered by internal borrowing; this results in an opportunity cost which is lower than if the council were to externalise all of its capital borrowing need.

As well as access to the PWLB for its long-term borrowing needs, the council's is also able to borrow for short-term liquidity purposes if necessary and so the council remains confident in its ability to maintain sufficient liquidity.

Conclusion

These accounts have been prepared on a going concern basis; assessed up to 31 March 2025. The council has sufficient access to cash and borrowing to ensure its liquidity, plans to set a balanced budget for 2024/25, and has sufficient reserves throughout the period of its Medium Term Financial Strategy. Reserve balances are forecast to include £9.2m of risk reserves which are in addition to the general fund balance of £2.8m, giving high levels of assurance that the council is in a strong position to deal with any future unexpected events.

7. ACCOUNTING STANDARDS ISSUED BUT NOT ADOPTED

There are no changes in accounting requirements for 2023/24 that are anticipated to have a material impact on the council's financial performance or financial position.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments made to the Comprehensive Income and Expenditure recognised by the council in year (shown in accordance with proper accounting practice) to present the alternative view of the resources available to the council to meet future capital and revenue expenditure (in accordance with statute).

General Fund Balance £000	Housing Revenue Account £000	2021/22			Adjustments between Accounting Basis and Funding Basis	General Fund Balance £000	Housing Revenue Account £000	2022/23		
		Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unappl'd £000				Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unappl'd £000
Adjustments to Revenue Resources										
(4,790)	(768)	0	0	0	Pensions (transfers to/ from Pensions Reserve)	(4,533)	(717)	0	0	0
4,223	0	0	0	0	Council Tax and Business Rates (transfers to/ from the Collection Fund Adjustment Account)	6,527	0	0	0	0
(8,389)	30,997	0	0	(8)	Reversal of entries included in the Surplus or Deficit on Provision of Services in relation to Capital Adjustment Account	(2,614)	12,102	0	0	196
924	0	0	0	0	Fair value gains/losses of pooled investment funds	(1,044)	0	0	0	0
11	(11)	0	0	0	Other adjustments	587	(587)	0	0	0
(8,921)	30,218	0	0	(8)	Total Adjustments to Revenue Resources	(1,077)	10,798	0	0	196
Adjustments between Revenue & Capital Resources										
180	8,458	(8,639)	0	0	Transfer of non current sale proceeds from revenue to the Capital Receipts Reserve	1,198	7,462	(8,660)	0	0
0	8,588	0	(8,588)	0	Funding set aside to Major Repairs Reserve	0	9,341	0	(9,341)	0
876	0	0	0	0	Statutory provision for the Financing of Capital	1,517	0	0	0	0
377	787	0	0	0	Voluntary provision for the Financing of Capital	0	0	200	0	0
(763)	0	763	0	0	Contribution from Capital Receipts Reserve to finance payments to Gov't Capital Receipts Pool	0	0	0	0	0
335	9	(9)	0	0	Capital Expenditure financed from revenue	1,992	0	0	0	0
1,005	17,842	(7,885)	(8,588)	0	Total Adjustments between Capital and Revenue Resources	4,707	16,803	(8,460)	(9,341)	0
Adjustments to Capital Resources										
0	0	833	0	0	Use of Capital Receipts Reserve to finance capital	0	0	10,717	0	0
0	0	0	0	0	Receipt of previously deferred capital receipts	0	0	0	0	0
0	0	833	0	0	Total Adjustments to Capital Resources	0	0	10,717	0	0
(7,016)	48,060	(7,052)	(8,588)	(8)	Total Adjustments	3,630	27,601	2,257	(9,341)	196

9. GRANT INCOME

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

2021/22	Credited to Services	2022/23
£000		£000
(10,160)	Rent Allowances	(9,531)
(8,837)	Rent Rebates	(8,782)
(1,612)	COVID-19 grants	0
(1,201)	Contributions	(1,037)
(526)	Other Grants	(548)
(22,336)	Total	(19,898)

Credited to Taxation and Non Specific Grant Income		
2021/22		2022/23
£000		£000
Non Domestic Rates Income and Expenditure		
(25,652)	Retained Business Rates	(23,528)
2,321	Levy Payment	2,285
20,429	Tariff Payment	20,429
6,607	Share of (surplus)/deficit	(273)
(471)	Allowances	(496)
(8,740)	S31 Grants	(4,168)
0	Other	(20)
(5,506)		(5,771)

Capital Grants and Contributions		
(9,952)	Other Capital Grants and Contributions	(410)
(1,843)	Community Infrastructure Levy	(928)
(1,231)	Disabled Facilities Grant	(1,231)
(13,026)		(2,569)

Non-Ringfenced Government Grants		
(1,528)	New Burdens Grant	(1,933)
(1,963)	New Homes Bonus	(2,327)
(49)	Revenue Support Grant	(49)
(1,240)	Other	(271)
(4,780)		(4,580)

(23,312)	Total	(12,920)
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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:

31/3/22		31/3/23
£000		£000
	Grants and Contributions in Advance	
(4,951)	Developers' Contributions - Social Housing	(5,758)
(465)	Developers' Contributions - Open Spaces	(357)
(2,564)	Developers' Contributions - West of Waterlooville	(1,611)
(386)	Open Spaces Commuted Payments	(418)
(182)	North Whiteley community services	(383)
0	LA Housing Fund	(819)
(776)	Other	(880)
(9,324)	Total	(10,226)

The receipt and payment of some COVID-19 grants during 2021/22 and Council Tax Energy Rebate schemes in 2022/23 are in substance agency arrangements, under these schemes the rules on entitlement and the payment amounts are set by central government and all expenditure is reimbursed. Details of the grants administered under agency arrangements and recognised in the Cash Flow Statement are set out below.

Agency Grant Schemes

	<u>2021/22</u>		<u>2022/23</u>		
	<u>Income</u>	<u>Expenditure</u>	<u>Income</u>	<u>Expenditure</u>	<u>Balance</u>
	£000	£000	£000	£000	£000
Restart Grants	(6,607)	6,607	0	0	0
Omicron Grants	(1,362)	1,362	0	0	0
Local Restrictions/ Closed Business Support Grants	(675)	675	0	0	0
Council Tax Energy Rebate Schemes	0	0	(4,421)	4,421	0
	(8,644)	8,644	(4,421)	4,421	0

10. AUDIT FEES

The council has incurred the following costs in relation to the audit of the Statement of Accounts provided by the council's appointed external auditor Ernst & Young LLP. The certification of grant claims is carried out by other audit providers.

2021/22 £000		2022/23 £000
43	Fees payable to External Auditor with regard to the External Audit Services carried out by the Appointed Auditor for the year ¹	52
22	Fees payable to the External Auditor for the Certification of Grant Claims and Returns for the year	48
0	Fees payable in respect of the Other Services provided by the External Auditor during the year	0
65	Total	100

¹The appointed external auditor is seeking approval from the fee setting body Public Sector Audit Appointments (PSAA) for fee variations of £35,332 relating to 2021/22. The additional fee requests are as a result of increased audit work to satisfy additional regulatory requirements subsequent to the setting of the original scale fee. The additional fees are not yet approved and are therefore not included in the above figures.

11. 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 2022/23. For this purpose, remuneration includes gross pay, all taxable benefits and redundancy payments but excludes employer pension contributions.

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

<u>2021/22</u>				<u>2022/23</u>		
Ongoing employees	Employees left in year	Total Employees	Remuneration Band	Ongoing employees	Employees left in year	Total Employees
15	1	16	£50,000-£54,999	15	0	15
14	1	15	£55,000-£59,999	9	0	9
4	0	4	£60,000-£64,999	11	0	11
2	0	2	£65,000-£69,999	6	0	6
2	0	2	£70,000-£74,999	1	0	1
5	0	5	£75,000-£79,999	3	0	3
0	0	0	£80,000-£84,999	3	0	3
1	0	1	£90,000-£94,999	0	0	0
1	0	1	£95,000-£99,999	1	0	1
1	0	1	£105,000-£109,999	1	0	1
1	0	1	£125,000-£129,999	0	0	0
0	0	0	£130,000-£134,999	1	0	1
46	2	48		51	0	51

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
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Senior Officers' remuneration

Further details relating to individual senior employees' remuneration is required to be published under the Accounts and Audit Regulations 2015. This note gives the details of the salary, allowances, benefits-in-kind and pension payments for senior employees whose salary exceeded £50,000 in 2022/23.

2022/23	Salary	Taxable expenses & benefits	Pension payments	Total
	£'000	£'000	£'000	£'000
Chief Executive - Laura Taylor ¹	131	1	24	155
Strategic Director: Place	106	1	19	126
Strategic Director: Resources ²	92	1	16	109
Strategic Director ²	6	0	1	7
Strategic Director: Services ^{3 & 5}	67	1	35	103
Strategic Director ⁴	122	0	0	122
Chief Financial Officer ⁵	81	1	15	97

1. The Chief Executive also received payments of £13,033 as Returning Officer in 2022/23 that are excluded above.

2. The Strategic Director: Resources post-holder changed 3rd January 2023. The outgoing employee remained as a Strategic Director. The Strategic Director: Resources is the Monitoring Officer.

3. The Strategic Director: Services left 30th November 2022. Pension payments include £22,918 early retirement costs. The post was vacant until 30th January 2023.

4. Payments of £121,500 have been made to an Employment Agency for the services of the Strategic Director (regeneration role).

5. The S151 Officer was the Strategic Director: Services until 30th November 2022, the Chief Financial Officer was appointed to the Statutory role on 1st December 2022.

2021/22	Salary	Taxable expenses & benefits	Pension payments	Total
	£'000	£'000	£'000	£'000
Chief Executive ¹	129	1	23	153
Strategic Director: Place (Interim)/ Strategic Director ²	135	0	0	135
Strategic Director: Place ³	61	1	11	73
Strategic Director: Resources ⁴	93	1	17	111
Strategic Director: Services ⁵	104	1	19	124

1. The Chief Executive also received payments of £22,699 as Returning Officer in 2021/22, and are excluded above.

2. The Strategic Director: Place (Interim) left post 22nd August 2021, payments of £59,475 have been made to an Employment Agency for his services for this role.

3. The Strategic Director: Place started in post 23rd August 2021.

4. The Monitoring Officer is the Strategic Director: Resources.

5. The S151 Officer is the Strategic Director: Services.

12. TERMINATION BENEFITS AND EXIT PACKAGES

The council terminated the contracts of 9 employees, incurring liabilities (for compensation for loss of office; employer's pension contributions for enhanced benefits; and other costs) in 2022/23 of £103,816 (£39,767 in 2021/22).

2021/22			Total Package	2022/23		
Compulsory Redundancy	Other Termination	Amount Paid (£)		Compulsory Redundancy	Other Termination	Amount Paid (£)
0	0	0	£0 - £20,000	1	7	71,396
0	1	39,767	£20,001 - £40,000	1	0	32,420
0	1	39,767		2	7	103,816

13. 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 pension 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 pension 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.

The constructive obligation on the Council's share of the Hampshire Pension Fund resulting from the McCloud judgement has been included in the figures in the 2022/23 financial statements.

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.

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The following transactions have been made in the accounts during the year:

2021/22 £000		2022/23 £000
	<u>Included in the Cost of Services</u>	
6,732	Current Service Cost	6,404
101	Past Service Cost	23
0	Settlement Cost	0
	<u>Included in Financing and Investment Income and Expenditure</u>	
1,611	Net Interest on the Net Defined Benefit Liability	1,604
	<u>Included in Other Comprehensive Income and Expenditure</u>	
22,854	Remeasurement of the Net Defined Benefit Liability	52,264
31,298	Total Included in Comprehensive Income and Expenditure	60,295
	<u>Included in the Movement in Reserves</u>	
(8,444)	Removal of Notional Charges Made for Retirement Benefits	(8,031)
2,886	Inclusion of Actual Employer's Contributions Payable	2,781
(5,558)	Total Included in the Movement in Reserves	(5,250)
	<u>Actual Employer's Contributions Charged Against Council Tax</u>	
2,623	Normal Funded Contributions	2,603
101	Lumps Sums for Early Retirements	23
162	Discretionary / Unfunded Added Years	155
2,886	Total Amount Charged to Council Tax	2,781

Assets and liabilities in relation to post-employment benefits

The movement in scheme liabilities was:

2021/22 Funded Liabilities £000	2021/22 Unfunded Liabilities £000		2022/23 Funded Liabilities £000	2022/23 Unfunded Liabilities £000
(221,888)	(2,268)	Opening Present Value of Liabilities	(213,663)	(2,074)
(6,732)	0	Current Service Cost	(6,404)	0
(4,615)	(46)	Interest Expense on Benefit Obligation	(5,700)	(54)
(939)	0	Contributions by Scheme Participants	(1,094)	0
13,900	49	Actuarial Gains / (Losses) - Financial Assumptions	79,143	287
2,157	37	Actuarial Gains / (Losses) - Demographic Assumptions	1,029	3
(685)	(8)	Actuarial Gains / (Losses) - Experience	(14,812)	58
5,240	162	Net Benefits Paid Out	6,208	155
(101)	0	Past Service Cost	(23)	0
0	0	Settlements	0	0
(213,663)	(2,074)	Closing Present Value of Liabilities	(155,316)	(1,625)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
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The movement in the fair value of the scheme assets was:

2021/22 £000		2022/23 £000
146,023	Opening Fair Value of Assets	154,900
3,050	Interest Income on Assets	4,150
939	Contributions by Scheme Participants	1,094
2,886	Contributions by the Employer	2,626
7,404	Remeasurement Gains / Losses on Assets	(13,444)
(5,402)	Net Benefits Paid Out	(6,208)
0	Settlement	0
154,900	Closing Fair Value of Assets	143,118

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 2022/23 was a loss of £9.3 million (£10.4 million gain in 2021/22).

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 2024 is £3.5 million (£3.4 million for funded benefits and £0.1 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 2022. 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:

2021/22 £000		2022/23 £000
	<u>Principal Financial Assumptions</u>	
2.7%	Rate for Discounting Scheme Liabilities	4.7%
3.0%	CPI Inflation Rate	2.7%
3.0%	Pension Increases	2.7%
3.0%	Pension Accounts Revaluation Rate	2.7%
4.0%	Rate of General Increases in Salaries	3.7%
	<u>Mortality Assumptions</u>	
	Future lifetime from 65 for members aged 65 at 31 Mar	
22.9	Males	23.3
25.4	Females	25.7
	Future lifetime from 65 for members aged 45 at 31 Mar	
24.7	Males	23.8
27.1	Females	26.7

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
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The scheme assets consist of the following categories, by proportion of total assets held:

2021/22				2022/23		
Quoted	Unquoted	Total		Quoted	Unquoted	Total
44.7%	11.0%	55.7%	Equities	42.0%	15.6%	57.6%
0.9%	6.0%	6.9%	Property	1.4%	5.4%	6.8%
18.0%	0.0%	18.0%	Government Bonds	16.5%	0.0%	16.5%
0.9%	0.0%	0.9%	Cash	1.1%	0.0%	1.1%
9.2%	0.0%	9.2%	Multi Asset Credit	0.0%	0.0%	0.0%
5.8%	3.5%	9.3%	Other	0.0%	18.0%	18.0%
79.5%	20.5%	100.0%		61.0%	39.0%	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 2023.

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 2023	Present Value of Total Obligation £000	Change in Present Value of Total Obligation %	Projected Service Cost £000	Approximate Change in Projected Service Cost %
Base figure	155,316		2,934	
0.1% Increase in Discount Rate	152,676	-1.7%	2,820	-3.9%
0.1% Decrease in Discount Rate	157,956	1.7%	3,051	4.0%
0.1% Increase in the Salary Increase Rate	155,471	0.1%	2,934	0.0%
0.1% Decrease in the Salary Increase Rate	155,161	-0.1%	2,934	0.0%
0.1% Increase in the Pensions Increase Rate	157,801	1.6%	3,051	4.0%
0.1% Decrease in the Pensions Increase Rate	152,831	-1.6%	2,820	-3.9%
1 year Increase in Post Retirement Mortality*	151,278	-2.6%	2,828	-3.6%
1 year Decrease in Post Retirement Mortality	159,354	2.6%	3,040	3.6%

* A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

14. PROPERTY, PLANT AND EQUIPMENT (PPE)

Movements in 2022/23	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
<u>Cost or Valuation</u>	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2022	512,456	103,346	16,292	10,664	1,073	4,910	4,694	653,435
Additions	13,224	705	586	428	0	8	11,493	26,444
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	0	(370)	0	0	0	129	0	(241)
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	16,995	1,333	0	0	0	71	0	18,399
Derecognition - Disposals	(4,663)	(1,205)	(47)	(12)	0	0	(61)	(5,988)
Reclassifications	0	(1,044)	136	0	0	0	(334)	(1,242)
At 31 March 2023	538,012	102,765	16,967	11,080	1,073	5,118	15,792	690,807
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2022	0	0	(10,646)	(3,758)	(177)	0	0	(14,581)
Depreciation Charge	(9,089)	(1,412)	(844)	(331)	0	0	0	(11,676)
Accumulated Depreciation Written-Out to the Gross Carrying Amount on Depreciation Written-Out to the Revaluation Reserve	0	1,410	0	0	0	0	0	1,410
Depreciation Written Out to the Surplus/Deficit on the Provision of Services	9,089	0	0	0	0	0	0	9,089
Derecognition - Disposals	0	2	37	5	0	0	0	44
At 31 March 2023	0	0	(11,453)	(4,084)	(177)	0	0	(15,714)
<u>Net Book Value</u>								
At 31 March 2023	538,012	102,765	5,514	6,996	896	5,118	15,792	675,093
At 31 March 2022	512,456	103,346	5,646	6,906	896	4,910	4,694	638,854

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Movements in 2021/22	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation</u>								
At 1 April 2021	450,434	61,031	15,855	8,426	1,073	0	72,066	608,885
Additions	6,809	528	322	502	0	0	12,827	20,988
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	0	10,236	0	0	0	140	0	10,376
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	34,557	(13,339)	0	0	0	(2,024)	0	19,194
Derecognition – Disposals	(2,877)	(264)	(9)	0	0	0	(2,189)	(5,339)
Reclassifications	23,533	45,154	124	1,736	0	6,793	(78,010)	(670)
At 31 March 2022	512,456	103,346	16,292	10,664	1,073	4,909	4,694	653,434
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2021	0	0	(9,817)	(3,461)	(174)	0	0	(13,452)
Depreciation Charge	(8,317)	(711)	(838)	(297)	(2)	0	0	(10,165)
Accumulated Depreciation Written-Out to the Gross Carrying Amount on Depreciation Written-Out to the Revaluation Reserve	0	705	0	0	0	0	0	705
Depreciation Written Out to the Surplus/Deficit on the Provision of Services	8,317	0	0	0	0	0	0	8,317
Derecognition – Disposals	0	6	9	0	0	0	0	15
At 31 March 2022	0	0	(10,646)	(3,758)	(176)	0	0	(14,580)
<u>Net Book Value</u>								
At 31 March 2022	512,456	103,346	5,646	6,906	897	4,909	4,694	638,854
At 31 March 2021	450,434	61,031	6,038	4,965	899	0	72,066	595,433

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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	30 – 40 years
Kitchens	19 years
Bathrooms	40 years
Roofs	50 years
Doors & windows	40 years
Electrical rewiring	30 years
Eaves & rainwater	40 years
Structure	67 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 2023, the council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 and future years. The total commitments at 31 March 2023 were £21,432,000 (similar commitments at 31 March 2022 were £29,147,000) made up as follows:-

	£000
HRA New Build (North Whiteley)	8,111
HRA New Build (Winnall Flats)	5,400
HRA - Major Works	2,657
GF - Land & Buildings (KGV Pavilion)	2,400
HRA New Build (Southbrook Cottages)	1,444
General Fund -Other	1,420
	<u>21,432</u>

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 2022/23, Wilks Head & Eve (WHE) carried out a re-valuation of all of the Council's investment properties as well as all of the PPE assets:

- Investment properties – valuation date 31/02/2023
- PPE (with the exception of car parks and Winchester Sport & Leisure Park) – valuation date 31/02/2023
- Car parks & Winchester Sport & Leisure Park - valuation date 31/03/2023
- HRA dwellings and Garages - valuation date 31/03/2023

The valuations were carried out in accordance with Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (issued November 2021 and effective 31 January 2022) and the RICS Valuation – Global Standards 2017: UK National Supplement (issued November 2018 and effective from 14 January 2019), and in

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accordance with the specific sections 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).

	2022/23	2021/22	2020/21	2019/20	2018/19	Historic Cost	Total
	£000	£000	£000	£000	£000	£000	£000
Council Dwellings	538,012	0	0	0	0	0	538,012
Land & Buildings	102,765	0	0	0	0	0	102,765
Plant / Vehicles / Equipment	0	0	0	0	0	5,514	5,514
Infrastructure	0	0	0	0	0	6,996	6,996
Community	0	0	0	0	0	896	896
Surplus	5,118	0	0	0	0	0	5,118
Assets Under Construction	0	0	0	0	0	15,792	15,792
Total	645,895	0	0	0	0	29,198	675,093

15. HERITAGE ASSETS

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

	Art Collection	Civic Regalia	Archaeology	Total
Cost or Valuation	£000	£000	£000	£000
Balance as at 1 April 2021	850	1,500	450	2,800
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(100)	0	50	(50)
Balance as at 31 March 2022	750	1,500	500	2,750
Movements	0	0	0	0
Balance as at 31 March 2023	750	1,500	500	2,750

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.

There are no revaluations in the current financial year. An oil painting of Lady Elizabeth Woodville pleading for her children before Edward IV was re-valued in 2021/22 at £400,000 by the independent auction house (Andrew Smith & Son) as at 25th June 2021.

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.

No revaluations in the current financial year. The marble head was re-valued in 2021/22 at £500,000 as at 18 March 2022 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:

- Early Anglo-Saxon supporting arm brooch
- Medieval Stylus 11 – 13th Century
- Medieval stone beak head sculpture
- Roman copper alloy hare brooch
- Several archaeological archives.

There have been no disposals during this period.

16. INVESTMENT PROPERTIES

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

2021/22		2022/23
£000		£000
	<u>Income and Expenditure in Relation to Investment Properties</u>	
(3,855)	Rental Income from Investment Property	(3,648)
697	Direct Operating Expenses of Investment Property	652
0	(Gain)/Loss on Disposal of Investment Property	0
(1,753)	Net (Gain)/Loss on Revaluation of Investment Property	(667)
<u>(4,911)</u>	Net (Income)/Expenditure on Investment Properties	<u>(3,663)</u>

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The council's investment properties were revalued as part of the exercise undertaken by Wilks Head & Eve LLP (see note 14).

2021/22 £000		2022/23 £000
66,810	Balance at the start of the year	69,343
0	Additions - Acquisitions	0
111	Additions - Enhancements	22
0	Disposals	(241)
1,753	Net Gains/(Losses) from Fair Value Adjustments	667
	<u>Transfers:</u>	
669	- (To)/From Property, Plant and Equipment	1,242
69,343	Balance at the end of the year	71,033

Investment Properties Fair Value Measurements

	Retail £000	Offices £000	Industrial £000	Residential / Garages £000	Other £000	Total £000
Level 2 Fair Value Measurements	28,567	10,348	6,755	24,423	940	71,033

Valuation Techniques and Inputs

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

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

Unobservable Inputs

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

Sensitivity of Unobservable Inputs

n/a

The Council holds several assets (garages, parcels of land, and small industrial units) as investment properties where the highest and best use is greater than their current use. In total, the difference between their current value and their highest and best use value is £13.84m. Of this amount, £13.56m relates to garage sites which are being held as investment properties for their rental income and future development potential.

Capital Commitments for Investment Property Assets

As at 31 March 2023, the council had not entered into contracts for the acquisition of Investment Properties in 2023/24 and future years. The total commitment at 31 March 2023 was £nil (similar commitments at 31 March 2022 were £nil).

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Council as Lessor of Investment Properties

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:

2021/22		2022/23
£000		£000
3,341	Due within one year	3,386
11,458	Due later than one year and not later than five years	11,611
69,368	Due after five years	70,805
84,167	Total future minimum lease rentals receivable	85,802

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.

17. FINANCE LEASES

Council as lessee

The Council has identified an embedded lease within the waste and recycling collection 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 are refuse 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:

2021/22		2022/23
£000		£000
3,060	Vehicles Plant and Equipment	2,623

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

2021/22		2022/23
£000		£000
	Finance Lease Liabilities (net present value of minimum lease payments)	
433	-Current	443
2,639	-Non Current	2,197
228	Finance Costs Payable in Future Years	165
<u>3,300</u>	Minimum Lease Payments	<u>2,805</u>

The liabilities are payable according to the following timescale:

Minimum Lease payments	Finance Lease Liability		Minimum Lease payments	Finance Lease Liability
2021/22	2021/22		2022/23	2022/23
£000	£000		£000	£000
495	433	Not later than one year	495	443
2,475	2,312	Later than one year but not later than five years	2,310	2,197
330	327	Payments due after 5 years		
<u>3,300</u>	<u>3,072</u>	Total	<u>2,805</u>	<u>2,640</u>

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18. FINANCIAL INSTRUMENTS

Financial instruments are contractual arrangements that give rise to a financial asset of one entity and a financial liability or equity instrument of another. The following categories of financial instrument are carried in the Balance Sheet.

<u>Long Term</u> 31 Mar 22 £000	<u>Short Term</u> 31 Mar 22 £000		<u>Long Term</u> 31 Mar 23 £000	<u>Short Term</u> 31 Mar 23 £000
		<u>Investments</u>		
0	20,143	Amortised Cost	0	6,109
6,478	1,000	Fair Value through Profit or Loss	5,441	1,000
		<u>Cash and Cash Equivalents</u>		
0	(1,049)	Amortised Cost	0	1,335
0	18,090	Fair Value through Profit or Loss	0	7,785
		<u>Debtors</u>		
182	5,421	Amortised Cost	288	3,023
6,660	43,605	Total Financial Assets	5,729	19,252
		<u>Borrowings</u>		
(161,722)	(5,071)	Amortised Cost	(156,722)	(5,070)
		<u>Other Liabilities</u>		
(2,639)	(433)	Finance Lease-Amortised Cost	(2,197)	(443)
		<u>Creditors</u>		
0	(7,008)	Amortised Cost	0	(9,738)
(164,361)	(12,512)	Total Financial Liabilities	(158,919)	(15,251)

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

2022/23	Financial Liabilities: Amortised Cost £000	Financial Assets: Amortised Cost £000	Financial Assets: Fair Value through profit or loss £000	Total £000
Interest Expense	5,499	0	0	5,499
(Gain)/loss on valuation	0	0	1,044	1,044
Interest Income	0	(491)	(757)	(1,248)
Net (Gain)/Loss for the Year	5,499	(491)	287	5,295
2021/22	£000	£000	£000	£000
Interest Expense	5,436	0	0	5,436
(Gain)/ loss on valuation	0	0	(924)	(924)
Interest Income	0	(33)	(225)	(258)
Net (Gain)/Loss for the Year	5,436	(33)	(1,149)	4,254

The council has no material soft loans.

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Fair Value of Assets and Liabilities

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arm's length transaction. Where liabilities are held as an asset by another party, such as the council's borrowing, the fair value is estimated from the holder's perspective. Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For financial assets classified as Fair Value through Profit or Loss, the fair value is taken from market price.

For Financial Assets at Amortised Cost and Financial Liabilities at Amortised Cost, fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023, 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 values of finance lease liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA rated corporate bond yield.
- The fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying amount given the low interest rate environment.
- 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 31/03/22 £000	Fair Value 31/03/22 £000		FV Level	Balance Sheet 31/03/23 £000	Fair Value 31/03/23 £000
Financial assets held at fair value:					
18,090	18,090	Money market funds	1	7,785	7,785
6,290	6,290	Property funds	2	5,253	5,253
987	987	Bond funds	1	979	979
0	0	Corporate, covered and government bonds	1	0	0
188	188	Unquoted Equity investment at Cost	2	0	0
Financial assets held at amortised cost:					
0	0	Corporate, covered and government bonds	1	0	0
0	0	Long-term investments with local authorities	2	0	0
<u>25,555</u>	<u>25,555</u>	Total		<u>14,017</u>	<u>14,017</u>
19,119		Assets for which fair value is not disclosed		10,157	
<u>44,674</u>		Total financial assets		<u>24,174</u>	
<i>Recorded on balance sheet as:</i>					
6,478		Long-term investments		5,441	
21,143		Short-term investments		7,109	
17,053		Cash & cash equivalents		<u>11,624</u>	
<u>44,674</u>		Total financial assets		<u>24,174</u>	

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The fair value of short-term financial assets held at amortised cost, is assumed to approximate to the carrying amount.

Balance Sheet	Fair value		FV Level	Balance Sheet	Fair value
31/03/22	31/03/22	Financial liabilities at amortised cost:		31/03/23	31/03/23
£000	£000			£000	£000
(166,793)	(178,027)	Long-term loans from PWLB	2	(161,792)	(132,041)
(3,072)		Liabilities for which fair value not disclosed		(2,640)	
(169,865)		Total Financial Liabilities		(164,432)	
		<i>Recorded on balance sheet as:</i>			
(164,361)		Long-term borrowing		(158,919)	
(5,504)		Short-term borrowing		(5,513)	
(169,865)		Total		(164,432)	

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans 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.

19. 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 December 2021). In line with 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 is exposed to credit risk on the following categories of financial assets and commitments

31/3/22	Exposure Category	31/3/23
£000		£000
41,825	Treasury Investments	17,779
2,675	Trade Receivables	2,015
44,500	Total Credit Risk Exposure	19,794

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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.

Asset Type	Credit Risk Management Practices	Estimation of Impairment Loss Allowance
Government gilts, bonds Loans to other authorities	Investments guaranteed by statute – no credit risk.	No allowance required.
Deposits with banks, building societies and other investments	Deposits are restricted by the council's Treasury Management Strategy to institutions with high credit ratings and will be recalled if these fall below investment grade A-. A limit of £7m of the total portfolio is placed on the amount of money that can be invested with a single counterparty. 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.	12 month expected credit losses have been calculated by applying risk factors provided by the council's treasury management providers.

The table below summarises the credit exposures of the council's investment portfolio by credit rating and remaining time to maturity.

Long Term	Short Term	Credit Rating	Long Term	Short Term
31/3/22	31/3/22		31/3/23	31/3/23
£000	£000		£000	£000
0	4,060	AAA	0	0
0	13,465	AA-	0	7,786
0	1,011	A+	0	10
0	2,010	A	0	2,010
0	0	A-	0	0
0	18,090	AAA Money Market Funds	0	7,785
0	3,189	Unrated local authorities	0	188
6,290	987	Credit risk not applicable*	5,253	979
6,290	42,812	Total Investments	5,253	18,758

*Credit risk is not applicable to pooled funds where the council has no contractual right to receive any particular sum of money.

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Credit Risk: Trade Receivables

Trade receivables are not subject to internal credit rating, and have been grouped together for the purposes of calculating expected credit losses. Balances are considered for write off when they are more than 12 months past due, but enforcement activity continues until there is no realistic prospect of recovery. Expected credit losses are calculated using provision matrices based on historical data for defaults adjusted for projections of improving or worsening local economic conditions. The following analysis summarises the council's maximum exposure credit risk, based on experience of the level of default on trade debtors.

	31/03/2022		31/03/2023	
	Trade receivables £000	Loss Allowance £000	Trade receivables £000	Loss Allowance £000
Not past due	1,299	2	395	2
Past due < 3 months	599	35	938	52
Past due 3-12 months	342	108	242	103
Past due 12+ months	435	410	440	403
Total	2,675	555	2,015	560

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 council's borrowing is as follows:

31/03/22			31/03/23	
Discounted (principal) £000	Undiscounted (principal plus interest) £000	Time to maturity (years)	Discounted (principal) £000	Undiscounted (principal plus interest) £000
(5,000)	(10,363)	Not over 1	(5,000)	(10,240)
(5,000)	(10,235)	Over 1 but not over 2	(5,000)	(10,105)
(20,000)	(34,872)	Over 2 but not over 5	(25,000)	(39,306)
(35,000)	(56,002)	Over 5 but not over 10	(25,000)	(44,896)
(35,000)	(63,539)	Over 10 but not over 20	(35,000)	(62,383)
(56,722)	(89,751)	Over 20 but not over 40	(56,722)	(87,942)
(10,000)	(11,755)	Over 40	(10,000)	(11,600)
(166,722)	(276,517)	Total	(161,722)	(266,472)

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 measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. 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 will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

Increase in interest receivable on variable rate investments	(153)
Decrease in fair value of investments held at FVPL	9
Impact on Surplus or Deficit on the Provision of Services	(144)
Decrease in fair value of investments held at FVOCI/ Available for Sale	0

The approximate impact of a 1% fall in interest would be as above but with the movements being reversed.

Market Risks: Price Risk

The market prices of the council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk. The council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the council's investment strategy. A 5% fall in commercial property prices at 31 March 2023 would result in a £0.25m (2022: £0.29m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

20. SHORT-TERM DEBTORS

31 Mar 22		31 Mar 23
£000		£000
159	Central Government Bodies	254
3,914	Other Local Authorities	1,143
4,435	Other Entities and Individuals	3,953
0	NHS Bodies	12
276	Council Tax	302
280	Housing Rents	324
7,640	Prepayments	3,451
16,704	Total	9,439

21. SHORT-TERM CREDITORS

31 Mar 22		31 Mar 23
£000		£000
(23,372)	Central Government Bodies	(10,737)
(493)	Other Local Authorities	(1,338)
(2,876)	Other	(1,843)
(6,371)	Trade Creditors	(8,815)
(6,619)	Amounts Received in Advance	(2,278)
(39,731)	Total	(25,011)

22. PROVISIONS

The 2022/23 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 (Business Rates) valuations. These liabilities were probable at the Balance Sheet date but the timing and amount was uncertain.

	Insurance	NNDR	Total
	£000	£000	£000
Balance at 1 April 2021	(74)	(3,629)	(3,703)
Additional Provisions made in 2021/22	0	(797)	(797)
Amounts Used in 2021/22	0	383	383
Balance at 1 April 2022	(74)	(4,043)	(4,117)
Additional Provisions made in 2022/23	0	(2,323)	(2,323)
Amounts Used in 2022/23	0	2,936	2,936
Balance at 31 March 2023	(74)	(3,430)	(3,504)

23. 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 2022/23.

	Balance at 1/4/2021	Net Transfers	Balance at 31/3/2022	Transfers Out	Transfers in	Balance at 31/3/2023
	£000	£000	£000	£000	£000	£000
General Fund						
Operational Reserves						
Major Investment Reserve	(6,919)	(2,111)	(9,030)	1,820	(477)	(7,687)
Local Development Framework	(290)	0	(290)	129	(750)	(911)
Other	(1,457)	(19)	(1,476)	2	(72)	(1,546)
Asset Reserves						
Car Parks Property	(1,549)	(350)	(1,899)	162	(307)	(2,044)
Property Reserve	(3,510)	(250)	(3,760)	194	(250)	(3,816)
Other	(64)	(144)	(208)	20	(280)	(468)
Restricted Reserves						
CIL General Fund	(10,902)	(1,342)	(12,244)	1,470	(810)	(11,584)
CIL Winchester Town	(1,079)	(130)	(1,209)	147	(81)	(1,143)
Covid 19 Discretionary grant	(2,021)	2,021	0	0	0	0
Homes for Ukraine	0	0	0	317	(779)	(462)
Other	(639)	(106)	(745)	139	(188)	(794)
Risk Reserves						
Business Rates Retention	(1,900)	0	(1,900)	900	0	(1,000)
Exceptional Inflation Pressures	0	(2,000)	(2,000)	0	(902)	(2,902)
Transitional Reserve	(3,433)	343	(3,090)	190	(852)	(3,752)
Other	(139)	0	(139)	0	0	(139)
Total General Fund	(33,902)	(4,088)	(37,990)	5,490	(5,748)	(38,248)
HRA Insurance	(70)	70	0	0	0	0
HRA Sinking Fund	0	(172)	(172)	0	(2)	(174)
Total Earmarked Reserves	(33,972)	(4,190)	(38,162)	5,490	(5,750)	(38,422)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

25.1. 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.

2021/22 £000		2022/23 £000
(28,038)	Balance at 1 April	(38,661)
(13,228)	Upward Revaluation of Assets	(2,874)
2,197	Downward Revaluation of Assets and Impairment Losses not Charged to the Surplus/Deficit on the Provision of Services	1,705
<u>(11,031)</u>	Surplus or Deficit on Revaluation of Non-Current Assets not Posted to the Surplus or Deficit on the Provision of Services	<u>(1,169)</u>
261	Difference between Fair Value Depreciation and Historical Cost Depreciation	243
<u>147</u>	Accumulated Gains on Assets Disposed of or Transferred Between Funds	<u>764</u>
<u>408</u>	Amount Written Off to the Capital Adjustment Account	<u>1,007</u>
<u>(38,661)</u>	Balance at 31 March	<u>(38,823)</u>

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.

25.2. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefit 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.

2021/22 £000		2022/23 £000
78,133	Balance at 1 April	60,837
(22,854)	Actuarial Gains or Losses on Pensions Assets and Liabilities	(52,264)
8,444	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 13)	8,031
(2,886)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year (Note 13)	(2,781)
<u>60,837</u>	Balance at 31 March	<u>13,823</u>

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

25.3. 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.

2021/22		2022/23
£000		£000
(387,537)	Balance at 1 April	(413,753)
	<u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:</u>	
10,165	Charges for Depreciation and Impairment of Non-Current Assets	11,677
(27,510)	Revaluation (Gains)/Losses on Property, Plant and Equipment	(27,488)
57	Amortisation of Intangible Assets	54
1,149	Revenue Expenditure Funded from Capital Under Statute	2,409
5,324	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	6,184
<u>(10,815)</u>		<u>(7,164)</u>
(410)	Adjusting Amounts Written-Out of the Revaluation Reserve	(1,008)
<u>(11,225)</u>	Net Written Out Amount of the Cost of Non-Current Assets Consumed in the Year	<u>(8,172)</u>
	<u>Capital Financing Applied in the Year:</u>	
(833)	Use of the Capital Receipts Reserve to Finance New Capital Expenditure	(10,717)
0	Use of the Major Repairs Reserve to Finance New Capital Expenditure	0
(280)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(201)
(9,750)	Capital Grants and Contributions Credited to the Comprehensive Income and Expenditure Statement that have been Applied to Capital Financing	(1,652)
(876)	Statutory Provision for the Financing of Capital Investment	(1,517)
(1,164)	Voluntary Provision for the Financing of Capital Investment	(200)
(335)	Capital Expenditure Charged Against the General Fund and HRA Balances	(1,992)
<u>(13,238)</u>		<u>(16,279)</u>
<u>(1,753)</u>	Movements in the Market Value of Investment Properties Debited or Credited to the Comprehensive Income and Expenditure Statement	<u>(667)</u>
<u>(413,753)</u>	Balance at 31 March	<u>(438,871)</u>

25.4. Collection Fund Adjustment Account

The Collection Fund Adjustment Account is the unusable reserve that manages the differences arising from the recognition of council tax and business rates income as it falls due from tax payers compared with the statutory arrangements for paying across annual entitlements from the Collection Fund to the General Fund.

2021/22		2022/23
£000		£000
11,462	Balance at 1 April	7,239
	Amount by which Collection Fund income recognised within the Comprehensive Income and Expenditure Statement is different to income calculated in accordance with statutory requirements:	
(63)	Council Tax	(37)
(4,160)	Business Rates	(6,490)
7,239	Balance at 31 March	712

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

UK Government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates; provides the majority of its funding in the form of grants; and prescribes the terms of many of the transactions that the council has with other parties (e.g. Council Tax bills, housing benefits). Details of funding transactions with Government departments in the form of grants and contributions are set out in Note 9.

Elected members of the council

Members of the council have direct control over the council's financial and operating policies. The payments made directly to Members under the Council's Members' Allowance Scheme during 2022/23 totalled £419,302 (£392,282 in 2021/22). The Mayor and Deputy Mayor also received allowances for their additional mayoral duties - these totalled £5,853 in 2022/23 (£4,610 in 2021/22). 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.

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. Councillor L Thompson is a director of the Hampshire Cultural Trust to which the council paid quarterly grants totalling £283,236 in 2022/23. No other 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. Declarations made at meetings are recorded in the minutes of that meeting.

Officers

Chief Officers have the ability to influence the council. During 2022/23 there were no material transactions between the council and chief officers.

27. ACCOUNTING POLICIES

27.1 General Principles

The Financial Statements summarise the council's transactions for the 2022/23 financial year and its position at 31 March 2023. The Accounts and Audit Regulations 2015 require the Council to prepare annual Financial Statements in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, 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.

27.2 Recognition 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.

27.3 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 includes the following as Cash Equivalents:

- Instant Access/One Day Call Accounts
- Instant Access Short-Term Funds
- Short-Term deposits with seven days to maturity

27.4 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.

27.5 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.

27.6 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; for current employees. They are recognised as an expense for services in the year in which employees render services to the council.

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.

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 for both funded and unfunded liabilities. The discount rates are based on the indicative rate of return on high quality corporate bonds.

- 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.

27.7 Fair Value Measurement

The council measures some of its non-financial assets such as 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.

27.8 Financial Instruments

Financial instruments are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of the financial instrument. They are initially measured at fair value.

Financial Liabilities

Financial liabilities are subsequently measured at amortised cost. For most of the council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial Assets

Financial assets are subsequently measured in one of two ways:

- Amortised cost – assets whose contractual terms are basic lending arrangements (i.e. they give rise on specified dates to cash flows that are solely payments of principal or interest on the principal amount outstanding, which the Council holds under a business model whose objective is to collect those cash flows)
- Fair value – all other financial assets.

Amortised cost assets are measured in the Balance Sheet at the outstanding principal repayable (plus accrued interest). Annual credits to the Financing and Investment Income and Expenditure line in the CIES are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances are debited/ credited to the Financing and Investment Income and Expenditure line in the CIES.

Changes in the value of assets carried at fair value (described as Fair Value through Profit or Loss) are debited/ credited to the Financing and Investment Income and Expenditure line in the CIES as they arise. A statutory reversal is in place until 31 March 2023; gains and losses are reversed out of the General Fund Balance to a specific adjustment account.

27.9 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 is one Business Improvement District (BID), the scheme is funded by a BID levy paid by non-domestic rate payers. The council acts as principal under the 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.

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.

27.10 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. 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.

27.11 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the absorption costing principle. The full cost of overheads and support services is shared between service segments in proportion to the benefits received.

27.12 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.

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 in the same way as revaluation losses.

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

Disposals and Non-Current Assets Held for Sale

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

Depreciation is not charged on Assets Held for Sale.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals may need to be paid to Central Government in accordance with the Council's signed agreement.

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.

27.13 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.

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.

27.14 Reserves

The council sets aside specific amounts as usable 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.

27.15 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.

27.16 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.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE FOR YEAR ENDED 31 MARCH 2023

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 General Fund, so that rents cannot be subsidised from Council Tax (or vice versa).

2021/22		2022/23
£000		Note £000
	<u>Income</u>	
(27,339)	Dwelling Rents	(28,071)
(326)	Non-Dwelling Rents	(355)
<u>(2,222)</u>	Charges for Services and Facilities	<u>(2,404)</u>
(29,887)	Total Income	(30,830)
	<u>Expenditure</u>	
5,953	Repairs and Maintenance	7,951
9,026	Supervision and Management	10,154
447	Rents, Rates, Taxes and Other Charges	547
8,582	Depreciation and Impairment of Non-Current Assets	H5 9,337
(42,854)	Revaluation (Gains) or Losses on Property, Plant and Equipment	H5 (26,099)
6	Amortisation of Intangible Assets	H5 4
30	Revenue Expenditure Funded by Capital Under Statute	H4 205
<u>7</u>	Debt Management Costs	<u>8</u>
(18,803)	Total Expenditure	2,107
(48,690)	Net (Income) or Expenditure of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement	(28,723)
102	HRA share of Corporate and Democratic Core	98
	HRA share of other amounts included in the whole Council Net Expenditure of Continuing Operations but not allocated to Specific Services	
<u>19</u>		<u>7</u>
(48,569)	Net (Income) or Expenditure of HRA Services	(28,618)
(3,169)	Net Gain on Sale of HRA Non-Current Assets	(2,825)
	Changes in Fair Valuations on Investment	
(321)	Properties	26
5,363	External Interest Payable	5,362
(2,529)	Capital Grants and Contributions	H4 (245)
<u>(49,225)</u>	(Surplus)/Deficit for the year on HRA Services	<u>(26,300)</u>

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE
FOR THE YEAR ENDED 31 MARCH 2023

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

2021/22			2022/23
£000	£000		£000 £000
	(49,225)	(Surplus)/Deficit for the year on the Housing Revenue Account	(26,300)
<u>Adjustments between Accounting Basis and Funding Basis under Statute:</u>			
			Note
(11)		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	(587)
(768)		Reversal of Items Relating to Retirement Benefits and Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	H1 (716)
43,176		Reversal of Revaluation Gains or (Losses) on Property, Plant and Equipment and Movements in the Market Value of Investment Properties	26,073
3,169		Net Gain on Sale of Non-Current Assets	2,825
9		Capital Expenditure Funded from the HRA	H4 0
(30)		Reversal of Revenue Expenditure Funded by Capital Under Statute	H4 (205)
1,764		Reversal of Capital Grants and Contributions	H4 245
(35)		Contribution from the Capital Receipts Reserve towards Administrative costs of Non-Current Asset Disposals	(33)
(8,582)		Charges for Depreciation and Impairment of Non-Current Assets	H5 (9,337)
(6)		Amortisation of Intangible Assets	H5 (4)
8,588		Transfer to Major Repairs Reserve	H2 9,341
	47,274		27,602
	(1,951)	Net increase in HRA Balance before transfers to or from Reserves	1,302
	787	Transfer to Capital Adjustment Account	0
	101	Transfer to Earmarked Reserves	2
	(1,063)	Increase in HRA Balance	1,304
	(15,596)	Housing Revenue Account Surplus Brought Forward	(16,659)
	(16,659)	Housing Revenue Account Surplus Carried Forward	(15,355)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2023

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 annually an amount equal to HRA depreciation is placed into the reserve for this purpose.

2021/22		2022/23
£000		£000
(8,588)	HRA Depreciation	(9,341)
(8,588)	Net Charge to HRA	(9,341)
<u>0</u>	HRA Capital Financed	<u>0</u>
(8,588)	Movement in Year	(9,341)
(8,211)	Balance Brought Forward at 1 April	(16,799)
<u>(16,799)</u>	Balance Carried Forward at 31 March	<u>(26,140)</u>

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:

31/3/22		31/3/23
860	Bungalows	859
1,946	Flats & Maisonettes	1,937
2,306	Houses	2,299
<u>59</u>	Shared ownership	<u>65</u>
<u>5,171</u>		<u>5,160</u>

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

31/3/22		31/3/23
£000		£000
	<u>Operational Assets</u>	
512,456	Dwellings	538,012
976	Other Land and Buildings	1,014
0	Vehicles Plant Furniture and Equipment	0
3,926	Infrastructure	3,814
14	Community Assets	14
4,273	Assets Under Construction	14,862
<u>5</u>	Intangibles	<u>1</u>
521,650		557,717
	<u>Non-Operational Assets</u>	
<u>2,614</u>	Investment Properties	<u>2,588</u>
<u>524,264</u>	Total value	<u>560,305</u>

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2023

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 2022/23 was 33% (2021/22 - 33%) with the exception of affordable housing 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 £538 million at 31 March 2023 (£512 million at 31 March 2022) and the vacant possession value was £1,544 million (£1,473 million at 31 March 2022).

H4. CAPITAL EXPENDITURE AND RECEIPTS

	2021/22		2022/23
£000	£000		£000
	178,177	Opening Capital Financing Requirement	186,005
		<u>Capital Expenditure</u>	
6,809		Dwellings	13,224
51		Infrastructure	124
4,036		Assets Under Construction	10,589
30		Revenue Expenditure Funded from Capital Under Statute	205
	10,926	Expenditure in year	24,142
		<u>Financed by</u>	
(547)		Capital Receipts	(10,125)
0		Major Repairs Reserve	0
0		Contributions from Revenue	0
(1,764)		Grants and Contributions	(245)
	(2,311)		(10,370)
	8,615	Unfinanced Capital Expenditure in Year	13,772
(787)		Voluntary Financing of Capital Investment	0
0		Transfer of assets to the General Fund	0
	186,005	Closing Capital Financing Requirement	199,777
		<u>Capital Receipts</u>	
		Operational Assets	
(8,493)		Dwellings	(7,495)
0		Other	0
	(8,493)	Total	(7,495)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2023

H5. DEPRECIATION AND IMPAIRMENT

2021/22		2022/23
£000		£000
	<u>Depreciation</u>	
8,317	Dwellings	9,089
29	Other Land and Buildings	19
8	Vehicles, Plant, Furniture and Equipment	0
229	Infrastructure	<u>229</u>
<u>8,583</u>	Total Depreciation	<u>9,337</u>
	<u>Amortisation</u>	
<u>6</u>	Intangibles	<u>4</u>
<u>6</u>	Total Amortisation	<u>4</u>
	<u>Revaluation Below Historic Cost</u>	
(42,873)	Dwellings	(26,084)
<u>19</u>	Other Land and Buildings	<u>(15)</u>
<u>(42,854)</u>	Total	<u>(26,099)</u>

As at the 1 April 2007 new fixed assets accounting 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 (CIES) 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 2022/23, by £26.099m, decreasing the overall reduction to the 2007/08 historic cost as set in April 2007. Any future upward valuation will reverse the charges to the CIES and, when the historic cost values are reached and downward valuations reversed, a revaluation reserve will be created.

H6. RENT ARREARS

31/3/22		31/3/23
£000		£000
846	Rent Arrears	985
<u>(566)</u>	Provision for Bad Debts	<u>(661)</u>
<u>280</u>	Anticipated Collectable Arrears	<u>324</u>

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2023

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.

2021/22			2022/23			
Business Rates £000	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000
0	(96,204)	(96,204)	<u>Income</u>	0	(101,268)	(101,268)
0	(3)	(3)	Council Tax Receivable	0	(115)	(115)
(49,359)	0	(49,359)	Transfer for S13A(1c) Relief	(59,264)	0	(59,264)
(49,359)	(96,207)	(145,566)	Business Rates Receivable	(59,264)	(101,383)	(160,647)
			<u>Expenditure</u>			
			Precepts and Shares			
32,066	0	32,066	Central Government	29,410	0	29,410
5,772	68,617	74,389	Hampshire County Council	5,294	71,705	76,999
25,652	12,047	37,699	General Fund (WCC)	23,528	12,680	36,208
641	3,579	4,220	Fire and Rescue Authority	588	3,889	4,477
0	11,507	11,507	Police Authority	0	12,190	12,190
			<u>Distribution of Previous Year (Deficit)/ Surplus</u>			
(13,118)	0	(13,118)	Central Government	(8,088)	0	(8,088)
(2,361)	(374)	(2,735)	Hampshire County Council	(1,456)	144	(1,312)
(10,494)	(67)	(10,561)	General Fund (WCC)	(6,470)	24	(6,446)
(262)	(20)	(282)	Fire and Rescue Authority	(162)	7	(155)
0	(61)	(61)	Police Authority	0	25	25
			<u>Charges to Collection Fund</u>			
0	0	0	Less Write-Off of Uncollectable Amounts	149	27	176
130	498	628	Allowance for Impairment	117	402	519
1,035	0	1,035	Provision for Appeals	(1,532)	0	(1,532)
207	0	207	Cost of Collection	210	0	210
109	0	109	Transitional Protection Payment	533	0	533
264	0	264	Renewable Energy cost	286	0	286
39,641	95,726	135,367		42,407	101,093	143,500
(9,718)	(481)	(10,199)	(Surplus) / Deficit Arising During the Year	(16,857)	(290)	(17,147)
28,461	343	28,804	Opening Fund Balance at 1 April	18,743	(138)	18,605
18,743	(138)	18,605	Closing Fund Balance at 31 March	1,886	(428)	1,458

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2022/23
COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2023

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 £1,948.70) is then multiplied by the proportion specified for the particular band to give an individual amount due. For 2022/23, 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	2.50	5/9	1.39
A	1,984.38	6/9	1,322.92
B	6,043.28	7/9	4,700.33
C	11,254.75	8/9	10,004.22
D	5,953.16	1	5,953.16
E	8,248.40	11/9	10,081.38
F	6,482.32	13/9	9,363.35
G	5,327.98	15/9	8,879.97
H	664.31	18/9	1,328.62
Ministry of Defence			435.11
	45,961.08		52,070.45
			(516.36)
			51,554.09

Less adjustment for collection rates

C2. NON-DOMESTIC RATES (NDR)

For 2022/23, the standard Non Domestic Rate multiplier was 51.2p (51.2p in 2021/22) and the small business multiplier was 49.9p (49.9p in 2021/22). The total estimated non-domestic rateable value in the district as at 31 March 2023 was £156.7 million (£158.1 million as at 31 March 2122).

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

2021/22			2022/23		
Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
£000	£000	£000	£000	£000	£000
7,497	(16)	7,481	754	(53)	701
11,246	(122)	11,124	1,132	(375)	757
<u>18,743</u>	<u>(138)</u>	<u>18,605</u>	<u>1,886</u>	<u>(428)</u>	<u>1,458</u>

City Council share -
Collection Fund Adjustment Account

Preceptors' share - Included within Creditors

ANNUAL GOVERNANCE STATEMENT 2022/23

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 governance statement explains how Winchester City Council has complied throughout 2022/23 with the council's adopted 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.
- 1.5 The council undertook a review of its constitution which took into account the recommendation of the Independent Report on Silver Hill and of the Local Government Association Peer Review in February 2017.
- 1.6 The updated constitution was adopted by Council on 19 March 2019 and became effective from the start of the 2019/20 municipal year. A further review is planned to ensure the changes that were made are fit for purpose.

2. The Purpose of the Governance Framework

- 2.1 The purpose of the governance framework is to ensure that the council 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 financial year ended 31 March 2023 and remains in place 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 This governance statement has been prepared using a process similar to that used in previous years, including;

- Service Leads completed a statement of assurance providing details as to the extent and quality of internal control arrangements operating within their teams during the previous year. Furthermore, they were also asked to declare any weaknesses in the governance arrangements in their service areas, including overdue and significant internal audit actions.
- An internal control checklist is provided to Service Leads 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 and Opinion 2022/23 report and quarterly internal audit progress reports.
- The council’s Audit and Governance Committee considers the draft governance statement at its meeting in early summer and before approving it determines whether it accurately reflects the council’s internal control environment.
- The approved governance statement is signed off by the Chief Executive 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 council 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 Full Council. It documents the role and responsibilities of Cabinet, 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. All officers have job descriptions and there are clearly defined schemes of delegation, all of which are reviewed from time to time.

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- 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 cabinet member decisions are published promptly on the council's website. In addition, senior officers of the council can make decisions under delegated authority. The over-arching policy of the council is decided by the Full Council.
- 5.4 The Scrutiny Committee and Audit and Governance Committee hold members of the cabinet 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 Plan 2020-25, refreshed in 2022 and adopted in January 2023, 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 strategic service plans. More detailed service 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 Plan priorities and budgets is monitored regularly by the Executive Leadership Board and members of the cabinet. The Performance Panel reviews the quarterly performance reports on behalf of Scrutiny Committee, 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. Members of cabinet also monitor progress in delivery.
- 5.8 The council has arrangements in place to regularly monitor financial performance, service performance, the progress of key corporate projects and risk management and to oversee the implementation of recommendations from internal audit reports.
- 5.9 The council publishes annually a financial report (incorporating the Statement of Accounts) 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 and Governance 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 (approved by Cabinet 16 March 2023, report CAB3381 refers) which also includes a Risk Appetite Statement and is reviewed annually.
- 6. Review of effectiveness**
- 6.1 The council 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 Strategic Leads 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 Act 2000 requirements.
- 6.3 The council has appointed the Corporate Head of Finance as the Section 151 officer with the statutory responsibility for the proper administration of the council's financial affairs. CIPFA/SOLACE advises that the Section 151 officer should report directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. The Corporate Head of Finance is a member of the Executive Leadership Team.

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- 6.4 The council has appointed the Strategic Director and Monitoring Officer 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 Section 151 Officer and Monitoring Officer and are required to demonstrate how the subject matter links to the Council Plan and highlight resource implications. Report authors are also asked to draw out risk, equality, environmental, management and legal considerations as required. 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 Audit and Governance Standards Sub-Committee deals with complaints relating to the conduct of Members.
- 6.7 Members’ induction training is undertaken after each election. Members also receive regular briefings and training on developments in local government.
- 6.8 Key roles in maintaining and reviewing effectiveness is undertaken by:

The Council Collectively responsible for the governance of the council and 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 Makes key decisions as defined, formulate the annual budget in accordance with the budget and policy framework, implement the policy framework and receive regular monitoring reports on revenue and capital expenditure and performance.

Audit and Governance Committee Approves the annual audit plan; monitors the internal control environment through receipt of an annual internal audit reports and opinion and periodic progress reports; approves the annual governance statement; and keeps an overview of arrangements for risk management. It also approves this governance statement and the Statement of Accounts.

External Audit External audit is provided by Ernst Young. 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 provides 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. Progress reports for the Audit and Governance Committee on progress of audits refer to the opinion assigned to each internal audit review and include a summary of findings for reviews that give “Limited Assurance” together with data on the implementation status of all recommendations. Internal audit provides an annual opinion on the internal control environment and issues that should be included in the governance statement.

There is a requirement for internal audit to undertake an annual self-assessment and independent external assessment every five years. 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 Set out below are the significant governance issues that have been identified that will require consideration and action as appropriate over the coming year and these are:
- **Records Retention and Disposal** – ensuring that the Records Retention and Disposal Policy and Schedule are refreshed and embedded into the organisation so that records are stored in accordance with the agreed schedule.
 - **Constitution** - ensuring that the council's Constitution is regularly reviewed and updated to take account of changes.
 - **Complaint Handling** - ensuring that the council's Constitution is regularly reviewed and updated to take account of changes.
- 7.2 An action plan is attached to this Statement and details the actions to be undertaken during the next 12 months that will address these issues. Each action is assigned to a senior officer who has responsibility for delivering the relevant actions.

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 resident's, in a 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 We have discussed with the Chief Internal Auditor who has indicated, based upon the work completed to date that the Internal Audit Opinion for 2022/23 is that the council's framework of governance, risk management and management control is reasonable, and that audit testing carried out during the year has demonstrated controls to be working in practice.
- 8.3 The auditor's Annual Internal Audit Report and Opinion 2022/23 will be presented to this committee's next meeting on 20 July 2023
- 8.4 The effect of the COVID-19 pandemic outbreak began in March 2020 and has not had a significant impact on the key governance issues that have arisen during the 2022/23 period.

9. Conclusion

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

Signed:

Laura Taylor
Chief Executive
Winchester City Council

Dated:

Signed:

Councillor M. Tod
Leader of the Council
Winchester City Council

Dated:

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Annual Governance Statement 2022/23 – Action Plan

No.	Issue	Actions	Lead Officer	Target Date	Method of Assurance
1	Records Retention and Disposal – ensuring that the Records Retention and Disposal Policy and Schedule are refreshed and embedded into the organisation so that records are stored in accordance with the agreed schedule.	Review and update Retention and Disposal Policy and Schedule, endorsed by ELB and agreed roll-out plan	Senior Policy and Programme Manager	September 2023	Updated Policy document adopted. Roll-out plan agreed
		Map and align retention schedule to content/ indexing and values in business systems	Senior Policy and Programme Manager/ Corporate Heads of Service	December 2023	Document prepared and approved setting out how the schedule will be applied to council systems and document type
		Retention schedule implementation and application across business systems	Senior Policy and Programme Manager/ Corporate Heads of Service/Service Lead - IT	December 2023	System reports showing that the retention and disposal schedule is being successfully applied and records not being kept longer than required
2	Constitution - ensuring that the council's Constitution is regularly reviewed and updated to take account of changes.	Review and refresh of Constitution before sharing with Working Group.	Strategic Director & Monitoring Officer	June 2023	Draft of updated Constitution with comments from Working Group
		Draft Constitution considered by ELB.	Strategic Director & Monitoring Officer	June/ July 2023	Draft of updated Constitution with comments from Working Group
		Final draft share with Group Managers.	Strategic Director & Monitoring Officer	September 2023	Final draft of updated Constitution
		Draft Constitution considered by Audit & Governance Committee.	Strategic Director & Monitoring Officer	September 2023	Committee report
		Adoption of updated Constitution by council.	Strategic Director & Monitoring Officer	November 2023	Adopted and published Constitution

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No.	Issue	Actions	Lead Officer	Target Date	Method of Assurance
3	Complaint Handling - review of performance for dealing with and responding to customer complaints, particularly stage one	Promote across the organisation the standards that the council has adopted for handling complaints	Service Lead for Corporate Support	June 2023	City Voice article reminding staff of the council's standard of responding to stage 1 complaints within 10 working days
		Review current performance and identify areas and services where the council's standard is not being achieved	Service Lead for Corporate Support	July 2023	Report providing information containing details of where complaint responses have exceeded 10 working days.
		Ongoing review and reporting of performance	Service Lead for Corporate Support	Ongoing	Improvement for the percentage of complaints responded to within 10 working days

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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 impairment losses – are the expected amount of outstanding debts which are not expected to be repaid.

Amortisation – is the writing down of an intangible asset's value over its useful life.

Amortised Cost – is a way of measuring financial instruments that ignores changes in fair value. It is defined as the amount at which a financial instrument is measured when it is first brought on to the Balance Sheet, adjusted for:

- Repayments of principal
- Cumulative amortisation of any difference between the initial amount and the maturity amount.

These differences might arise from transactions costs being set off against the principal amount or interest being payable at less than market rates.

Amortised Cost Financial Assets – investments for which gains and losses in fair value are not accounted for until the investment matures or is sold. Defined as financial assets:

- Held with a business model whose objective is to hold investments in order to collect their contractual cash flows, and
- That have the form of basic lending arrangements.

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.

Beacon Property - a property that is similar to others held by the council, so that its valuation can be used to estimate a valuation for those other properties.

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.

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.

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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 from the sale of non current assets. The funds are available to finance future 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.

CIPFA - the Chartered Institute of Public Finance and Accountancy - the accountancy body primarily concerned with public services that issues guidance on accounts preparation for local authorities.

Collection Fund – the separate accounting arrangements for the collection of council tax and business rates and the sharing of the proceeds between the council, Government and other public bodies.

Collection Fund Adjustment Account - the unusable reserve that manages the differences arising from the recognition of council tax and business rates income as it falls due from tax payers compared with the statutory arrangements for paying across annual entitlements from the Collection Fund to the General Fund.

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.

Council Tax Reduction - the council's scheme for giving discounts to council tax for households on low incomes or receiving benefits. Also called council tax support.

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

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Credit Losses – A measure of how much the council would lose if the amounts owed to it by debtors and borrowers are not repaid. Defined as the shortfall between all the cash flows that are contractually due to the council and those that it expects to receive (discounted using the investment's effective interest rate).

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.

Current Value - The measurement bases for property, plant and equipment, reflecting the economic environment for the service the item is supporting. Possible methods comprise: existing use value, existing-use value - social housing, depreciated replacement cost and fair value.

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.

Deficit - An excess of expenditure over income.

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 value 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 are 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 Method – The method that uses effective interest rates to calculate amortised cost of a financial instrument and allocates interest revenue or expense to the particular financial years over which the instrument is held.

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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.

Employee Benefits - All the forms of remuneration given to the council's officers in return for the services they render (including salaries, allowances, pensions benefits and awards on the termination of their employment).

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.

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).

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 Credit Losses (ECLs) – the credit losses that the council estimates will arise from the amounts that it is currently owed. ECLs are calculated by measuring the losses that would arise from different default scenarios and calculates a weighted average loss based on the probability of each scenario taking place.

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 - The price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants.

Fair Value through Profit or Loss Financial Assets – are financial assets that do not qualify for measurement at Amortised Cost or Fair Value through Other Comprehensive Income.

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.

Going Concern - The assumption made when preparing the financial statements that the functions of the council will continue in operational existence for the foreseeable future, in particular so that assets can be valued on the contribution they will continue to make to the council's services rather than the price that would be obtained if they were sold on its liquidation.

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.

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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.

Government Housing Capital Receipts Pool - A proportion of capital receipts relating to housing disposals 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, 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.

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.

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).

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.

Investing Activities - a category of cash flows relating to the acquisition and disposal of long-term assets and investments and the making of loans.

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 programme.

Materiality – a measure of the significance of information potentially to be included in the financial statements, whereby its omission, misstatement or obscuration could reasonably be expected to influence decisions that the primary users make on the basis of those financial statements. Materiality is important for influencing what figures should be included in the financial statements, how precise those figures need to be, and how much additional information needs to be provided about them.

Member Contributions - amounts paid into a pension fund by employees to provide for the future payment of their pensions.

Money Market Funds - collective investment schemes in which a number of investors put their money, which is then invested by the fund manager in a portfolio of highly liquid and low risk investments.

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 – is 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 revenue 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.

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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 amounts due to be paid to retirees and the assets available to meet those payments.

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

Pooled Investment Funds - collective investment schemes in which a number of investors pool their money, which is then invested in a portfolio of assets.

Pooled Investment Funds Adjustment Account - the unusable reserve that accumulates the gains and losses arising from changes in the fair value of investments in qualifying pooled investment funds, as required by statutory provisions. The balance is released to revenue when the investment is disposed of.

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 Fund - collective investment schemes in which a number of investors put their money, which is then invested by the fund manager in a portfolio of commercial properties.

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 - councils 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.

RICS - Royal Institution of Chartered Surveyors - responsible for the professional standards applied in valuing local government property.

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 106 Receipts - Monies received from developers and other parties to compensate for the adverse impact of granting planning permission (e.g. building a community facility to service a new housing development).

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 – is a method used to apportion depreciation 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.

Write-off - the derecognition of an asset (such as a debtor) from the Balance Sheet when it becomes probable that the Council will not recover any further value from the asset. This does not preclude the Council from continuing attempts to (e.g.) recover a debt.

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.

	2022/23
	£000
Chargeable Costs	540
Chargeable Income	<u>(430)</u>
Net (surplus) or deficit	110
Building Control Earmarked Reserve (deficit brought forward)	<u>182</u>
Deficit carried forward	<u>292</u>

In order to support compliance with *the Building (Local Authority Charges) Regulations 2010 (SI 2010/404)* an earmarked reserve was created in 2011/12 to hold surpluses made on chargeable activity. Local Authorities are required to monitor the break-even position on chargeable activities and demonstrate taking 'one financial year with another' to ensure the chargeable service 'as nearly as possible equates to the costs incurred'.

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

Signature: Date:

Liz Keys
Chief Financial Officer, 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:

	2022/23
	£000
Income from charges under regulation 8 (answering queries)	(289)

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

Signature: Date:

Liz Keys
Chief Financial Officer, Section 151 Officer

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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