



Meeting                      Audit and Governance Committee

Date and Time              Thursday, 18th July, 2024 at 6.30 pm.

Venue                         Walton Suite, Guildhall, Winchester and streamed live on  
YouTube at [www.youtube.com/winchestercc](http://www.youtube.com/winchestercc)

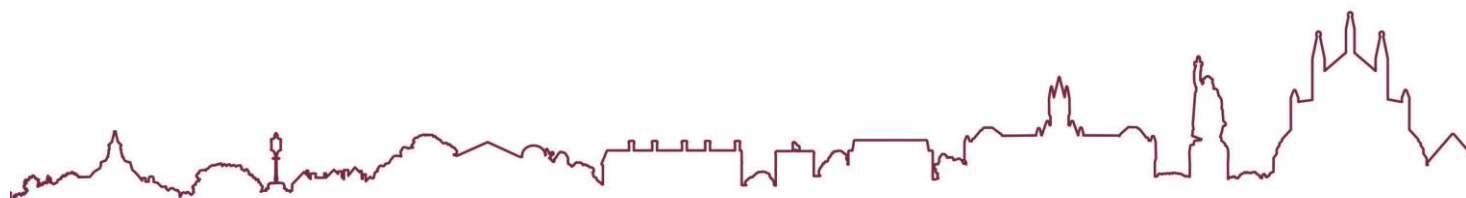
**Note:** This meeting is being held in person at the location specified above. Members of the public should note that a live video feed of the meeting will be available from the council's YouTube channel ( [youtube.com/WinchesterCC](http://youtube.com/WinchesterCC) ) during the meeting.

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.     **Appointment of vice-chairperson for 2024/25**
4.     **Chairperson's announcements**
5.     **To note the date and time of future meetings of the Committee**
  - 26 September 2024
  - 7 November 2024
  - 6 March 2025



## BUSINESS ITEMS

6. To note the Audit & Governance work programme 2024/25 (Pages 5 - 6)
7. Minutes of the previous meeting held on 29 February 2024 (Pages 7 - 10)

8. **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 4.30pm on Friday 12 July 2024** via [democracy@winchester.gov.uk](mailto:democracy@winchester.gov.uk) or (01962) 848 264 to register to speak and for further details.

9. Treasury management outturn 23/24 (Pages 11 - 28)  
(AG133)
10. External audit plan 23/24 (Pages 29 - 84)  
(AG137)
11. Certification of claims & returns annual report 2022/23 (Pages 85 - 92)  
(AG130)
12. Workforce Report 23/24 (Pages 93 - 108)  
(AG126)
13. Annual internal audit report & opinion 23/24 (Pages 109 - 128)  
(AG136)
14. Annual Governance Statement 23/24 (Pages 129 - 144)  
(AG131)
15. Q4 Governance monitoring 23/24 (Pages 145 - 176)  
(AG124)

16. Equality, Diversity & Inclusion - Annual Equality Report 2023/24 (Pages 177 - 196)

(AG115)

17. Draft Annual Financial report 23/24 (Pages 197 - 304)

(AG135)

**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.



10 July 2024

Agenda Contact: Nancy Graham, Senior Democratic Services Officer

Tel: 01962 848 235 email: [ngraham@winchester.gov.uk](mailto: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](http://www.winchester.gov.uk)*

## **MEMBERSHIP**

### **Chairperson:**

Morris (Liberal Democrats)

### **Vice-Chairperson:**

### **Conservatives**

Godfrey

### **Liberal Democrats**

Chamberlain

Cramoysan

Pinniger

Power

### **Deputy Members**

Bolton and Miller

Achwal V and Brophy

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](mailto: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 2024/25	Liz Keys	18 Jul 2024
2	Equality, Diversity & Inclusion - Annual Equality Report 2023/24	Simon Howson	18 Jul 2024
3	Workforce Report 23/24	Robert O'Reilly	18 Jul 2024
4	Annual internal audit report & opinion 23/24	Liz Keys	18 Jul 2024
5	Certification of claims & returns annual report 2022/23	Liz Keys	18 Jul 2024
6	Draft Annual Financial report 23/24	Liz Keys	18 Jul 2024
7	Annual Governance Statement 23/24	Simon Howson	18 Jul 2024
8	Q4 Governance monitoring 23/24	Simon Howson	18 Jul 2024
9	Treasury management outturn 23/24	Neil Aitken	18 Jul 2024
10	External audit plan 23/24	Liz Keys	18 Jul 2024
11	Review of the complaints process & code of conduct	Monitoring Officer	26 Sep 2024
12	Update on Employee Attitude Survey 2024	Robert O'Reilly	26 Sep 2024
13	Q1 Governance Monitoring	Simon Howson	26 Sep 2024
14	Q1 2024/25 Treasury Management report	Neil Aitken	26 Sep 2024
15	External auditors verbal update (if required)	Liz Keys	26 Sep 2024
16	Monitoring Officer's annual report 23/24	Monitoring Officer	7 Nov 2024
17	Treasury management mid-year 24/25	Neil Aitken	7 Nov 2024
18	Q2 Governance Monitoring	Simon Howson	7 Nov 2024
19	External Auditor's progress update/verbal update	Liz Keys	7 Nov 2024
20	Final Report and Pay Policy Statement 2025/26	Robert O'Reilly	7 Nov 2024
21	Planning for and audit of the 24/25 accounts	Liz Keys	6 Mar 2025
22	Certification of claims & returns annual report 2023/24	Terri Horner	6 Mar 2025
23	Internal Audit Charter 25/26	Liz Keys	6 Mar 2025
24	Internal Audit Plan 25/26	Liz Keys	6 Mar 2025
25	Q3 Governance Monitoring	Simon Howson	6 Mar 2025

26	Local Code of Corporate Governance	Simon Howson	6 Mar 2025
27	Risk Management Policy 2025/26	Liz Keys	6 Mar 2025
28	Audit's Results Report & Auditor's Annual Report 23/24	Liz Keys	6 Mar 2025
29	Annual Financial Report 22/23*	Liz Keys	6 Mar 2025
30	Audit results report for year ending 22/23*	Liz Keys	6 Mar 2025

\*Dependant of the progress of the external auditor's work on the 2022/23 audit of the financial statements

## **AUDIT AND GOVERNANCE COMMITTEE**

**Thursday, 29 February 2024**

Attendance:

Councillors  
Power (Chairperson)

Chamberlain  
Achwal V  
Godfrey

Gordon-Smith  
Miller

Members in attendance who spoke at the meeting

Councillors Becker (Cabinet Member for Community & Engagement) and Cutler (Cabinet Member for Finance & Performance)

[Video recording of this meeting](#)

---

1. **APOLOGIES**

There were no apologies received.

2. **DISCLOSURE OF INTERESTS**

There were no disclosures of interest made.

3. **CHAIRPERSON'S ANNOUNCEMENTS**

There were no announcements made.

4. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED:

That the minutes of the previous meeting held on 9 November 2023 be agreed as a correct record.

5. **PUBLIC PARTICIPATION**

There were no members of the public present.

6. **AUDITOR VALUE FOR MONEY REPORT 22/23**  
(AG123)

Kevin Suter (Ernst Young) introduced the interim report, confirming that the auditors had not identified any significant weaknesses in the council's VFM

arrangements and no significant risks had been identified. He summarised that they had nothing to report to the committee by exception.

Mr Suter responded to members' questions including the implications of the likely issue of a disclaimer opinion on the 2022/23 financial statements, due to limited amount of work EY have undertaken on the financial statements audit, and the knock-on effect on for the current and future years. The Corporate Head of Finance agreed to provide a response outside of the meeting on the possible impact on local authorities' credit ratings due to the issuance of disclaimer opinions.

**RESOLVED:**

1. That the Committee look forward to the refund of audit fees in relation to 2022/23 financial statements and express concern about the impact on local authorities as a whole due to widespread unqualified opinions regardless of the quality of a council's accounts; in addition to creating possible unnecessary concerns for our residents and suppliers doing business with us.

2. That the auditor's interim report be accepted and it be noted that, due to limited audit work, it is likely that the auditors will issue a disclaimer opinion on the 2022/23 financial statements.

**7. INTERNAL AUDIT CHARTER 24/25**  
(AG128)

Antony Harvey from the Southern Internal Audit Partnership (SIAP) was present at the meeting, introduced the report and confirmed that adequate resources were in place to conduct the required work.

**RESOLVED:**

That the Internal Audit Charter 2024/25 be approved as attached as Appendix A to the report.

**8. INTERNAL AUDIT PLAN 24/25**  
(AG127)

Antony Harvey (SIAP) introduced the report and responded to members' questions including confirming that the council's overall risk register together with operational risk registers were referred to in the internal auditors planning and work.

Members requested that information on progress against the council's current transformation challenge (TC25) be provided to the committee. In particular, SIAP's experience of transformation and digitisation projects at other councils should be utilised. The Corporate Head of Finance agreed to give further consideration to how best this could be achieved.

**RESOLVED:**

1. That the Internal Audit Plan for 2024-25 be approved as attached as Appendix A to the report.

9. **Q3 GOVERNANCE MONITORING 23/24**  
(AG120)

The Senior Policy and Programme Manager introduced the report and responded to members' questions thereon.

Councillor Becker also responded to questions regarding the likely revised timetable for completion of the review of the code of conduct.

The Corporate Head of Finance provided an update from the Corporate Head of Asset Management regarding progress since the internal audit of the council's arrangement for the maintenance and repair of non-housing corporate assets. The committee agreed that a light-touch update review in the 2024/25 audit plan be scheduled to provide progress assurance.

RESOLVED:

That the content of the report, including the progress against the internal audit management actions, be noted.

10. **RISK MANAGEMENT POLICY 24/25**  
(AG122)

The Corporate Head of Finance introduced the report, advising there were no material changes proposed to the policy, risk appetite or process. Paragraph 7 of the report summarised the changes since the previous year.

The Corporate Head of Finance and the Cabinet Member for Finance and Performance responded to members' questions on the report. The following points were raised for further review by Cabinet:

- a) Risks considered when acquiring properties as part of the new homes programme should include the build quality of the home; with quality assurance measures put in place to mitigate this.
- b) In connection with risk CR011, reference should be to 'district' paths and car parks, not 'city'.
- c) The consideration of opportunities as well as risks should continue.

RESOLVED:

That the Cabinet Member for Finance and Performance have regard to the discussion of this committee on the policy and the points outlined above in his presentation of report CAB3453 which would be considered by Cabinet at its meeting on 14 March 2024.

11. **LOCAL CODE OF CORPORATE GOVERNANCE**  
(AG121)

The Senior Policy and Programme Manager introduced the report explaining it was largely unchanged since previous versions.

RESOLVED:

That the Local Code of Corporate Governance 2024 as set out in Appendix 1 of the report be approved.

12. **RECRUITMENT OF INDEPENDENT PERSONS**  
(AG129)

The Service Lead: Legal & Governance (Interim) introduced the report and responded to Members' questions including on the recommended term of office for Independent Persons and the likely quantity of work. Nominations were sought from the committee to the interview panel and three councillors were appointed, as detailed under resolution 2 below.

RESOLVED:

1. That the recruitment, via advertisement, selection, and interview, of three Independent Persons be commenced in accordance with the process outlined in Appendix 2 of the report.

2. That the interview panel to consist of four Councillors, including three members of this committee (agreed to be Councillors Power, Chamberlain and Godfrey) and the Cabinet Member for Community and Engagement, due to her Cabinet Member responsibilities, with the Monitoring Officer and/or Deputy Monitoring Officer to be present as adviser to the panel.

3. That the interview panel should subsequently recommend to Council the appointment of up to three Independent Persons.

The meeting commenced at 6.30 pm and concluded at 8.00 pm

Chairperson

REPORT TITLE: TREASURY MANAGEMENT OUTTURN REPORT 2023/24

18 JULY 2024

REPORT OF CABINET MEMBER: Cllr Margot Power, Cabinet Member for Finance and Value

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 2023/24.

## RECOMMENDATIONS:

1. Note the Annual Treasury Outturn Report 2023/24.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

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

Effective treasury management ensures both the financial security and liquidity of the council. The 2023/24 outturn shows £1.7m of income achieved against a budget of £1.5m delivering an additional £0.2m of income above budget. This was a consequence of higher average cash and investment balances than forecast due to slippage in significant one-off budgets and in the capital programme.

3 LEGAL AND PROCUREMENT IMPLICATIONS

The Council's Treasury Management Strategy Statement follows the latest codes of practice and the MHCLG and CIPFA guidance.

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

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

None

6 CONSULTATION AND COMMUNICATION

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



## 7 ENVIRONMENTAL CONSIDERATIONS

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

There are no actions which arise directly from this report.

## 9 DATA PROTECTION IMPACT ASSESSMENT

None required

## 10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<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:

### Introduction

- 11.1 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 2023/24.

## 12 Summary

- 12.1 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 2023/24.
- 12.2 The council's treasury management strategy was most recently updated and approved at a meeting of Full Council in February 2024. 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.
- 12.3 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."
- 12.4 This annual report sets out the performance of the treasury management function during 2023/24, to include the effects of the decisions taken and the transactions executed in the past year.
- 12.5 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.
- 12.6 A breach of the council's Treasury Management Strategy and Investment Strategy for 2023/24 did occur on an overnight basis in August 2023, and this was explained in detail in the 2023/24 Quarter 1 Report (AG118). No other breaches of the TMSS have occurred during 2023/24. Advice in undertaking treasury management activities has been provided by the council's treasury advisers, Arlingclose.
- 12.7 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 2024.

## 13 External Context

- 13.1 The following sections outline the key economic themes in the UK against which investment and borrowing decisions were made in 2023/24.

### Economic commentary

- 13.2 UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.4% in February 2024, but was still above the Bank of England's (BoE) 2% target at the end of the period.
- 13.3 The UK economy entered a technical recession in the second half of 2023. Over the 2023 calendar year GDP (gross domestic product) growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Quarter 1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.
- 13.4 Having begun the financial year at 4.25%, the BoE's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 and this remained the rate at the end of the financial year.
- 13.5 In the February 2024 Monetary Policy Report the BoE's expectations for the UK economy were positive for the first half of 2024, with a recovery from the mild recession in the second half of 2023 being gradual. Headline CPI was forecast to dip below the 2% target quicker than previously thought due to declining energy prices; these effects would hold inflation slightly above target for much of the forecast horizon.
- 13.6 Following this MPC meeting, the Council's treasury adviser, Arlingclose, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most likely start to be cut later in the second half of 2024. The risks in the short-term are deemed to be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.

### Financial markets

- 13.7 Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October 2023 they started declining again before falling sharply in December 2023 as falling inflation and central bank attitudes caused financial markets to expect cuts in interest rates in 2024. When it emerged in January 2024 that inflation was stickier than expected and the BoE and the Federal Reserve were data dependent and not inclined to cut rates soon, yields rose once again, ending the period some 0.5%+ higher than when it started.

### Credit review

- 13.8 In response to an improving outlook for credit markets, in January 2024 Arlingclose moved away from its previous temporary stance of a 35-day

maximum duration and increased its advised recommended maximum unsecured duration limit on all banks on its counterparty list to 100 days.

- 13.9 Credit default swap (CDS) prices are used as an indicator of credit risk, where higher premiums indicate higher perceived risks. CDS prices began the financial year at elevated levels following the fallout from Silicon Valley Bank and collapse/takeover of other lenders. From then the general trend was one of falling prices and UK lenders' CDS ended the period at similar levels to those seen in early 2023.
- 13.10 Heightened market volatility is expected to remain a feature, at least in the near term and, CDS levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the council's counterparty list recommended by Arlingclose remain under constant review.

#### 14 Local Context

- 14.1 The council's Balance Sheet is presented once a year as part of the annual Statement of Accounts. The Balance Sheet represents the council's assets, liabilities, and reserves at the end of the financial year. Table 1 summarises the Balance Sheet for Treasury Management purposes.
- 14.2 The Capital Financing Requirement (CFR) is the underlying need to borrow for capital purposes. It is the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. The table shows a mixture of internal and external borrowing has been utilised, which is explained in more detail later in this report.

<b>Table 1: Balance sheet summary</b>	<b>31/03/23 Balance £m</b>	<b>Movement £m</b>	<b>31/03/24 Balance £m</b>
General Fund CFR	(71.6)	1.4	(70.2)
Housing Revenue Account CFR	(199.8)	(12.7)	(212.5)
<b>Borrowing CFR</b>	<b>(271.4)</b>	<b>(11.3)</b>	<b>(282.7)</b>
External borrowing*	(161.7)	2.0	(159.7)
Internal borrowing	(109.7)	(13.3)	(123.0)
<b>Total funding of the CFR</b>	<b>(271.4)</b>	<b>(11.3)</b>	<b>(282.7)</b>
<b>Total investments</b>	<b>23.6</b>	<b>(11.2)</b>	<b>12.4</b>

\* shows only loans to which the council is committed and excludes optional refinancing.

14.3 Table 1 shows that during 2023/24 the council's Borrowing CFR increased by £11.3m because an increase in the Housing Revenue Account's (HRA) underlying need to borrow due to unfinanced capital expenditure such as the HRA new build programme. The Borrowing CFR is financed by external and internal borrowing. External borrowing is made up of external loans such as loans secured via the market or Public Works Loan Board (PWLB), whilst internal borrowing is where the council borrows from its own cash balances. During 2023/24 the council's external borrowing reduced by £2.0m due to the combination of the repayment of £5.0m of Treasury Management borrowing on maturity, and the securing of £3.0m of new Treasury Management borrowing at the end of the year. These changes to the external borrowing balanced in combination with the increase in Borrowing CFR led to internal borrowing increasing by £13.3m in 2023/24.

14.4 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. This has meant that internal funds have been utilised in lieu of taking on external borrowing debt. The treasury management position as at 31 March 2024 and the change during the year are shown in Table 2.

<b>Table 2: Treasury management summary</b>	<b>31/03/23 Balance £m</b>	<b>Movement  £m</b>	<b>31/03/24 Balance £m</b>	<b>31/03/24 Rate %</b>
Long-term borrowing	(156.7)	2.0	(154.7)	3.30
Short-term borrowing	(5.0)	0.0	(5.0)	2.82
<b>Total borrowing</b>	<b>(161.7)</b>	<b>2.0</b>	<b>(159.7)</b>	<b>3.28</b>
Long-term investments	5.0	0.0	5.0	5.02
Short-term investments	7.0	(3.0)	4.0	5.22
Cash and cash equivalents	11.6	(8.2)	3.4	5.01
<b>Total investments</b>	<b>23.6</b>	<b>(11.2)</b>	<b>12.4</b>	<b>5.08</b>
<b>Net borrowing</b>	<b>(138.1)</b>	<b>(9.2)</b>	<b>(147.3)</b>	

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.

14.5 The increase in net borrowing of £9.2m shown in Table 2 occurred due to a net reduction in total borrowing of £2.0m coupled with a decrease in total investments of £11.2m. This reduction in investment balances was anticipated and is primarily a result of financing expenditure on the council's capital programme. Further details are provided in the Borrowing Strategy and Activity and Treasury Investments Activity sections of this report.

## 15 Borrowing Update

- 15.1 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.
- 15.2 The council has not invested in assets primarily for financial return or that are primarily related to the functions of the council. It has no plans to borrow to invest primarily for commercial return and so is unaffected by the changes to the Prudential Code.
- 15.3 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.
- 15.4 The council is a net borrower and as stated in the Treasury Management Strategy 2024/25, 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 as required.
- 15.5 The Section 151 Officer will review the current pooled fund investment prior to making any external borrowing decisions.

## 16 Borrowing Strategy and Activity

- 16.1 As outlined in the treasury strategy, the council's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the council's long-term plans change being a secondary objective. The council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 16.2 Interest rates have seen substantial rises over the last two years, although these rises have now begun to plateau. Gilt yields fell in late 2023, by December 2023 they had returned to the lows previously seen in April earlier that year before rebounding to an extent in the first three months of 2024. Gilt

yields have remained volatile, seeing upward pressure from perceived stickier inflation at times and downward pressure from falling inflation and a struggling economy at other times.

- 16.3 The cost of short-term borrowing from other local authorities has generally risen with Base Rate over the year. Interest rates peaked at around 7% towards the later part of March 2024 as many authorities required cash at the same time. These rates fell back to more normal market levels in April 2024.
- 16.4 At 31 March 2024 the council held £159.7m of loans, all of which relates to the HRA including the financing settlement in 2012. The year-end treasury management borrowing position and year-on-year change are summarised in Table 3.

<b>Table 3: Borrowing position</b>	<b>31/03/23 Balance</b>	<b>Net movement</b>	<b>31/03/24 Balance</b>	<b>31/03/24 Weighted average rate</b>	<b>31/03/24 Weighted average maturity</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>	<b>(years)</b>
Public Works Loan Board	(161.7)	2.0	(159.7)	3.28	19.5
<b>Total borrowing</b>	<b>(161.7)</b>	<b>2.0</b>	<b>(159.7)</b>	<b>3.28</b>	<b>19.5</b>

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.

- 16.5 The council has seen steadily decreasing investment balances over the course of the financial year, which had been used in part to fund internal borrowing. The decrease in balances has been, in large part, due to increased expenditure on the capital programme. To meet cash flow requirements and maintain sufficient liquidity, the decision was made in March 2024 to borrow £3m from the PWLB at an average interest cost of 4.84%, with the borrowing maturing in March of 2037. This external borrowing replaces the internal borrowing the council was previously able to fund with its higher cash balances. This is in keeping with the council's borrowing strategy and the maturity profile of the existing portfolio of loans.
- 16.6 This also meant that £5m of existing PWLB loans with an average interest cost of 2.70% which was repaid at maturity earlier during the year was effectively part-refinanced, albeit at a higher rate. Because this additional borrowing related to the HRA, these new loans were secured using the PWLB's HRA Rate which offers a discount of 60 basis points to loans at the Standard Rate. 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.

## 17 Treasury Investment Activity

- 17.1 The CIPFA Treasury Management Code now defines treasury management investments as investments that arise from the authority'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.

- 17.2 The council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year the council's investment balances have ranged between £12.4m and £46.2m due to timing differences between income and expenditure. The year-end investment position and the year-on-year change are shown in Table 4.

<b>Table 4: Treasury investment position</b>	<b>31/03/23 Balance</b>	<b>Movement</b>	<b>31/03/24 Balance</b>	<b>31/03/24 Income return</b>	<b>31/03/23 Weighted average maturity (years)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>	
<b>Short term investments:</b>					
Banks and building societies:					
- Unsecured	3.3	(2.3)	1.1	4.48	0.01
Money market funds	7.8	(5.5)	2.3	5.24	0.01
Government:					
- Local authorities	-	3.0	3.0	5.60	0.22
- UK treasury bills	6.5	(6.5)	0.0	N/A	N/A
Cash plus funds	1.0	0.0	1.0	4.09	0.01
<b>Total</b>	<b>18.6</b>	<b>(11.2)</b>	<b>7.4</b>	<b>5.13</b>	<b>0.09</b>
<b>Long term investments</b>					
- Pooled property fund*	5.0	0.0	5.0	5.02	N/A
<b>Total</b>	<b>5.0</b>	<b>0.0</b>	<b>5.0</b>	<b>5.02</b>	<b>N/A</b>
<b>Total investments</b>	<b>23.6</b>	<b>(11.2)</b>	<b>12.4</b>	<b>5.08</b>	<b>0.06</b>

\* The rate provided for the pooled property fund investment is reflective of annualised income returns over the year to 31 March 2024.

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.

- 17.3 The CIPFA Treasury 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 to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and 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.



- 17.4 Bank Rate increased by 1% over the period, from 4.25% at the beginning of April 2023 to 5.25% by the end of March 2024. Short term rates peaked at 5.7% for 3-month rates and 6.7% for 12-month rates during the period, although these rates subsequently began to decline towards the end of the period. Money Market Rates also rose and were between 4.5% and 5.3% by the end of March 2024.
- 17.5 £5m that is currently available for longer-term investments is invested in a pooled property fund.
- 17.6 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. 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.
- 17.7 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 Money Market Funds. 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 2024 and at the same date in 2023 for comparison.

<b>Table 5: Investment benchmarking (excluding pooled funds)</b>	<b>Credit rating</b>	<b>Bail-in exposure</b>	<b>Weighted average maturity (days)</b>	<b>Rate of return</b>
		<b>%</b>		<b>%</b>
31.03.2023	AA-	63	27	3.95
31.03.2024	A+	53	38	5.29
Similar LAs	A+	61	50	5.20
All LAs	A+	61	9	5.17

- 17.8 Over the 12 months to 31 March 2024, cash balances have significantly reduced to the extent that they are now predominately used to fund liabilities. Of the cash and equivalents held at 31 March 2024, a sizeable percentage is invested in unsecured bank deposits which has impacted the average credit rating of the portfolio, reducing from AA- to A+. Despite this, the credit rating is now comparative with other authorities in the benchmarking exercise. Bail-in risk exposure has reduced when compared to the same point in 2023, owing to a proportion of investment balances being allocated to lending to other local authorities which have no bail-in risk. This allocation to local authority lending also provides the reason why the average maturity of the portfolio has increased. Despite the changes in 2023/24, the council's investment portfolio compares favourably to other Arlingclose clients, particularly when considering the average rate of return.

### Externally managed pooled property fund

- 17.9 £5m of the council's investments are invested in an externally managed strategic pooled and property fund where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. In 2023/24 these funds generated an average total return of 1.13%, comprising a 5.02% income return which is used to support services in year, and 3.89% of unrealised capital loss. Over the holding period, the council's investments in pooled funds have contributed 4.25% income per year on average, which compares favourably in a period where base rates have generally been low.
- 17.10 The market background for commercial property improved marginally in 2023 and was more stable, in contrast to the very challenging backdrop of 2022. Low transactional volumes were a constraint on valuations and made prospective sellers and buyers more cautious. Although many sectors lacked momentum, there was growing confidence in the longer-term outlook as occupier demand and rental markets held up. Industrial and retail warehousing sectors remained strong, but the retail and offices sectors remained weak, the latter continuing to be hindered by low occupancy from hybrid working practices.
- 17.11 Because this fund has no defined maturity date but is available for withdrawal after a notice period, the performance and continued suitability in meeting the council's medium-to long-term investment objectives are both regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years and with the expectation that over a three- to five-year period total returns should exceed cash interest rates.
- 17.12 In April 2023 the Department for Levelling Up, Housing and Communities (DLUHC) published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended until 31 March 2025, but no other changes have been made; whether the override will be extended beyond this date is unknown but commentary to the consultation outcome suggests it will not. The council will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.

### Financial Implications

- 17.13 The outturn for debt interest paid in 2023/24 was £5.2m on an average debt portfolio of £161.7m at an average interest rate of 3.28%.
- 17.14 The outturn for investment income received in 2023/24 was £1.7m on an average investment portfolio of £33.8m, therefore giving a yield of 5%, against a budgeted £1.5m. In comparison in 2022/23 investment income received was £1.08m on an average investment portfolio of £52.6m, therefore giving a yield of 2.05%.

## 18 Non-Treasury Investments

- 18.1 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).
- 18.2 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.
- 18.3 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.
- 18.4 Further information on the council's non-Treasury investments will be included in CAB3464 General Fund Outturn 23-24 which will be presented to Cabinet on 11 September 2024.

## 19 Consultations

- 19.1 Following three rounds of consultation, the Department for Levelling Up, Housing and Communities (DLUHC) has published its final consultation response, amendment regulations and revised statutory guidance on Minimum Revenue Provision (MRP). The statutory guidance also incorporates an informal commentary. There are three main changes:
- Local authorities cannot exclude any amount of their Capital Financing Requirement (CFR) from their MRP calculation, unless by an exception set out in law.
  - Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP, with specific exceptions for capital loans and leased assets.
  - For capital loans given on or after 7 May 2024, sufficient MRP must be charged so that the outstanding CFR in respect of the loan is no higher than the principal outstanding minus any expected credit loss.
- 19.2 Changes will take effect from the 2025/26 financial year, except in respect of expected credit losses which take effect from the current 2024/25 year.
- 19.3 The changes are not expected to impact the council's forecast MRP as its policy is already consistent with the changes in statutory guidance.

## 20 Compliance Report

- 20.1 As previously detailed in the Q1 Treasury Management Report presented to Audit Committee on 11 October 2023, during Quarter 2 an overnight breach of the Treasury Management Strategy and Investment Strategy occurred. No other breaches of the TMSS have occurred during 2023/24.
- 20.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in Table 6.

<b>Table 6: Debt limits</b>	<b>2023/24 Maximum £m</b>	<b>31/03/24 Actual £m</b>	<b>2023/24 Operational Boundary £m</b>	<b>2023/24 Authorised Limit £m</b>	<b>Complied?</b>
Borrowing	(162.4)	(159.7)	(310.9)	(324.2)	✓
Finance leases	-	-	(2.2)	(2.7)	✓
<b>Total debt</b>	<b>(162.4)</b>	<b>(159.7)</b>	<b>(313.1)</b>	<b>(326.9)</b>	✓

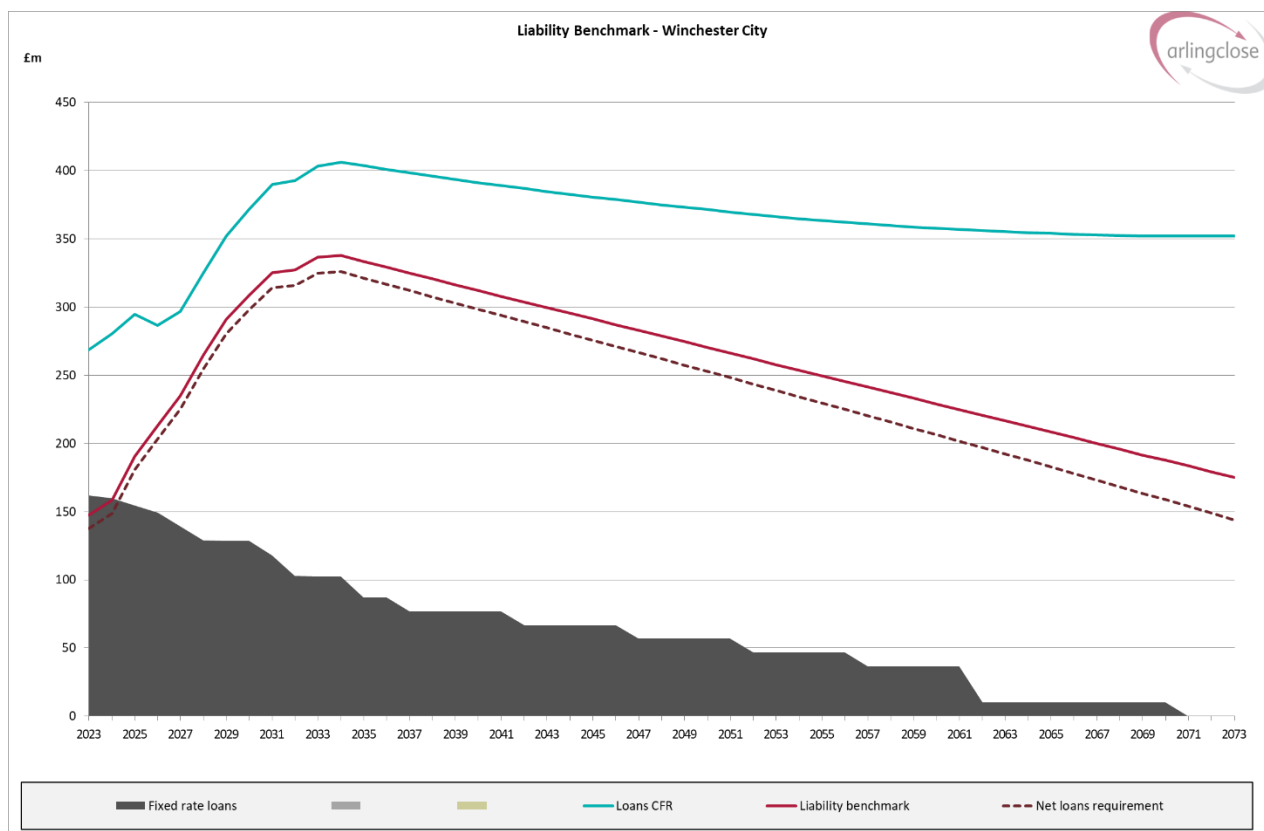
## 21 Treasury Management Indicators

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

### Liability benchmark

- 21.2 This new indicator compares the council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

<b>Table 7 – Liability Benchmark</b>	<b>31/03/2023 Actual</b>	<b>31/03/2024 Actual</b>	<b>31/03/2025 Forecast</b>	<b>31/03/2026 Forecast</b>
Loans CFR	268.9	280.5	294.7	286.7
Less: Balance sheet resources	(131.4)	(132.0)	(114.1)	(83.7)
<b>Net loans requirement</b>	<b>137.5</b>	<b>148.5</b>	<b>180.6</b>	<b>203.0</b>
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
<b>Liability benchmark</b>	<b>147.5</b>	<b>158.5</b>	<b>190.6</b>	<b>213.0</b>

**Chart 1: Liability Benchmark**

- 21.3 Table 7 and Graph 1 illustrate 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. The chart shows that if it is to deliver its capital programme as planned, the council will need to take out additional external borrowing as reflected in the gap between the liability benchmark (the red line) and the existing borrowing (the grey area). This requirement will be considered by the Section 151 Officer in consultation with Arlingclose and the Investments & Borrowing team at Hampshire County Council to ensure borrowing is undertaken at the most appropriate time.

#### Interest rate exposures

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

<b>Table 8 – Interest rate risk indicator</b>	<b>31/03/24 Actual</b>	<b>Impact of +/-1% interest rate change</b>
Sums subject to variable interest rates:		
Investments	£6.39m	+/-£0.06m
Borrowing	(£0.11m)	+/-0.00m

- 21.5 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

- 21.6 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:

<b>Table 9: Maturity structure of borrowing</b>	<b>31/03/24 Actual</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Complied</b>
Under 12 months	3%	25%	0%	✓
12 months and within 24 months	3%	25%	0%	✓
24 months and within 5 years	13%	25%	0%	✓
5 years and within 10 years	16%	30%	0%	✓
10 years and within 20 years	22%	50%	0%	✓
20 years and within 30 years	13%	50%	0%	✓
30 years and within 40 years	23%	75%	0%	✓
40 years and within 50 years	6%	100%	0%	✓

Long-term Treasury Management Investments

- 21.7 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:

<b>Table 10: Long-term Treasury Management Investments</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>No fixed date</b>
Actual principal invested beyond year end	£5m	£5m	£5m	£5m
Limit on principal invested beyond year end	£20m	£20m	£20m	£5m
Complied	✓	✓	✓	✓

- 21.8 Long-term investments with no fixed maturity date can include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

## 22 OTHER OPTIONS CONSIDERED AND REJECTED

- 22.1 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.
- 22.2 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

CAB3390: Treasury Management Strategy 2023/24, 23 February 2023

AG109: Treasury Management Outturn 2022/23, 20 July 2023

AG119: Treasury Management Mid-Year Monitoring Report 2023/24, 09 November 2023

CAB3446: Treasury Management Strategy 2024/25, 22 February 2024

#### Other Background Documents:-

None

### APPENDICES:

None

This page is intentionally left blank



AG137  
AUDIT & GOVERNANCE COMMITTEE

REPORT TITLE: EXTERNAL AUDIT ANNUAL REPORT 2023/24

18 JULY 2024

REPORT OF CABINET MEMBER: COUNCILLOR NEIL CUTLER, DEPUTY LEADER  
AND 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 details the indicative 2023/24 Audit Strategy and Annual Audit Fees proposed by the council's external auditors, Ernst & Young LLP (EY).

The indicative fee £157,826 for the 2023/24 audit work is at the level of the scale fees set by Public Sector Audit Appointments Ltd (PSAA) for each audited body that has opted into its national auditor appointment scheme.

The auditors are likely to disclaim their opinion on the 2022/23 accounts, the final fee has not been notified and will be subject to approval by PSAA.

RECOMMENDATIONS:

That the Audit and Governance Committee:

1. Notes the external auditor's Audit Strategy for 2023/24 and the impact of the disclaiming of the 2022/23 audit opinion.
2. Approves the indicative 2023/24 annual audit fee.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

None

2 FINANCIAL IMPLICATIONS

The planned scale fee for the audit of the 2023/24 accounts is £157,826. The scale fee set by PSAA (Public Sector Audit Appointments) has significantly increased from the 2022/23 fee of £52,000. The 2023/24 audit is under a new contract awarded through the PSAA national procurement exercise which has seen an average 151% cost increase across the board. External audit firms have increased their fees citing additional audit work required to deliver and audit compliant with the requirements of the Code of Audit Practice; and secondly increased audit supply market rates.

Our understanding is that there will be no further work planned on the council's 2022/23 financial statements; it is therefore likely that the auditors will issue a disclaimer opinion on the statements. However, wording has yet to be discussed and agreed. The final fee is still subject to agreement with the PSAA.

3 LEGAL AND PROCUREMENT IMPLICATIONS

The Audit and Accounts Regulations 2015 require the council to publish the annual Statement of Accounts, the narrative statement and the annual governance statement, together with any external audit opinion by a specified date. The publication dates for both the 2022/23 and the 2023/24 Annual Financial Reports are still to be confirmed by legislation.

4 WORKFORCE IMPLICATIONS

None

5 PROPERTY AND ASSET IMPLICATIONS

None

6 CONSULTATION AND COMMUNICATION

7 None

8 ENVIRONMENTAL CONSIDERATIONS

None

9 PUBLIC SECTOR EQUALITY DUTY

None

10 DATA PROTECTION IMPACT ASSESSMENT

None required.

11 RISK

None required.

12 SUPPORTING INFORMATION:

None, this is an external report.

13 OTHER OPTIONS CONSIDERED AND REJECTED

13.1 This is a statutory requirement therefore there are no other options to be considered.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

None

Other Background Documents:-

None

APPENDICES:

Appendix 1 – EY Audit Planning Report year ended 31 March 2024.

This page is intentionally left blank

# Winchester City Council Audit planning report

Year ended 31 March 2024

April 2024

Page 33





Audit & Governance Committee  
Winchester City Council  
City Offices  
Colebrook Street  
Winchester  
SO23 9LJ

16 April 2024

Dear Audit & Governance Committee Members

#### Audit planning report

Attached is our audit planning report for the forthcoming meeting of the Audit & Governance Committee. The purpose of this report is provide the Audit & Governance Committee of Winchester City Council (the Council) with a basis to review our proposed audit approach and scope for the 2023/24 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our initial assessment of the key issues which drive the development of an effective audit for the Council. We have aligned our audit approach and scope with these. The report also considers the likely impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. The joint statement on the update to proposals to clear the backlog and embed timely audit recognises that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play to addressing the audit backlog.

(continued)

The Audit & Governance Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done it will impact the level of resource needed to discharge our responsibilities. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Audit & Governance Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements, and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw Audit & Governance Committee members and officers attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A).

This report is intended solely for the information and use of the Audit & Governance Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 18 July 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Simon Mathers

Partner

For and on behalf of Ernst & Young LLP

Enc



# Contents

01	Overview of our 2023/24 audit strategy	02	Audit risks	03	Value for Money risks	04	Audit Materiality	05	Scope of our audit
									
	06	Audit team	07	Audit timeline	08	Independence	09	Appendices	

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit & Governance Committee and management of Winchester City Council. Our work has been undertaken so that we might state to the Audit & Governance Committee and management of Winchester City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Governance Committee and management of Winchester City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





01

# Overview of our 2023/24 audit strategy

# Overview of our 2023/24 audit strategy

## Context for the 2023/24 audit - Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited accounts by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

**Phase 1:** Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.

**Phase 2:** Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

**Phase 3:** Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

DLUHC has launched consultation on changes to the Accounts and Audit Regulations 2015 to insert statutory backstop dates for historic accounts and for the financial years 2023/24 to 2027/28.

- The National Audit Office (NAO) has launched consultation on amending the Code of Audit Practice to :
  - Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
  - Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of councils and residents.
- The Chartered Institute of Public Finance and Accountancy (CIPFA) has launched consultation on temporary changes to the accounting code for preparation of the accounts. The proposed temporary changes to the financial reporting framework have an impact on both how the accounts are prepared and our audit procedures necessary to gain assurance.

As a result of the system wide implementation of backstop dates it is likely we will disclaim the opinion on the Council's prior year 2022/23 audit. Our proposed disclaimer of the Council's 2022/23 accounts will impact both the audit procedures we need to undertake to gain assurance on the 2023/24 financial statements and the form of our audit report in 2023/24 and subsequent years during the recovery phase.

The changes proposed by the consultations therefore have a significant effect on both the scope of the 2023/24 audit and our assessment of risk. We will, therefore, continue to need provide updates to the Audit & Governance Committee as the audit progresses and our final assessment on the scope and nature of procedures we will undertake becomes clearer. We have highlighted those areas where we consider it most likely that the proposed measures will impact our audit approach and scope as part of this Audit Planning Report.



# Overview of our 2023/24 audit strategy

## Responsibilities of Council/Authority management and those charged with governance

For the planned measures to be successful and the current backlog to be addressed it is vital that all stakeholders properly discharge their responsibilities.

The Council's Section 151 Officer is responsible for preparing the statement of accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of its expenditure and income for the year ended 31 March 2024. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Council resources are readily available to support the audit process, within agreed deadlines. The Audit & Governance Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done we will:

- Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements where we consider it necessary to do so.

Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix A of this report together with paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.

It will also impact the level of audit resource available to complete the audit work in advance of any applicable backstop dates.

# Overview of our 2023/24 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit & Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from 2021/22 audit	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.  We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Land and building valuation - Property, Plant & Equipment (PPE) and Investment Property (IP)	Significant risk	No change in risk or focus	The valuation of land and buildings included in the financial statements is complex and often includes a number of assumptions and judgements. Enhanced procedures are required to challenge and evaluate key inputs and assumptions.
Pension liability/asset valuation	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme.  Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

# Overview of our 2023/24 audit strategy

## Council Materiality

### Planning materiality

**£2.093m**

Materiality has been set at £2.093m, which represents 2% of 2022/23 gross expenditure on provision of services.

### Performance materiality

**£1.569m**

Performance materiality has been set at £1.569m, which represents 75% of materiality.

### Audit differences

**£0.105m**

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, collection fund, and Council's pension fund financial statements) greater than £0.105m. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit & Governance Committee.

The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the Council's 2022/23 financial statements and any guidance subsequently issued may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Audit & Governance Committee updated on any changes to materiality levels as the audit progresses.

# Overview of our 2023/24 audit strategy

## Audit scope

This Audit planning report covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 3.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this Audit Planning Report, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to those risks. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". Therefore to the extent any of these or any other risks are relevant in the context of the Council's audit, we set those within this Audit planning report and we will continue to discuss these with management as to the impact on the scale fee.

# Overview of our 2023/24 audit strategy

## Audit scope (Cont.)

### *Effects of climate-related matters on financial statements*

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to the Council. It is, nevertheless, important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

### *Audit scope and approach*

We intend to undertake full substantive procedures to gain assurance.

The Government proposals to re-establish the local authority framework on a more sustainable basis and outcome of the related consultations are likely to have an impact on scope of the audit. We draw your attention to the audit scope section 5 of this audit plan where we set out our current understanding of the likely impact of the proposals on our scope and approach for your 2023/24 audit. We will continue to provide updates of the impact of these changes to the Audit & Governance Committee where necessary to do so.



# Overview of our 2024 audit strategy

## Value for Money

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to prepare a commentary under three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council's arrangements against three reporting criteria:

- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The commentary on the Council's value for money arrangements will be included in the Auditor's Annual Report.

Page 44

## Timeline

A timetable has been agreed with management to complete the audit by December 2024. In Section 07 we include a provisional timeline for the audit. All parties need to work together to ensure this timeline is adhered to.

## Key Audit Partner and senior audit team



### Engagement Partner (Simon Mathers)

The Engagement Partner has overall responsibility for:

- ▶ The audit and its performance
- ▶ The auditor's report that is issued on behalf of EY
- ▶ The overall quality of the audit



### Engagement Manager (Charmaine Cruz)

The Engagement Manager has responsibility for management of the audit ensuring that it is adequately resourced to meet both its time and budget constraints.





## 02 Audit risks

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

## Misstatements due to fraud or error\*

### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

### What will we do?

We will:

- ▶ Identify fraud risks during the planning stages.
- ▶ Inquire of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understand the oversight given by those charged with governance of management's processes over fraud.
- ▶ Discuss with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- ▶ Consider the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determine an appropriate strategy to address those identified risks of fraud.
- ▶ Perform mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- ▶ Undertake procedures to identify significant unusual transactions.
- ▶ Consider whether management bias was present in the key accounting estimates and judgments in the financial statements.

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

## Inappropriate capitalisation of revenue expenditure\*

### Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- ▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- ▶ Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- ▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating PPE/IP additions and/or REFCUS in the financial statements.

### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

### What will we do?

- ▶ For significant additions we will examine invoices, capital expenditure authorisations, leases and other data that will support these additions. We review the sample selected against the definition of capital expenditure in IAS 16.
- ▶ Reviewing the appropriateness of items classified as REFCUS.
- ▶ We will extend our testing capitalised in the year by lowering our testing threshold.
- ▶ We have designed additional journal tests to identify high risk journals that may be an indication of management override. We will review journals where management have capitalized expenditure outside the normal process. Specifically:
  - ▶ Where management have posted to additions from outside the capital codes, and where management have manually posted to the capital codes from another expenditure code.
  - ▶ Where there have been transfers from revenue codes to capital codes, particularly around the year end.

Both are indications that the original budget holder did not recognize the expenditure as capital in nature, and therefore may be an indication of the central finance team override the control.



# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

## Land and building valuation - PPE and IP\*

### What is the risk?

The fair value of PPE land and buildings and IP represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

We note that not all of the Council's PPE is subject to revaluation with vehicles, plant, furniture & equipment, infrastructure assets and assets under construction all valued at cost under the CIPFA Code of Practice on Local Authority Accounting. The Council's IP is subject to annual revaluation, while its operational PPE and surplus assets are valued on a rolling programme over 5 years. The valuation basis is different depending on the type of property being revalued, with assets carried at Depreciated Replacement Cost, Existing Use Value or Fair Value. Each valuation basis is reliant on different inputs, estimation processes and assumptions.

### What will we do?

- ▶ Consider the competence, capability and objectivity of the Council's valuers.
- ▶ Consider the scope of valuers' work.
- ▶ Ensure property has been revalued with sufficient frequent not to be materially misstated as required by the Code.
- ▶ Consider if there are any specific changes to assets that should have been communicated to the valuer(s).
- ▶ Sample test key inputs used by the valuer(s) when producing valuations.
- ▶ Consider the results of the valuers' work.
- ▶ Instruct our own Property valuation team (EY Real Estates) to review a sample of DRC, EUV and FV valuations performed by the Council's Valuer.
- ▶ Test a sample of assets revalued in year to:
  - ▶ Challenge the assumptions used by the Council's valuers by reference to external evidence and our EY valuation specialists (where necessary);
  - ▶ Test journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements; and
  - ▶ Review assets that are not subject to valuation in 2023/24 to confirm the remaining asset base is not materially misstated.

### Financial statement impact

If land and buildings or investment property are incorrectly valued this could have the impact of misstating the Council's balance sheet.

# Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

## What is the risk/area of focus, and the key judgements and estimates?

### Pension Liability/Asset Valuation (inherent risk)

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2023 this totalled £13.823 million.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

## Our response: Key areas of challenge and professional judgement

We will:

- ▶ Liaise with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council.
- ▶ Assess the work of the pension fund actuary, Hymans Robertson, including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team.
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- ▶ In accordance with the ISA540 (revised) standard, we will test the actuarial model to confirm it is appropriately designed, consistently applied and mathematically accurate. We will involve our EY Pensions specialists to perform this work.

## What else will we do?

We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.





## 03 Value for Money risks

# Value for Money

## Council responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

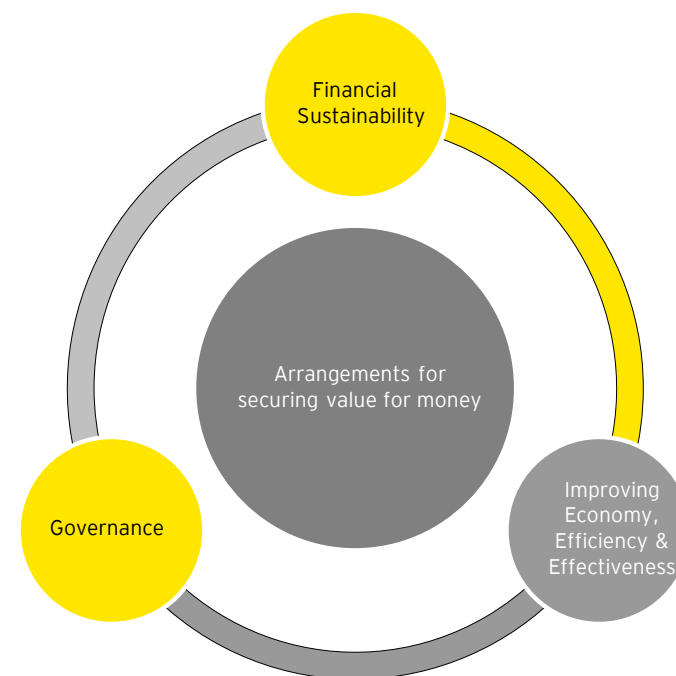
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

## Auditor Responsibilities

Under the NAO Code of Audit Practice we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.





## Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

- ▶ The Council's governance statement;
- ▶ Evidence that the Council's arrangements were in place during the reporting period;
- ▶ Evidence obtained from our work on the accounts;
- ▶ The work of inspectorates and other bodies; and
- ▶ Any other evidence source that we regards as necessary to facilitate the performance of our statutory duties.


We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- ▶ Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- ▶ Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- ▶ Leads to - or could reasonably be expected to lead to - unlawful actions; or
- ▶ Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- ▶ The magnitude of the issue in relation to the size of the Council;
- ▶ Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- ▶ The impact of the weakness on the Council's reported performance;
- ▶ Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made including judicial review;
- ▶ Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- ▶ The impact on delivery of services to local taxpayers; and
- ▶ The length of time the Council has had to respond to the issue.





# Value for Money

## Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit & Governance Committee.

## Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the a commentary on your value for money arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This may include matters that we do not consider to be significant weaknesses in your arrangements but should be brought to your attention. This will include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

## Status of our 2023/24 VFM planning

We have yet to complete our detailed VFM planning, but have not identified any significant VFM risks at this point in time.

We will update the next Audit & Governance Committee meeting on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements.



## 04 Audit materiality



# Materiality

## Council materiality

For planning purposes, materiality for 2024 has been set at £2.093m. This represents 2% of the Council's 2024 gross expenditure on provision of services. It will be reassessed throughout the audit process.

The Council is a public sector body and the main function of the entity is to provide services to the local community. For a public sector entity, the expectations of users (including regulators) of the entity are focused on the measurement of expenditure and as such the income statement is considered the most appropriate basis for determining materiality for public sector bodies.

We have provided supplemental information about audit materiality in Appendix F.

Gross expenditure on provision of services  
**£104.626 million**

Planning  
materiality  
**£2.093m**

Performance  
materiality  
**£1.569m**

Audit  
differences  
**£0.105m**

The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the Council's 2022/23 financial statements may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Audit & Governance Committee updated on any changes to materiality levels as the audit progresses.

We request that the Audit & Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

## Key definitions

**Planning materiality** – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** – the amount we use to determine the extent of our audit procedures.

We have set our performance materiality at £1.569m which represents 75% of our planning materiality. We have considered the factors of having a higher likelihood of material misstatements based on prior year adjustments.

Per our initial assessment, we do not believe there are errors that are indicative of pervasive errors throughout the financial statements or a higher likelihood of misstatement in other areas. We have therefore used a higher end or 75% of our Planning Materiality as our Performance Materiality.

**Audit difference threshold** – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Audit & Governance Committee, or are important from a qualitative perspective.



## 05 Scope of our audit

# Audit process and strategy

## Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

### 1. Financial statement audit

Our opinion on the financial statements:

- ▶ whether the financial statements give a true and fair view of the financial position of the Group and its expenditure and income for the period in question; and
- ▶ whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- ▶ whether other information published together with the audited financial statements is consistent with the financial statements; and
- ▶ where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- ▶ Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

# Audit process and strategy

## Objective and Scope of our Audit scoping (cont'd)

### ***Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays***

The changes proposed by the consultations are likely to have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Audit & Governance Committee as the audit progresses and our assessment on the required scope and nature of procedures we will undertake becomes clearer. As examples:

- ▶ Where prior year audit opinions are modified work will be required to gain assurance, where possible, on opening balances over the period of the recovery phase (phase 2). Where we are unable to gain assurance over opening balances, we anticipate that this may lead to limitation of scope of our audit over those balances.
- ▶ Where prior year audit opinions are modified, and particularly where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase.

Changes to the Code of Audit Practice on Local Authority Accounting will potentially impact on our assessment of audit risk generally, risks associated with significant accounting estimates, such as the valuation of operational property, plant and equipment and the related need to rely on management's and auditor's specialists.



# Audit process and strategy

## Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.
- ▶ Reliance on the work of experts in relation to areas, such as pensions and property valuations.

Our initial assessment of the key processes across the Council has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

### *Analytics*

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit & Governance Committee.

### *Internal audit*

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



Page 60

## 06 Audit team



# Audit team

**Simon Mathers**  
Engagement Audit Partner

**Charmaine Cruz**  
Engagement Manager

**Taher Merimi**  
Senior

**Pensions Specialist**  
Specialist PWC consulting  
actuary and EY Actuaries

EY Real Estates

# Use of specialists

## Our approach to the involvement of specialists, and the use of their work

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where management, third-party or EY specialists are expected to provide input for the current year audit are set out in the table below:

Area	Specialists
Valuation of land and buildings	Authority's external valuer (Wilks Head & Eve) EY Specialist - EY Real Estates (EYRE)
Pensions disclosure	Management Specialist - Hymans Robertson PWC (Consulting Actuary to the NAO) EY Specialist - EY Actuaries

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



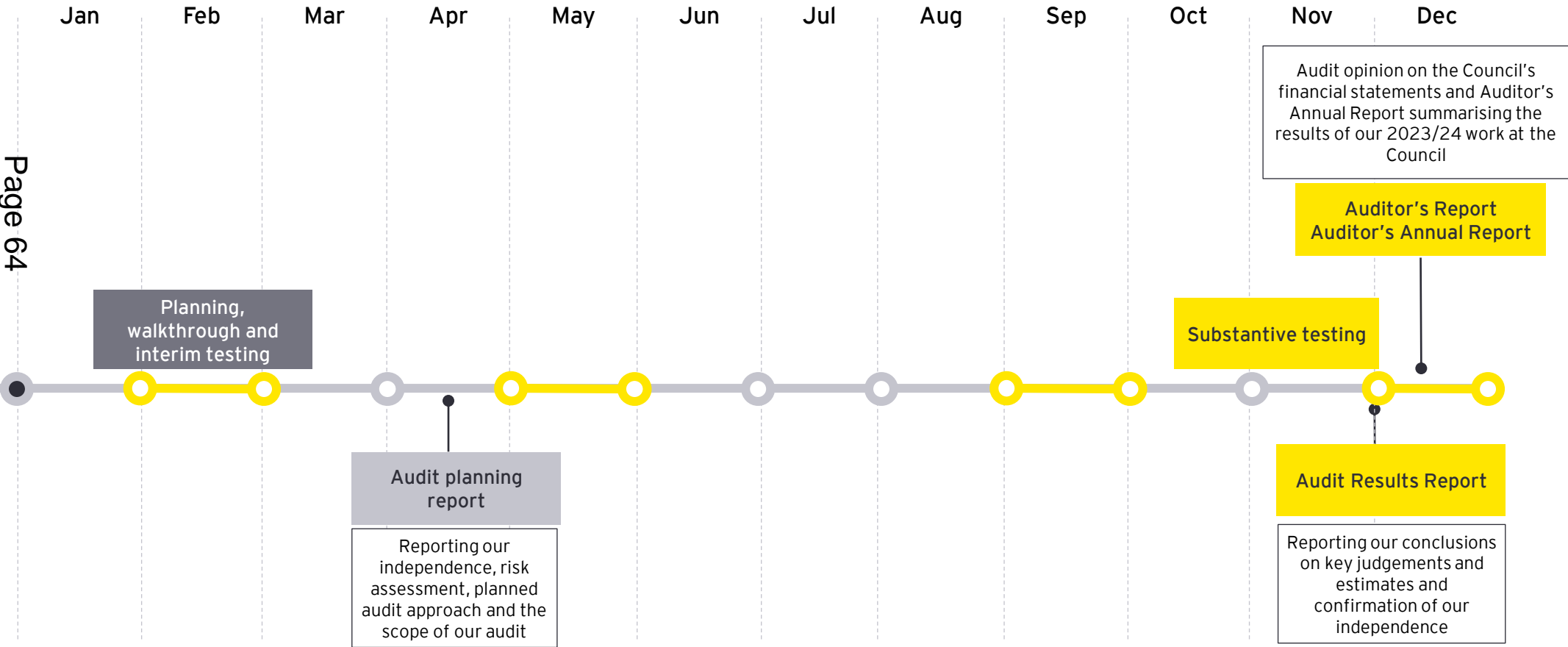
# 07

## Audit timeline

# Timetable of communication and deliverables

## Indicative timeline

Below is an indicative timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2023/24. From time to time matters may arise that require immediate communication with the Audit & Governance Committee and we will discuss them with the Audit & Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.







## 08

# Independence

# Introduction

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

## Required communications

### Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

### Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

# Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

## Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of **Simon Mathers**, your audit engagement partner and the audit engagement team have not been compromised.

## Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

One of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. At the time of writing, the current ratio of non-audit fees to audit fees is below 1:1. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report

## Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

## Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

## Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.



# Other communications

## EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).





## 09 Appendices



# Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

## **Preparation of the statement of accounts**

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- assign responsibilities clearly to staff with the appropriate expertise and experience;
- provide necessary resources to enable delivery of the plan;
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

## Appendix B – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The agreed fee presented on the next page is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council;
- ▶ The Council has an effective control environment; and
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

# Appendix B – Fees

	2023/24	Note Reference	2022/23
	£		£
Scale Fee	157,826	(1)	55,103
Additional work not considered by the scale fee to comply with the requirements of ISA (UK) 315 (Revised).	TBC	(2)	-
Additional work not considered by the scale fee to assess the Council's preparedness for the adoption of IFRS 16 and to consider related disclosures in the financial statements	TBC	(2)	-
<b>Total audit</b>	<b>TBC</b>		<b>TBC</b>
<b>Total fees</b>	<b>TBC</b>		<b>TBC</b>

All fees exclude VAT

(1) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2022/23 audit.

(2) The revision to ISA (UK) 315 will impact on our scope and approach, and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge addition fee for this. The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Consideration of correspondence from the public and formal objections.
- New accounting standards, for example additional disclosures in respect of IFRS 16.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- The need to exercise auditor statutory powers.
- Prior period adjustments.
- Modified financial statement opinions

# Appendix C – Accounting and regulatory update

## Future accounting developments

The following table provides a high level summary of the accounting development that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24
IFRS 16 Leases	<ul style="list-style-type: none"><li>▶ CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16.</li><li>▶ Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.</li><li>▶ Lease liabilities and right of use assets will be subject to more frequent remeasurement.</li><li>▶ The standard must be adopted by 1 April 2024 at the latest.</li></ul>	<ul style="list-style-type: none"><li>▶ The 2023/24 Statement of Accounts must disclose the impact the initial application of IFRS 16 is expected to have on the authority's financial statements.</li><li>▶ The authority should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024.</li><li>▶ Officers must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner.</li></ul>



# Appendix C – Accounting and regulatory update (optional)

## Regulatory update

The following table provides a high level summary of the regularity update that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24
ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement	<p>ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:</p> <ul style="list-style-type: none"> <li>▸ Risk Assessment</li> <li>▸ Understanding the entity's internal control</li> <li>▸ Significant risk</li> <li>▸ Approach to addressing significant risk (in combination with ISA 330)</li> </ul> <p>The International Auditing &amp; Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:</p> <ul style="list-style-type: none"> <li>▸ Drive consistent and effective identification and assessment of risks of material misstatement</li> <li>▸ Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')</li> <li>▸ Modernise ISA 315 to meet evolving business needs, including: <ul style="list-style-type: none"> <li>▸ how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and</li> <li>▸ how auditors understand the entity's use of information technology relevant to financial reporting.</li> </ul> </li> <li>▸ Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.</li> </ul>	<p>We will need to obtain an understanding of the IT processes related to the IT applications of the Council/Authority.</p> <p>We will perform procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.</p> <p>When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.</p> <p>We also review the following processes for all relevant IT applications:</p> <ul style="list-style-type: none"> <li>▸ Manage vendor supplied changes</li> <li>▸ Manage security settings</li> <li>▸ Manage user access</li> <li>▸ Manage entity-programmed changes</li> <li>▸ Job scheduling and managing IT process</li> </ul> <p>Where appropriate, we will use the assurance available from the Council's ISAE3402 report that it annually commissions on the IBC systems and processes.</p>

# Appendix D – The Spring Report (A combined perspective on enhancing audit quality)

## Overview

The Spring Report ('The Report') was released by the Audit & Governance Committee Chairs' Independent Forum (ACCIF) on 2 June 2023 and is the first of its kind. The Report is the outcome from a series of discussions held with a group of experienced Audit & Governance Committee chairs, auditors from the top 6 firms, and executives from the Financial Reporting Council. The Report details the 9 key learnings that the group agreed on, proposing evolution not revolution, and is focused on getting the basics right first time leading to enhanced audit quality. The report considers key learnings covering the planning, execution, completion and reporting phases of the audit. The full list of key learnings can be found in the [report](https://accif.co.uk/report) (accif.co.uk).

# Appendix E – Required communications with the Audit & Governance Committee

We have detailed the communications that we must provide to the Audit & Governance Committee.

## Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit & Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> <li>▶ The planned scope and timing of the audit</li> <li>▶ Any limitations on the planned work to be undertaken</li> <li>▶ The planned use of internal audit</li> <li>▶ The significant risks identified</li> </ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Audit planning report – July 2024 meeting of the Audit & Governance Committee
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)</li> </ul>	Audit results report

# Appendix E – Required communications with the Audit & Governance Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit results report
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit &amp; Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements</li> </ul> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▶ Any other matters related to fraud, relevant to Audit &amp; Governance Committee responsibility</li> </ul>	Audit results report



# Appendix E – Required communications with the Audit & Governance Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit results report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> <li>▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> </ul> </li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> <li>▶ Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</li> </ul>	<p>Audit planning report – July 2024 meeting of the Audit &amp; Governance Committee</p> <p>Audit Results Report</p>
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the Audit &amp; Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit &amp; Governance Committee may be aware of</li> </ul>	Audit results report



# Appendix E – Required communications with the Audit & Governance Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Internal controls	Significant deficiencies in internal controls identified during the audit	Audit results report
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report

# Appendix F – Additional audit information

## Regulatory update

Our objective is to form an opinion on the Council's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the UK, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in . We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit & Governance Committee. The audit does not relieve management or the Audit & Governance Committee of their responsibilities.

## Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Page 80

### Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit & Governance Committee reporting appropriately addresses matters communicated by us to the Audit & Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- ▶ Maintaining auditor independence

# Appendix F – Additional audit information (cont'd)

## Other required procedures during the course of the audit

### Procedures required by the Audit Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Examining and reporting on the consistency of consolidation schedules or returns with the Group's audited financial statements for the relevant reporting period

We have included in **Appendix E** a list of matters that we are required to communicate to you under professional standards.

## Purpose and evaluation of materiality

Page 89  
For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Group financial statements
- ▶ The level of work performed on individual account balances and financial statement disclosures

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

# Appendix G - Non-Compliance with Laws and Regulations (NOCLAR)

## Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the Council, either intentional or unintentional, which are contrary to the prevailing laws or regulations

### Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

### Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics](#) (IESBA Code) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

### Examples of Non-Compliance with Laws and Regulations (NOCLAR)

#### Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

#### Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations



# Appendix G - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

## What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



## Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

## Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

## Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators



## EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](https://ey.com).

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2024 Ernst & Young LLP. Published in the UK.

All Rights Reserved.

UKC-023026 (UK) 04/22. Creative UK.

ED None

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

[ey.com](https://ey.com)

REPORT TITLE: CERTIFICATION OF CLAIMS & RETURNS ANNUAL REPORT  
2022/23

18 JULY 2024

REPORT OF CABINET MEMBER: Cllr Cutler – Deputy Leader and Cabinet Member  
For Finance and Performance

Contact Officer: Terri Horner Tel No: 01962 848 160 Email  
[thorner@winchester.gov.uk](mailto: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 (HB) subsidy claim for the year ended 31 March 2023. A summary report is provided by KPMG and is attached at Appendix 1 for consideration, and details two errors, summarised below.

The sample testing undertaken by KPMG identified one case where the HB computer system incorrectly classified overpaid expenditure as a claimant error, rather than technical error. This was where the claim had been cancelled and the account had been ended. This issue was taken up with our software supplier and they have provided a script to identify any future cases of inaccurate classification. KPMG are happy with this process and will test its resilience when completing the 2023/24 audit. This error had a minor impact on the final subsidy claim of £60.85 (of the £8.8m total for this area of subsidy) but had no effect on the value of HB paid to the claimant.

In additional testing, which was undertaken due to an error reported in the prior year HBAP accountants report, private pension income in one claim was identified as being incorrectly assessed. This resulted in a £67 overpayment error, extrapolated out to £210. This error did not affect the amount claimed of £9.6m for this area of subsidy.

The volume of claims and change of circumstances processed for housing benefit in 2022/23 (in excess of 10,000) was, again, considerable. Together with the volume of HB paid out to claimants (in excess of £18.5m), this is another successful annual review for the Benefits 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 2022/23



# Winchester City Council Housing Benefit Reporting 2022/23

March 2024

# Housing Benefit Reporting 2022/23

## Introduction

In accordance with the DWP's Housing Benefits Assurance Process, the Council is required to have an annual review of its Housing Benefit Subsidy claim.

Our work on the Council's Housing Benefit claim is carried out in accordance with the DWP's prescribed process and includes:

- Agreeing parameters within the Council's housing benefits system to the DWP's published standard rates for the year;
- Checking that the subsidy claim has been prepared using the specified version of the benefits software;
- Sample testing claims to check the calculation of benefit entitlement and (and that it was supported by evidence);
- Undertaking testing over modified schemes payments.

## Work undertaken

Tested 20 individual cases for the following cells on the claim form:

- 055 (rent rebates);
- 094 (rent allowance); and
- 225 (modified schemes).

Additional focused testing is either based on our findings in the prior year (2021/22) or by the results of our initial testing in the current year. We undertook additional testing on three areas:

- Cell 094: Assessment of private pension income;
- Cell 214/225: Assessment of war pension income; and
- Cell 067: Assessment of overpaid expenditure where the claim was cancelled and rent account ended.

Testing was carried out on 51 benefit cases across the three error types.

The results of our testing are outlined overleaf.



# Housing Benefit Reporting 2022/23

## Findings

### Errors (Appendix A)

- Initial testing of 20 cases within rent allowance, did not identify any errors in respect of the assessment of private pension income. Due to an error reported in the prior year HBAP accountants report, an extended sample of 40 cases selected from cases in Cell 094 with private pension income were tested. The additional testing identified one claim where the authority has incorrectly assessed private pension income. The impact of the error found was a £67 overpayment of benefit.
- Out of total subsidy claimed in Cell 094 of £9.6m, in our sample, an overpayment error totaling £67 was found in one case. As required overpayment errors are extrapolated using the DWP's prescribed method. This resulted in a reported extrapolated figure of an overstatement of £210.

### Observations (Appendix B)

- Initial testing of three cases within modified schemes (war pensioners) identified no errors in respect of the assessment of war pension income. Due to an error reported in the prior year HBAP accountants report, an extended sample of 10 cases (100% of the population) from Cell 214/225 was tested. The additional testing identified two claims where the authority incorrectly assessed war pension income. In both of these cases, the finding had no impact on the on the value of housing benefit paid to the claimant or the amount of subsidy claimed, and was reported as an observation only.

### Amendments to the claim form (Appendix C)

- Initial testing of 20 cases within rent rebates identified one case where the housing benefit system incorrectly classified overpaid expenditure as claimant error rather than technical error, where the claim has been cancelled and the rent account has ended. The Local Authority ran a report which checked all claims where the claim was cancelled due the rent account closing. This identified one further case where the housing benefit system has incorrectly classified overpaid expenditure as claimant error rather than technical error, where the claim has been cancelled and the rent account has ended. In both cases, the errors identified do not effect the value of housing benefit paid to the claimant. The Local Authority have introduced an in-year process to routinely check and correct any misclassifications of this nature going forward.
- The total impact of the two errors was to overstate subsidy in cell 067 by £152, and understate subsidy in cell 066 by £152. The impact of the errors identified has been reflected in an amendment made to the final Form MPF720A dated 20 December 2023.

### Other Matters (Appendix D)

No other matters were reported.



# Thank you



This report is provided pursuant to the terms of our engagement letter. Nothing in this report constitutes a valuation or legal advice. We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in our engagement letter. This report is for the sole benefit of Winchester City Council . In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Winchester City Council, even though we may have been aware that others might read this report. This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than Winchester City Council) for any purpose or in any context. Any party other than Winchester City Council that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through the Winchester City Council Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than Winchester City Council. Any disclosure of this report beyond what is permitted under our engagement letter may prejudice substantially our commercial interests. A request for our consent to any such wider disclosure may result in our agreement to these disclosure restrictions being lifted in part. If Winchester City Council receives a request for disclosure of the product of our work or this report under the Freedom of Information Act 2000 or the Freedom of Information (Scotland) Act 2002, having regard to these actionable disclosure restrictions Winchester City Council should let us know and should not make a disclosure in response to any such request without first consulting KPMG LLP and taking into account any representations that KPMG LLP might make.

This report has been prepared solely for Winchester City Council in accordance with the terms and conditions set out in our engagement letter. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

© 2023 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International. | CREATE: CRT128147

This page is intentionally left blank

REPORT TITLE: - WORKFORCE REPORT 2023/24

18 JULY 2024

REPORT OF CABINET MEMBER: Cllr Neil Cutler Deputy Leader and 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 2024.

## 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

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
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 2023 to 31 March 2024.
- 11.2 This is the fourth 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 2024 unless stated otherwise and have been extracted from the Council's Access HR system and separate monitoring records. For ease of reference, the equivalent 2023 data is shown in red.

#### **The Council's staff establishment**

11.4 As at 31 March 2024, the Council employed 446 (445) permanent and fixed-term staff. This was an increase of 0.2% (3.2%) of headcount compared to March 2023.

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 76 (79) external appointments, made up of 53 (57) permanent employees and 23 (22) employees (including 5 apprentices) on fixed-term contracts.

11.7 There were 72 (69) leavers (61 (56) permanent employees and 11 (13) (including 1 apprentice) 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 16.9% as compared to 16.7% in 2022/23.

11.10 The average length of service was 9 years and 7 months (9 years and 11 months).

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

- 11.12 Proactive people management strategies and a positive, inclusive working environment encompassing learning and development, health and wellbeing, open communication and discretionary employee benefits, are key 'weapons' in an organisation's ability to recruit and retain staff in addition to salary.
- 11.13 Learning and development is actively encouraged and supported. An established induction process for new recruits, including a Welcome event with the Executive Leadership Board (ELB) and suite of mandatory training modules on the council's online learning management system (see Appendix 2), ensures new recruits are properly integrated into their jobs, their service and the Council.
- 11.14 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.
- 11.15 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.
- 11.16 4 (1) x full-time apprenticeships, 1 (2) x degree apprenticeship and 2 (3) upskilling apprenticeships are currently in place across different services and the Council continues to explore ways to extend apprenticeship opportunities.
- 11.17 Volunteer leave (i.e. up to three days paid leave (pro-rated for part-time)) encourages employees, individually or as part of a work-based team, to be involved in voluntary activities that benefit the local district. The benefits of volunteering for individuals and organisations are widely reported (e.g. connection with others, developing new skills, increased productivity etc.) and serve to reinforce employee engagement and wellbeing.
- 11.18 Open communication (i.e. reciprocal sharing and receiving feedback, providing ideas and suggestions, raising concerns) and active participation of employees in the work process are actively promoted and facilitated through the Staff Forum, annual Employee Attitude survey, quarterly ELB led 'All Staff Briefings' with open opportunity for questions, team meetings held at an operational level, and regular meetings between HR and Unison.
- 11.19 The Staff Forum is a representative group of employees from across the organisation who work mutually and collaboratively with senior leadership on organisational wide workforce and workplace matters. HR meets regularly

with Unison in order to support organisational development and effectively manage organisational change.

- 11.20 The annual Employee Attitude survey provides employees with the opportunity to share how they feel about various aspects of their working lives at the council. Participation rates are consistently high by industry standards and have typically shown a high level of engagement. The 2023 survey scored positively across all of the survey's themes of employee engagement, working environment, working relationships and corporate/service priorities, with 84% strongly agreeing/agreeing with the statement 'I enjoy working at the council', 72% 'I would recommend the council as a great place to work to my family and friends', 73% 'I am proud to work for the council, 95% 'The colleagues in my team are supportive and friendly' and 81% 'I understand the top priorities for Winchester City Council.'
- 11.21 An organisation's benefits strategy has the potential to drive the employee experience, enhance the total reward package on offer to employees and be a market differentiator, impacting on an organisation's ability to recruit and retain. 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 employees) 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**

- 11.22 Sickness absence continues to be closely monitored. Reports on sickness absence and completion of return to work interviews are reviewed with Strategic Directors on a quarterly basis.
- 11.23 The average number of days of sickness of 6.11 days per employee was a slight decline from 6.82 days reported in 2022/23.
- 11.24 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.
- 11.25 The split of short term and long absence remained largely consistent, with a marginal increase in short term absence – 39% short term and 61% long term vs 36% short term and 64% long term in 22/23. These figures have historically shown little fluctuation, with the exception of during the pandemic.
- 11.26 'Mental health – Personal' has increased to first place from second place accounting for 16.09% of all sickness absences. However, it should be noted that whilst this represents a year-on-year increase, this figure is down on 21/22's figure of 24.25% and that historically 'Mental Health – Personal' is commonly the most popular sickness reason.

This is indicative of a slight upward trend in mental health related absences, when mental health for all reasons (personal, work and reason not stated) are combined. Last year's figure of 20.56% was lower than expected, and so whilst this year's figure of 26.93% is an increase, it is under the typical third that we might expect.

- 11.27 Mental health – work related has risen slightly from 8<sup>th</sup> most common sickness reason last year to 5<sup>th</sup> most common reason. Three of these instances are long term sickness absences (1 of whom has since left).
- 11.28 The Council has proactively put in place a number of mental health initiatives, implemented by HR, to create safe and inclusive wellbeing space within the workplace and support those employees who may be experiencing poor mental health. These initiatives are available to all employees and include; wellbeing and mental health resources on the Council's intranet; mental health first aiders; Wellness Action Plans; an externally provided counselling service free of charge; and, an Employee Assistance Programme and online wellbeing resources via the corporate health plan.
- 11.29 The Council has a number of trained mental health first aiders across the organisation who provide; early intervention, support and effective listening for

employees experiencing mental health challenges; and, signposting to and guidance on accessing appropriate services and resources. Wellness Action Plans (WAP) can enable employees to actively support their own mental health, facilitate dialogue with their manager and inform appropriate intervention, helping employees to remain in work and work 'well'. Specialist trauma informed counselling is also available to teams and individuals in the event of traumatic incidents.

- 11.30 HR continues to support managers to manage sickness absence within their teams, including referral to an external occupational health provider as required. Managers can access online wellbeing resources and training to help them support employees across day-to-day work, life and wellbeing events. HR continues to raise awareness of mental health and wellbeing and is currently planning a programme of mental health awareness training across the council, including specific frontline targeted training, to ensure the Council is able to respond well to the needs of residents and colleagues.
- 11.31 It is widely reported that organisations who take a positive, proactive approach to mental health and wellbeing can benefit from improved employee retention, reduction in absence and more engaged and motivated employees. Positive results from the 2023 Employee Attitude survey indicate high employee awareness of and value in the support offered by the council with 74% strongly agreeing/agreeing 'The council takes the health and wellbeing of its employees seriously' and 85% strongly agreeing/agreeing 'My manager cares about me as a person.'

### **Equality**

- 11.32 The gender profile for all of the public sector remains in favour of women at 64% female and 36% male as at quarter 4 (October – December) of 2023/24 (ONS EMP13: Employment By Industry). The Council's gender profile, aligns closely to this with 61% female and 39% male as at March 2024, remaining stable from last year's 60/40 split.
- 11.33 The Council reported a 7.3% (7.4%) mean gender pay gap as at the snapshot date of 31 March 2024. The gender pay gap is the difference between the average earnings of men and women across an organisation.
- 11.34 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 37% of employees who have disclosed their ethnicity as at 31 March 2024 is included in Appendix 1.

- 11.35 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**

- 11.36 HR organised and managed the delivery of the following online (via the Council's Learning Management System) and face-to-face (external and internal) learning and development training:
- Asbestos Awareness; Asbestos Awareness for Groundworkers; and, Asbestos – Duty to Manage
  - Display Screen Equipment
  - Fire Safety Management
  - Introduction to Accident Investigation
  - Political Awareness
  - Project Management Methodology
  - Understanding Domestic Abuse

IOSH Safety training will be delivered May – July 2024.

HR has also been working with the Strategic Project Lead on 'Domestic Abuse on the 'Domestic Abuse Housing Association (DAHA)' Accreditation and on Level 2 Domestic Abuse Awareness.

- 11.37 HR have organised for the third 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 28 June and the survey results will be discussed with ELB and Members (details to be discussed at A&G on 26 September 2024). Running the survey every year enables the analysis and identification of trends over time.
- 11.38 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 employees to proactively manage their health and can aid a quicker return to work following illness/injury. 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 up to the age of 24 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.

Feedback from employee's shows this is a highly valued benefit. HR has secured a further 12 month contract with the council's chosen provider, UK Healthcare, at a no cost/premium increase.

11.39 HR continues to review and update HR policies and has published over the past year the following revised policies:

- Equality, Diversity & Inclusion in Employment
- Adoption Leave and Pay
- Maternity Leave and Pay
- Paternity and Maternity Support Leave and Pay
- Long Service Recognition
- Politically Restricted Posts
- Working Hours and Time Off
- Flexible Working
- Absence Management

All HR policies and guidance are available to employees and managers on the Council's intranet.

11.40 HR continues to deliver a variety of on-line and workplace resources to support employee wellbeing and mental health.

## 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

AG102 Workforce Report 2022/23 20 July 2023

AG114 Update on Employee Attitude Survey 2023 28 September 2023

Other Background Documents:-

None

APPENDICES:

Appendix 1 – Workforce Report 2023/24 Data

Appendix 2 – Core mandatory training courses for all employees



## Appendix 1

### Workforce Report 2023/24 Data

#### Establishment

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

	Headcount	% increase	FTE	% increase
<b>March 2023</b>	445	+0.2%	405.34	+0.7%
<b>March 2024</b>	446		408.03	

Table 2 – Headcount of staff by grade

Pay Grade	Headcount
<b>Apprentice Scale 3</b>	3
<b>Apprentice Scale 4</b>	2
<b>Scale 3</b>	82
<b>Scale 4</b>	127
<b>Scale 5</b>	96
<b>Scale 6</b>	75
<b>Scale 7</b>	18
<b>Scale 8</b>	22
<b>Scale 9</b>	7
<b>Scale 10</b>	8
<b>Scale 11</b>	1
<b>Scale 12</b>	4
<b>Chief Executive</b>	1
<b>Total</b>	446

Table 3 – Contract Type

<b>Full time (37 hours)</b>	78%
<b>Part-time</b>	22%
<b>Permanent contract</b>	91%
<b>Fixed-term contract</b>	9%

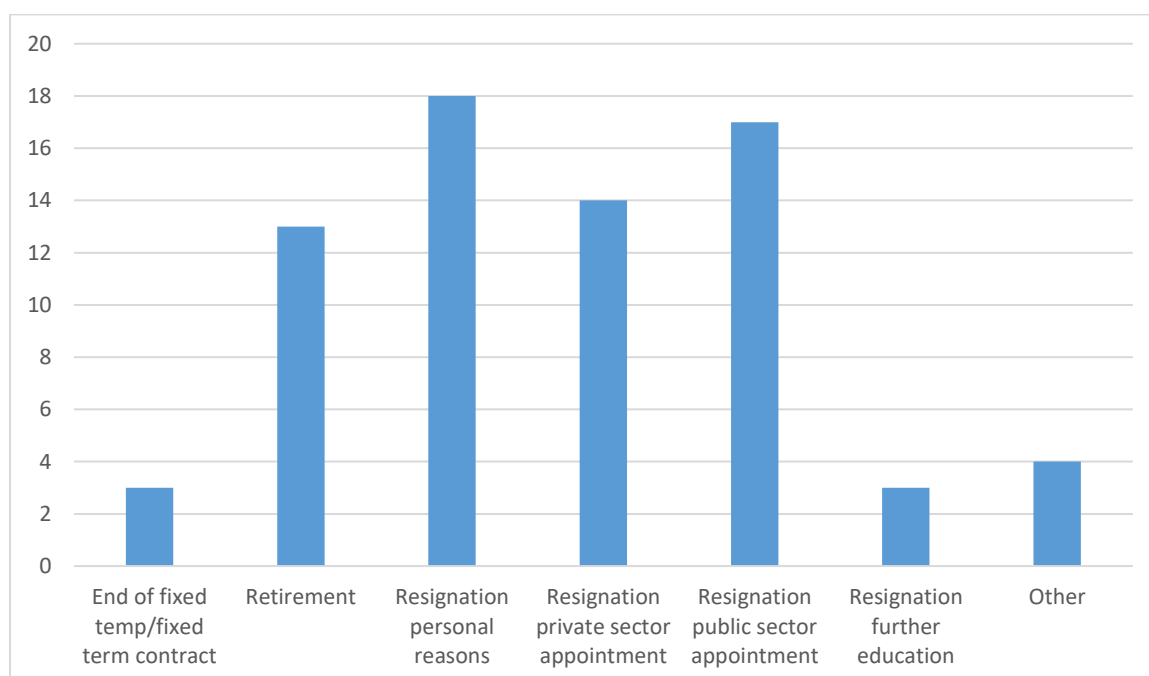
## Sickness

Table 4 - Top 5 sickness absence reasons (averaged over April 23 – March 24)

Sickness Reason	Percentage of total annual sickness	Previous Year's ranking (out of 20)	Direction of travel
Mental Health – personal	16.09%	2	↑
Infections incl cold and flu	11.57%	1	↓
Stomach, liver and digestion	8.35%	6	↑
Back and neck problems	8.03%	11	↑
Mental health – work related	7.95%	8	↑

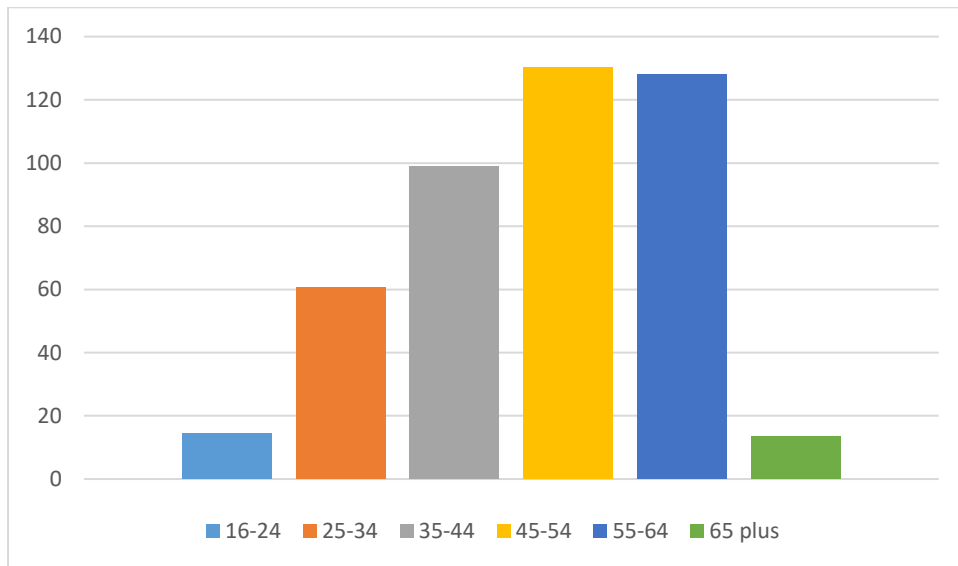
## Recruitment and Turnover

Table 5 – Reasons for leaving the Council

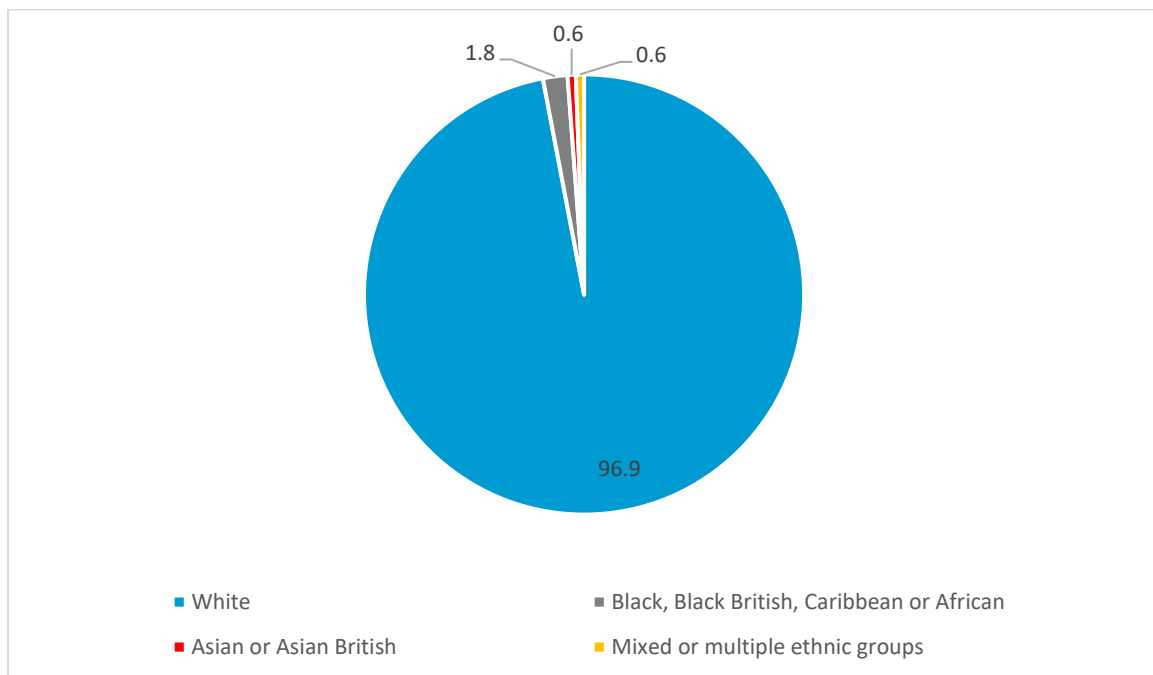


## Equality

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



**Table 7 – Ethnicity profile**



## **Appendix 2**

### **Core mandatory training courses for all employees**

Cyber Security Awareness and Staying Safe Online

Display Screen Equipment

How to Manage Information Securely

Introduction to GDPR

Introduction to Safeguarding Children and Vulnerable Adults

IT Policy and Declaration

PREVENT - Understanding the Government's Counter-Terrorism Strategy

The Importance of Equality, Diversity and Inclusion

Understanding Domestic Abuse

Working Safely - An Introduction to Workplace Health and Safety for Employees

This page is intentionally left blank

AG136  
AUDIT & GOVERNANCE COMMITTEE

REPORT TITLE: ANNUAL INTERNAL AUDIT REPORT & OPINION 2023-24

18 JULY 2024

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](mailto: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 2023-24.

RECOMMENDATIONS:

1. The Audit and Governance Committee note the Chief Internal Auditor's Annual Report and Opinion for 2023-24 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

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

3 LEGAL AND PROCUREMENT IMPLICATIONS

None directly from this report.

4 WORKFORCE IMPLICATIONS

None directly from this report.

5 PROPERTY AND ASSET IMPLICATIONS

None directly from this report.

6 CONSULTATION AND COMMUNICATION

The Executive Leadership Board have been consulted on the contents of the Annual Internal Audit Report and Opinion 2023-24.

7 ENVIRONMENTAL CONSIDERATIONS

None directly from this report.

## 8 PUBLIC SECTOR EQUALITY DUTY

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

None required.

## 10 RISK MANAGEMENT

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.

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
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 2023-24 (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.

## 12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 None.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG111 – Internal Audit Report and Opinion 2022-23.

Other Background Documents:-

AG101– Internal Audit Plan 2023-24

APPENDICES:

Appendix 1 – Annual Internal Audit Report and Opinion 2023-24

---

# **Southern Internal Audit Partnership**

Assurance through excellence  
and innovation

---

## **WINCHESTER CITY COUNCIL**

### **Annual Internal Audit Report & Opinion 2023-24**

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

**June 2024**

## Contents

Section	Page
1. Role of Internal Audit	2
2. Internal Audit Approach	3
3. Internal Audit Coverage	4
4. Internal Audit Opinion	5
5. Governance, Risk Management & Control – Overview & Key Observations	6-9
6. Quality Assurance and Improvement	10
7. Disclosure of Non-Conformance	10
8. Quality control	11
9. Internal Audit Performance	11
10. Acknowledgement	12
Annex 1 – Summary of Audit Reviews Completed 2023-24	13-14

## 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.

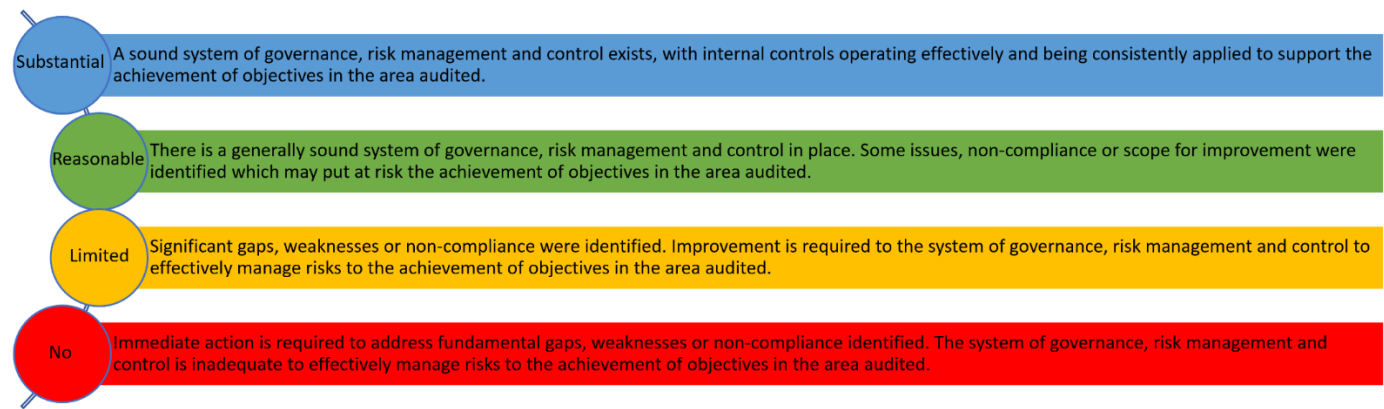
Working practices have been reviewed, modified and agreed with all partners seeking to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the need for site visits to complete elements of testing continues to be assessed and agreed on 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 2023-24 internal audit plan was considered by the Audit and Governance Committee in March 2023. 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 2023-24 financial year.

### Annual Internal Audit Opinion 2023-24

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.

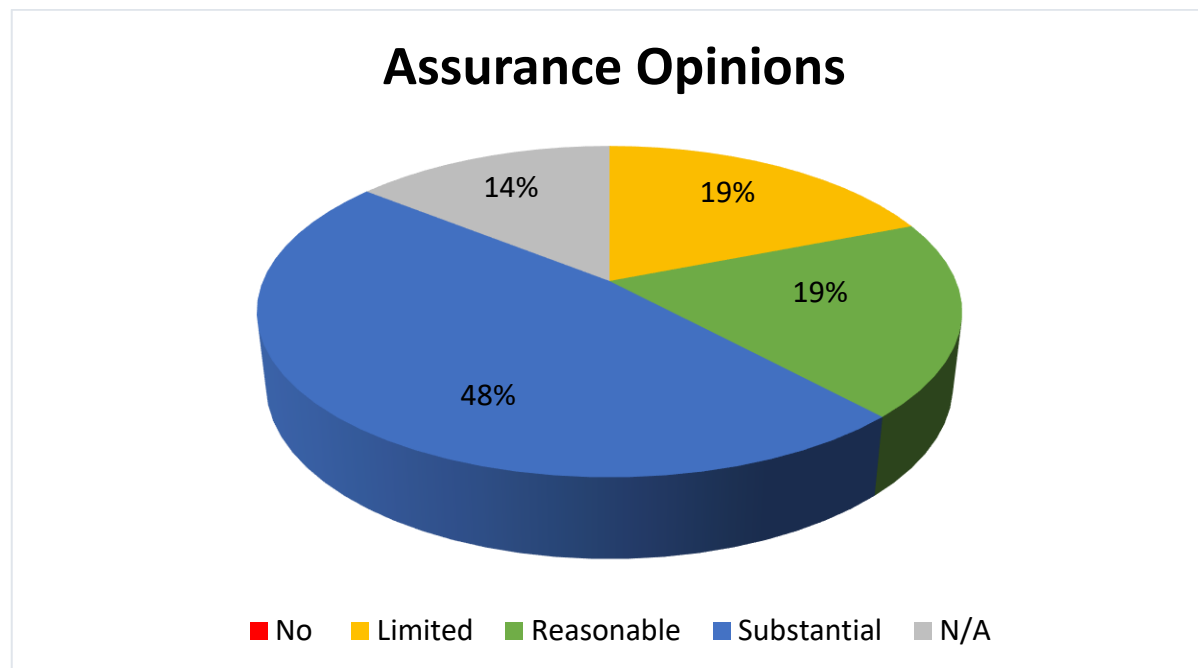
In my opinion, frameworks of governance, risk management and management control are **reasonable** and audit testing has demonstrated controls to be working in practice.

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 2023-24 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 further information provided in Annex 1.



N/A relates to audit work which does not culminate in an assurance opinion as these relate to certification of both the Bus Service Operator Grant and Mayor's Charity Account, and facilitation of the National Fraud Initiative.

## 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.

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 during 2023-24 which resulted in a 'Substantial 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. ELB review the Corporate and Operational Risk Registers quarterly and the Audit and Governance Committee receive regular updates on the Corporate Risk Register and approve the Risk Management Policy each year. Risk management is also embedded within project and programme management.

## 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 2023-24 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.

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. It is expected that areas of challenge will be identified through our audit work. We are pleased to report that no audits concluded with a 'No Assurance Opinion' however four reviews concluded with a 'Limited Assurance Opinion'.

### Asset Management – Corporate Estate

The audit reviewed the Council's arrangements for the maintenance and repair of non-housing stock corporate estate assets, including leased properties and community assets. The review identified that there is no single system in place to identify and set out all relevant properties with their respective lease terms and WCC obligations in relation to statutory checks or fire safety.

We were able to confirm that various statutory maintenance checks had been performed in 2023 including Fire Safety, Lifts, Gas & Heating and Legionella. Whilst evidence was provided to support the individual arrangements, in the absence of a single reliable system, it was not possible to provide assurance for the completeness and timeliness of the checks. There was also no documented schedule to show when each of these checks were due, completed, or any diary system to highlight when they would become overdue.

Although it was possible to obtain evidence of remedial works being identified and subsequently carried out, there was no formal method of documenting and tracking this for each type of statutory check. There was no documented schedule for 5 to 10 yearly condition surveys to be performed or records kept of previous checks, and no documented schedule for annual visual inspections or record of their completion.

The current arrangements are reliant upon the knowledge of the officer involved and prevent effective monitoring and reporting in respect of checks and repairs being carried out. The reliance upon officer knowledge also presents a business continuity risk.

### Mobile Device Management (Draft final)

The audit focussed on the arrangements for managing the Council's mobile devices. At the time of the review, due to delays in the project to move to a new solution for mobile device management, the project was approximately 85% complete, therefore many of the issues flagged were addressed during the course of the audit or would be resolved upon completion of the project.



### Income collection, banking and stock control – Visitor Information Centre

The audit found good processes and practices in many areas including cash handling and secure holding prior to banking; regular reconciliation of sales recorded on the tills to information recorded within the financial system; purchasing; and displaying/storing valuable items. However, only annual stock takes were being undertaken and a number of issues were identified with stock accounting procedures which contributed towards a write off of stock values at the end of 2022/23.

It is noted that separate reviews of Income Collection and Banking within the Central Offices and within the Guildhall concluded with a 'Substantial' assurance opinion and 'Reasonable' assurance opinion respectively.

### Tree Management (Draft)

There is an up to date Tree Management Strategy which includes priority ratings / the frequency at which all trees should be inspected (1 year, 3 years and 5 years, respectively). The required inspection frequency is recorded on the Ezytreev system, however we could not evidence any monitoring of inspections and records held are not up to date, therefore may not be reflective of the current condition of the trees. There is an up to date procurement framework for contracting tree work, however we could not evidence that the contractor's work is inspected upon completion or monitoring of their performance.

### *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 2023-24 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success.
- 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%	91%
Positive customer survey response - SIAP – all Partners	90%	98%
Positive customer survey response – Winchester City Council	90%	100%
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 2024).*

## 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 2024

Annex 1

Summary of Audit Reviews Completed 2023-24

Work is substantially complete for the audits of Decision Making and Accountability and Accounts Receivable/Debt Management however these have not sufficiently progressed to include within this annual report and will therefore contribute towards the 2024-25 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.

- Capital Programme and Monitoring
- Business Continuity
- Risk Management
- Human Resources – Absence Management
- Housing Rents
- Housing Benefits & Council Tax Reduction Scheme
- Income Collection and Banking – Central Offices
- Building Control
- Green Economic Development Strategy (Draft)
- Housing Management, Enforcement and Homelessness - New Homes Scheme

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.

Human Resources – Recruitment

Income Collection and Banking – Guildhall

Virtualisation (Draft Final)

Food Safety Inspections – Recovery Plan (Draft)

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.

Asset Management (Corporate Estate)

Income Collection, Banking and Stock Control – Visitor Information Centre

Mobile Device Management (Draft Final)

Tree Management (Draft)



This page is intentionally left blank

AG131  
AUDIT AND GOVERNANCE COMMITTEE

REPORT TITLE: ANNUAL GOVERNANCE STATEMENT 2023/24

18 JULY 2024

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

Contact Officer: Simon Howson Tel No: Tel No: 01962 848 104

Email: [showson@winchester.gov.uk](mailto:showson@winchester.gov.uk)

WARD(S): ALL

PURPOSE

This report sets out the annual governance statement for 2023/24 and the actions that will be undertaken during the coming year to address the issues arising.

RECOMMENDATIONS:

1. That the Audit and Governance Committee approves the annual governance statement for 2023/24 as set out in Appendix 1 for inclusion in the Annual Financial Report 2023/24.
2. That the issues arising, and 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.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

The annual governance statement is a statutory document and integral to the governance framework at the council that supports the achievement of the outcomes included in the Council Plan 2020-25.

2 FINANCIAL IMPLICATIONS

There are no direct financial implications. Where further work is required to respond to the issues identified, any additional financial resources required to implement identified improvements will be raised separately or through the budget process.

3 LEGAL AND PROCUREMENT IMPLICATIONS

The annual governance statement is a statutory document which explains the processes and procedures that are in place to enable the council to carry out its functions effectively. Local authorities in the UK are required to prepare the statement in accordance with proper practices and the council has followed the CIPFA/SOLACE Delivering Good Governance 2016 framework which is still the most current documentation in this area.

The necessity to confirm with these regulations and the governance framework is recognised accurately in this report.

There are no legal and procurement implications arising directly in this report. Where further work is required to respond to the issues identified these will be subject to review by Legal Services and Procurement, and in particular will require consideration of the council's Contract Procedure Rules and Public Contracts Regulations 2015 (PCR2015) and governance where required.

4 WORKFORCE IMPLICATIONS

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

5 PROPERTY AND ASSET IMPLICATIONS

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

6 CONSULTATION AND COMMUNICATION

The report has been reviewed by the Executive Leadership Board and Statutory Officers.

7 ENVIRONMENTAL CONSIDERATIONS

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

## 8 PUBLIC SECTOR EQUALITY DUTY

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 arising from the action plan.

## 9 DATA PROTECTION IMPACT ASSESSMENT

There are no data protection impact assessments required.

## 10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
Financial Exposure - none	n/a	n/a
Exposure to challenge	The annual governance statement (AGS) is a statutory document required by the regulation of the Accounts and Audit Regulations 2015.	The annual review of the effectiveness of the system of internal control supports the council to identify and correct control weaknesses.
Innovation – none	n/a	n/a
Reputation	The preparation and publication of the AGS is a fundamental element of the council's governance framework.	Having a robust AGS and governance framework provides the assurance that the council is delivering good governance.
Achievement of outcome - none	n/a	n/a
Property - none	n/a	n/a
Community Support - none	n/a	n/a
Timescales - none	n/a	n/a
Project capacity - none	n/a	n/a
Other - none	n/a	n/a

## 11 SUPPORTING INFORMATION:

The council's constitution delegates responsibility to the Audit and Governance Committee to approve the annual governance statement (AGS) taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.

This report presents the AGS for the year 2023/24 for consideration by the committee.

The AGS is a statutory document which explains the processes and procedures that are in place to enable the council to carry out its functions effectively.

This AGS provides an assurance to the council and its stakeholders that good governance procedures and requirements are in place and is produced following a review of the governance arrangements by Corporate Heads of Service and Service Leads. The AGS includes an action plan to address any significant governance issues that have been identified.

The council must at least annually conduct a review of the effectiveness of its systems on internal control and report its findings in the annual governance statement. The annual review of governance arrangements was completed by Corporate Heads of Service and Service Leads during April 2024.

The AGS must be prepared in accordance with proper practices and the council has followed the CIPFA/SOLACE Delivering Good Governance 2016 framework, the most up to date guidance in this area.

In preparing the 2023/24 AGS, the S151 officer has reviewed the CIPFA Financial Management Code 2019 (FM Code) which sets out the principles of sound financial management; introduces an overarching framework of assurance; and sets out standards to ensure a local authority is financially sustainable. The council's governance arrangements for budgeting; the accounts; financial decision making; and compliance with codes of practice and legislation are in accordance with the financial management standards set out in the FM Code.

The AGS is a valuable means of communication. It enables the council to explain to its residents, service users, council taxpayers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure to deliver its outcomes and priorities.

The following issues were included in the previous year's AGS for addressing during 2023/24:

- **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.
- **Council Constitution** – review and refresh of the Council's Constitution.

- **Complaint handling** – review of performance for dealing with and responding to customer complaints, particularly stage one complaints.

Regular progress updates have been provided during the year to members of this committee in the quarterly governance monitoring reports.

Actions relating the Constitution are complete and referred to in the AGS Action Plan update in the Q4 Governance Monitoring report (Appendix 1, report AG124 refers). A full and detailed review was undertaken with the engagement of a cross-party Constitution Working Party assisting with the review. The 2024 Constitution was adopted by Full Council on 30 November 2023. Further work is required to adopt the Model Code of Conduct for Councillors by December 2024 but is not proposed to register this on the AGS.

Further work to address actions relating to complaints have been completed or are ongoing with processes having been reviewed and increased monitoring in place.

Records Retention and Disposal has a completion deadline of 30 September 2024 for paper and digital records. Due to the scale of this work, this work is retained in the 24/25 AGS.

- **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.

Accordingly, this issue is included in the AGS for 2023/24 which is attached as appendix 1 to this report. A plan setting out the actions to address these issues is included in Appendix 2 and progress against these will be included in future quarterly governance monitoring reports.



12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 As a statutory requirement no other options have been considered.

BACKGROUND DOCUMENTS: -

Previous committee reports: -

AG105 Annual Governance Statement 2022/23

Other background documents:

None

APPENDICES:

Appendix 1 Annual Governance Statement 2023/24

Appendix 2 Annual Governance Statement 2023/24 Action Plan

## **ANNUAL GOVERNANCE STATEMENT 2023/24**

### **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 2023/24 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 full and detailed review of its constitution between 2017 and 2019 and was adopted by Full Council in March 2019.
- 1.6 A full and detailed review to ensure the Constitution remains fit for purpose was undertaken during 2023 with a cross-party Constitution Working Party assisting with the review. Eleven meetings of the working party were held in total. Consideration and outcomes of the final meeting of the Constitution Working Party was held on 16 November 2023 to consider the recommendations from Audit and Governance Committee. Special regard was also had to existing and emerging legislation as well as how decisions are taken as this is a key part of the Constitution which sets the tone for the culture the Council wishes to operate. The updated Constitution 2024 was adopted by Full Council on 30 November.

### **2 The purpose of 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 ensuring 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 2024 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 The annual governance statement has been prepared using a process similar to that used in previous years, including.
  - Service leads completing a statement of assurance providing details as to the extent and quality of internal control arrangements operating within their teams during the previous year. 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 report and Opinion 2023/24 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.
- 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 cabinet members 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 was adopted at Council on 15 January 2020 and is reviewed annually to provide the opportunity to refine the actions that the council will be undertaking in the coming year and was last reviewed at the end of 2023. During the year, Cabinet can make amendments to the Council Plan to ensure that it remains fit for purpose and in December 2022 added four new areas of enhanced focus that included Listening Better, Green Faster, Cost of Living and Pride in Place with significant revenue and capital investment allocated to these areas. The coming financial year will be the final year of the current Council Plan and over early summer the council will undertake a district wide Residents' and Young Persons Survey which will capture the views and opinions of our residents' and young people. The results from the survey will provide valuable evidence that will be used to support the shaping of the priorities and objectives to be included in the next Council Plan
- 5.7 The Council Plan 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 more detailed business plans which 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.
- 5.8 Progress against the Council Plan priorities and budgets is monitored regularly by the Executive Leadership Board and members of the cabinet. The Scrutiny Committee reviews and scrutinises the performance of the council in relation to policy objectives and performance targets, focusing on delivery of key projects and programmes of work that deliver the priorities in the Council Plan, drawing attention to other areas where progress is exceeding, or falling short of targets. Members of cabinet also monitor progress in delivery.
- 5.9 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.
- 5.10 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.

- 5.11 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*.
- 5.12 The council has set out the arrangements for managing risk in its Risk Management Policy (approved by Cabinet 14 March 2024, report CAB3453 refers) which also includes a Risk Appetite Statement and is reviewed annually.

## **6 Review of effectiveness**

- 6.1 The authority has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Strategic Leads who have responsibility for the development and maintenance of a sound governance environment.
- 6.2 Mandatory awareness training for all staff has been undertaken to ensure 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 has a direct reporting line to the Chief Executive for matters concerning the statutory officer role and attends Executive Leadership Team.
- 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 S151 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 the effectiveness is undertaken by:

<b>The Council</b>	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.
<b>The Cabinet</b>	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.
<b>Audit and Governance Committee</b>	Approves the annual audit plan, monitors the internal control environment through receipt of audit reports and opinions 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.
<b>External Audit</b>	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.
<b>Internal Audit</b>	<p>The Southern Internal Audit Partnership provide the council with an internal audit service which includes the council's entire control environment. The Head of the Southern Internal Audit Partnership takes account of the council's assurance and monitoring mechanisms, including risk management arrangements, for achieving the council's objectives.</p> <p>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 this governance statement.</p> <p>There is a requirement for internal audit to undertake an annual self-assessment and independent external assessment every five year. Any areas of non-conformance must be reported as part of their annual report and opinion.</p>



	Based upon the work completed to date the Internal Audit Opinion for 2023/24 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.
--	---

## 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:

- **Records Retention and Disposal** – the work continues to ensure that the Records Retention and Disposal Policy and Schedule is refreshed and embedded into the organisation so that records are stored in accordance with the agreed schedule.

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 residents, 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 the Internal Audit Opinion for 2023/24 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 2023/24 will be presented to Audit & Governance Committee at its meeting on 18 July 2024.

## 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

**Annual Governance Statement 2023/24 – Action Plan**

No	Issue	Actions	Lead Officer	Target Date	Method of Assurance
1	<b>Records Retention and Disposal</b> – 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.	Adoption of updated Retention & Disposal Schedule by Executive Leadership Board (ELB)	Senior Policy and Programme Manager/ Corporate Heads of Service	June 2024	Document prepared and approved that sets out how the schedule will be applied to council systems and document types.
		Map & align retention schedule to content/indexing and values in system(s)	Senior Policy and Programme/ Service Lead for IT	June 2024	System reports showing that the retention and disposal schedule is being successfully applied and records not being kept longer than required.
		Create implementation plan for roll out Policy & Schedule for adoption at ELB	Senior Policy & Programme Manager	June 2024	Document prepared and approved that sets out how the schedule will be rolled out across the council.
		Implementation of Retention & Disposal schedule across business applications and systems	Senior Policy and Programme Manager/ Corporate Heads of Service	Commence July 2024 for completion 30 September 2024	Roll out of Retention and Disposal schedule, including deletion of physical and digital documents in accordance with the schedule.

This page is intentionally left blank

AG124  
AUDIT AND GOVERNANCE COMMITTEE

REPORT TITLE: Q4 GOVERNANCE MONITORING

18 JULY 2024

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

Contact Officer: Simon Howson Tel No: 01962 848 104

Email: [showson@winchester.gov.uk](mailto:showson@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 fourth quarter of the 2023/24 financial year.

RECOMMENDATIONS

That the Audit and Governance Committee:

1. notes the content of the report including the progress against the internal audit management actions and raises any issues with the cabinet member,
2. notes the code of conduct complaint and resolution as set out in appendix 2.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

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

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

3 LEGAL AND PROCUREMENT IMPLICATIONS

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

4 WORKFORCE IMPLICATIONS

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

5 PROPERTY AND ASSET IMPLICATIONS

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

6 CONSULTATION AND COMMUNICATION

Consultation on the content of this report has been undertaken with the Cabinet member for Community 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

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

8 PUBLIC SECTOR EQUALITY DUTY

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

There are no data protection impact assessments required.

## 10 RISK MANAGEMENT

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 2024/25 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 are highlighted in this report and the actions being taken to address them.

## 11 SUPPORTING INFORMATION

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

The Governance and Decision-making structure of the Transformation Challenge 2025 (TC25) programme is set out at Appendix 4.

### ***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.
- 11.3 Members should note the related agenda item at this meeting, [AG131](#) - Annual Governance Statement 2023/24.

### ***Declarations of gifts and hospitality***

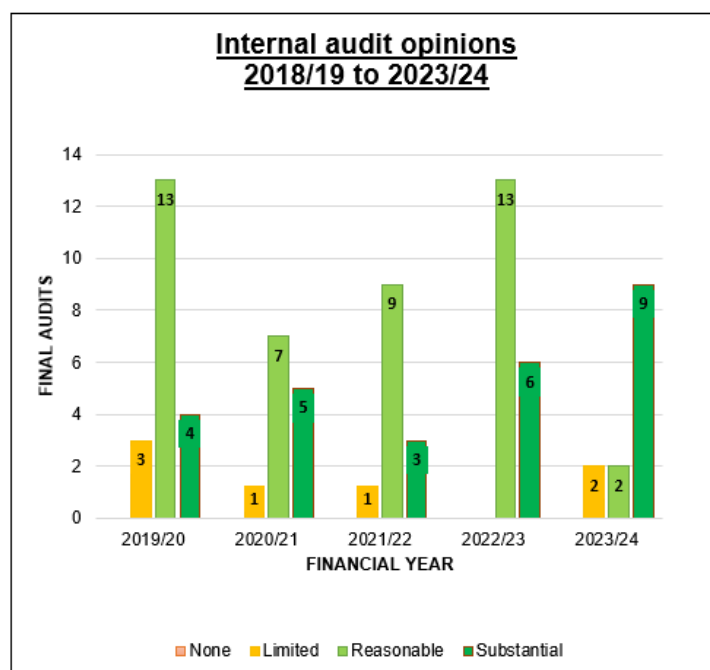
- 11.4 During the period 1 January 2024 to 31 March 2024 there were three declarations of gifts and hospitality made by officers in accordance with the Employee Code of Conduct.
- 11.5 Members regularly update their register of interest forms and during the period 1 January 2024 to 31 March 2024 there were no declarations of gifts or hospitality over the value of £50 made by members in accordance with the Members Code of Conduct.

## 12 ***Internal Audit***

- 12.1 Internal audit provides an evaluation, through a risk-based approach, on the effectiveness of governance, risk management, and internal controls operating at the council. The internal audit plan for 2023/24 was approved by this committee on 2 March 2023, report [AG101](#) refers.



- 12.2 Since 1 April 2023 there have been no audit review reports that concluded with a 'no assurance' opinion and two audit review reports that concluded with a 'limited' assurance opinion. Nine audit reviews concluded with a substantial opinion, and two concluded with a reasonable opinion.
- 12.3 Where reasonable or substantial audit opinions are offered following an audit review this gives assurance to senior management, external auditors and members of this committee that an appropriate system of governance, risk management and control exists with internal controls and processes operating effectively in the area audited.
- 12.4 Additional commentary can be found in section 13 of this report, where opinions that are either limited or no assurance are summarised to support members in monitoring the progress of the actions in place to address the identified weaknesses found during the audit review.
- 12.5 The chart 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.

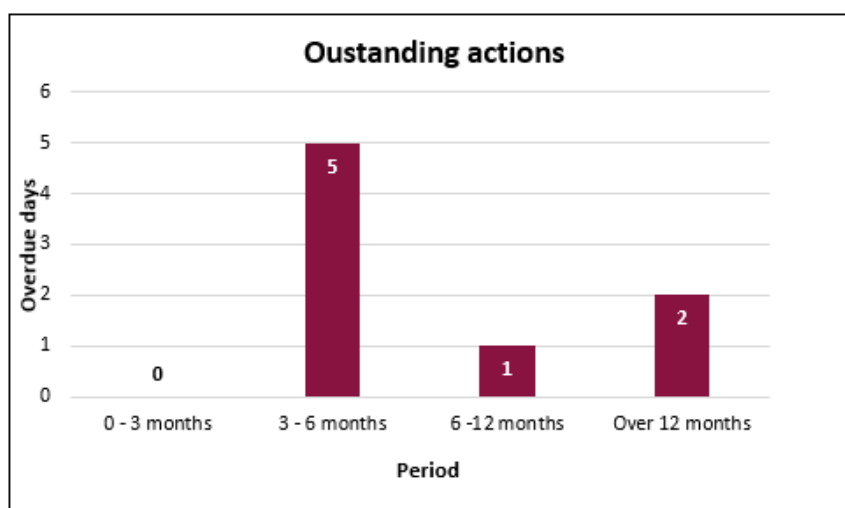


- 12.6 Since the Q3 2023/24 Governance Monitoring report was presented to Audit and Governance Committee on 29 February 2024 there have been seven internal audit reports finalised and issued before the 31 March 2024, four of which concluded with substantial assurance.
- Income Collection Banking – Central Income Collection (substantial)
  - Capital Programme and Monitoring (substantial)
  - Absence Management (substantial)

- Income Collection, Banking & Stock Control – Visitor Information Centre (Limited)
- Human Resources – Recruitment (Reasonable)
- New Homes Programme (Substantial)
- Income Collection and Banking – Guildhall (Reasonable)

### ***Internal Audit Management Actions Tracking***

- 12.7 Corporate heads of service (CHoS), service leads, and Executive Leadership Board (ELB) regularly review the progress against the actions included in the internal audit reports.
- 12.8 Reported on a quarterly basis is a summary table showing the status of these actions which are kept under regular review to assess progress and consider where actions might become superseded or obsolete due to external or internal factors.
- 12.9 To assist member's understanding, an additional narrative is included in the table below to provide a brief explanation of the progress being made against the actions that have passed their target date and the reasons for the delay in completion.
- 12.10 There are currently 8 overdue actions, none of which are high priority. One action has been completed since the last meeting of the committee on 29 February 2024.
- 12.11 The chart below provides an analysis of the overdue management actions by the length of time that has passed since the target completion date for each of the actions. There are 2 actions that are showing as overdue for more than one year and these relate to the Records Retention and Disposal audit. Progress against these two actions is underway at pace with an update included in paragraph 13.4 of this report.



- 12.12 Further information relating to the current overdue 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			
Information Governance Records Retention	0303/2022	SDR	Limited	14 (4)	0	0	12 (4)	2		2	
<p><b>Progress update:</b> There are two overdue actions.</p> <p>The first overdue action is to implement and apply the retention schedule to document management systems and filing structures. This will be completed by the 30 September 2024.</p> <p>The second overdue action relates to reviewing and updating of the Information Asset Register (IAR). Work will not commence on this until the Data Protection and Digital Information Bill has been through parliament and received Royal Ascent in the House of Lords. Progress of the Bill has now been delayed owing to the calling of the General Election and work will resume once the Bill has been passed.</p>											
IT Asset Management	24/02/2023	SDR	Reasonable	8 (1)	0	0	3 (1)	5	5		
<p><b>Progress update:</b> Approval has now been given to the Asset Management Project, which includes actions that will address the weaknesses identified in the audit review and will commence in June/July. This project is due to be completed by the end of October.</p>											
Human Resources	10/07/2023	SDR	Reasonable	4(2)	0	0	3(2)	1		1	
<p><b>Progress update:</b> There is one medium priority overdue action remaining which is to update the Learning and Development Policy. This policy is currently under review and will be completed in Quarter 2 2024/25.</p>											

### ***Internal Audit Service Resourcing***

- 12.13 The Accounts and Audit (England) Regulations 2015 require local authorities to *undertake an effective internal audit to evaluate the effectiveness of risk management, control and governance processes*. For Winchester, the council's Constitution sets out that it is the responsibility of the Section 151 Officer to *maintain an adequate and effective system of internal audit*. To achieve this, the council has a successful joint working arrangement with (and is a key stakeholder partner in) the Southern Internal Audit Partnership (SIAP).
- 12.14 The annual audit plan, agreed by the Audit & Governance Committee ahead of each new financial year, is risk based and since 2017/18 resourced to deliver 310 audit days per year.
- 12.15 In response to a review of internal audit resourcing (and in light of the chief internal auditor's reports on the council's risk management processes; control systems; accounting records; and governance arrangements) the section 151 officer is proposing to give notice to SIAP to reduce the number of audit days to 295 in 12 months' time. This reduction of 15 days is less than 5% of the programme and balances the need to ensure there are adequate controls to mitigate risks with the need to reduce costs to address budget shortfalls in the medium term.

## **13 *Internal Audits with Limited Assurance***

- 13.1 The following section provides background and an update on the progress of management actions where an internal audit concluded with a limited assurance opinion and supports members in monitoring the progress of the actions in place to address the identified weaknesses found during the audit review.

### **13.2 *Asset Management (Corporate Estate)***

As part of the planned internal audit reviews for 2022/23, a review was undertaken of the council's arrangement for the maintenance and repair of non-housing corporate assets. The final report was issued on 16 October 2023 and offered a limited opinion.

The audit set out to assess the effectiveness of controls in place focusing on those designed to mitigate risk in achieving the following key objectives:

- There are roles and responsibilities in place for the maintenance of corporate occupied properties and community assets, and these are supported by policies and procedures.
- A centrally controlled Asset Register database is in place and linked to maintenance programmes to enable effective monitoring of both planned works and reactive repairs and maintenance.
- Property maintenance is scheduled and actioned in line with statutory requirements and Council policy.

- Performance in respect of planned maintenance and reactive repairs is adequately monitored and reported.
- Appropriate Fire Safety arrangements are in place, in line with lease agreements and insurance arrangements.

There were a number of areas assessed where the current controls were found to be effective and working well. The Asset Management Strategy includes overall arrangements for property maintenance and there are clear roles and responsibilities in place. Risk assessments in relation to Asset Management are available. Statutory maintenance checks have been carried out in 2023 and included in the budget for facilities and maintenance. The edit/delete access to the Uniform platform is restricted to relevant users only.

**Central system for logging statutory maintenance and repairs.** A centralised monitoring system is now in place.

**Procedures for Statutory Checks and Maintenance.** A centralised system is now in place.

**Condition surveys and visual inspections.** Visual inspections are part of the Control Document spreadsheet. Urgent repairs and maintenance are identified but there is insufficient asset management budget to commission regular comprehensive condition surveys on all Council assets.

### 13.3 **Income Collection, Banking & Stock Control – Visitor Information Centre**

A review of Income Collection, Banking and Stock Control for the Visitor Information Centre (VIC) was undertaken in 2023/24. The audit is in the plan owing to the risks associated with cash and stock handling. The final report was issued on 11 March 2024 and offered a limited assurance opinion.

The audit highlighted several existing procedures and controls that were working well and deemed effective in controlling income collection and banking. All actions required to address the weaknesses identified have been completed.

However, there were gaps in the stock control and reconciliations between the VIC Electronic Point of Service (EPOS) system (till system) and the corporate financial management system. All of the management actions have now been implemented / completed which should mitigate the risks identified. In addition to this the installation of a new EPOS system in July has meant that stock control has been significantly improved. Stock items on the EPOS system have been condensed and all products now have images to avoid mis-selling by staff. The VIC manager now undertakes quarterly stock takes, which allows for any discrepancies to be identified and dealt with quickly and ensures they are not left to year end.

The EPOS system and corporate financial management system are not integrated and must be reconciled. To ensure the financial system correctly records stock orders and payments, further orders were suspended from mid-

February until the new financial year to assist in the reconciliation of figures. The 2023-24-year end stock take resulted in a minimal discrepancy which demonstrates that the actions and procedures introduced are working.

#### 13.4 Information Governance – Records Management

During the quarter, colleagues in the Policy team worked with Service Leads across the council to review and validate the retention periods for the documents that are held by their services. This has now been completed and the Retention and Disposal schedule approved by ELB. The roll out of the Policy and Schedule to all staff has taken place and will be completed by 30 September 2024.

Implementation of the schedule across the systems and platforms is now well underway and will see deletion of records and documents that do not need to be retained, including documents deleted from on-premise servers or saved into SharePoint. The exercise will also include purging and deleting legacy files areas, such as those relating to staff who have left the council. This will continue until the end of September.

#### 14 Risk Management

14.1 The council's Risk Management Policy 2024/25 sets out a timetable for this committee to review the policy and corporate risks (section 11 of the Risk Management Policy). The current Corporate Risk Register is appended at Appendix 3. The most recent formal quarterly review of the Corporate Risk Register by the Executive Leadership Board (ELB) was carried out on 8 May 2024. All risks and their current controls were reviewed.

14.2 As a result of the review there were the following updates:

- CR003 - Challenge of decisions – controls updated to reflect that the next Residents survey has been commissioned and fieldwork will commence in June and also the following control added '*where possible and appropriate digitalisation will be utilised to mitigate against procedural errors*'.
- CR004 – Business Continuity – controls updated to reflect that the Business Continuity plans were approved by ELB on 6 March 24; annual testing of the IT Disaster Recovery Plan took place on 20 March 24; and that there is a workplan in place for 2024.
- CR006 – Partnership Working – controls updated to reflect that the Partnership register was endorsed by ELB on 6 March 24.
- CR010 – Climate Emergency - the HRA associated budget figure updated from £15mil to £45mil in-line with [CAB3445](#).
- CR011 – Climate Change - causes updated and reference removed to 'footpaths and car parks' as causes will be dependent on each adverse weather event.

- CR012 - Nutrient neutrality (Phosphates) - controls have been updated to reflect that a project team has been initiated.
- 14.3 The original and residual risk ratings of all risks were considered appropriate and tolerable. The causes, consequences and controls for each risk were reviewed and deemed to be current and sufficient at the time of the review (other than those updates set out above).
- 14.4 ELB reviewed the current status of the public sector and did not determine any further Corporate Risks despite ongoing uncertainty around national politics and funding.
- 14.5 Of the 72 operational risks managed by Corporate Heads of Service, five of these were presented to ELB for review as the residual risk was rated as 'red'. For all of these ELB agreed that the current controls were sufficient, that the residual risk score was correct and accepted and escalation to the Corporate Risk Register was not required at this stage. ELB agreed to merge two of the operational risks to avoid duplication.
- 14.6 In addition, ELB discussed a new Operational Risk related to the Climate Emergency and agreed that this was assigned to the Corporate Head of Economy and Community, reflecting the scope of actions and mitigations already in place.

## 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. In addition to the usual reporting in this appendix there is a report of a breach of the code for noting by this committee in accordance with the process.

## 16 ***TC25 Governance and Decision-making Structure***

- 16.1 In response to the challenging financial landscape for local government in general and the specific pressure being forecast in Winchester's medium term financial strategy, the council has established an organisation wide transformation programme in order to close a £3m budget gap within 3 years. This TC25 programme is critical to ensure a financially sustainable future for the council and is also an opportunity to improve and modernise our interactions with customers.



- 16.2 Effective governance arrangements are critical for the effective delivery and robust budget forecasting. Decision making for individual TC25 projects is no different to the usual decision-making process, as set out in the constitution.
- 16.3 As a strategic priority, TC25 is a Tier 1 programme, and from Q1 24/25, progress of TC25 will be reported and monitored by Scrutiny Committee via the quarterly Performance and Finance report.
- 16.4 Oversight of overall programme delivery is by the Programme and Capital Strategy Board (PAC Board) with responsibility for delivery being with the newly established TC25 Programme Board with the Leader and Cabinet Member for Finance and Performance alongside the Chief Executive, Section 151 Officer and the TC25 Head of Programme.
- 16.5 The Governance and Decision-making structure of the Transformation Challenge 2025 (TC25) programme is set out at Appendix 4.
- 17 OTHER OPTIONS CONSIDERED AND REJECTED
- 17.1 None

BACKGROUND DOCUMENTS: -

Previous Committee Reports: -

AG120 Governance Monitoring Quarterly update Q3 2023/24, 29 February 2024.

Other Background Documents:

None.

APPENDICES:

Appendix 1 – Annual Governance Statement 2022/23 – progress update

Appendix 2 – Code of Conduct complaints

Appendix 3 – Corporate Risk Register

Appendix 4 – TC25 Governance and Decision-Making Structure

**Annual Governance Statement 2022/23 – Action Plan update – March 2024**

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
1.	<b>Records Retention and Disposal</b>  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 adopted by ELB on	Senior Policy and Programme Manager	September 2023	<b>Complete</b>
		Map and align retention schedule to content/ indexing and values in business systems	Officers in the Policy team have met with service leads to review and agree the retention periods for each of the document types for their services.  The schedules have been mapped to the business systems used in each team so that they can be applied.  Completion of the full schedule has been completed and approved by ELB.	Senior Policy and Programme Manager/ Corporate Heads of Service	June 2024	<b>Complete</b>
		Retention schedule implementation and application across business systems completed	Implementation of retention schedule across business systems to commence once the final schedule is in place. Anticipate starting work in	Senior Policy and Programme Manager/ Head of IT	September 2024	In progress

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
			April with an aim to complete by end of the year.			
2.	<b>Council Constitution</b>  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	<b>Complete</b>
		Draft Constitution considered by ELB.	Comments and amendments to feed into final draft.	Strategic Director & Monitoring Officer	June/ July 2023	<b>Complete</b>
		Final draft share with Working Group	On schedule to be completed before consideration by Audit & Governance Committee on 9 November.	Strategic Director & Monitoring Officer	September 2023	<b>Complete</b>
		Draft Constitution considered by Audit & Governance Committee.	Included on the agenda for Audit & Governance Committee meeting on 9 November.	Strategic Director & Monitoring Officer	September 2023	<b>Complete</b>

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
		Adoption of updated Constitution by Council.	Updated Constitution adopted at Full Council on 30 November 2023.	Strategic Director & Monitoring Officer	November 2023	<b>Complete</b>
3.	<b>Complaint Handling</b>  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 via City Voice staff newsletter with links to the Complaints Procedure Guidance document	Service Lead for Corporate Support	June 2023	<b>Complete</b>
		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.	Senior Policy and Programme Manager	July 2023	<b>Complete but support ongoing</b>

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
		Ongoing review and reporting of performance	<p>There is a corporate KPI reporting overall % complaints responded to within 10 working days which is reported to PAC Board, Scrutiny Committee and Cabinet.</p> <p>Performance by each Corporate Head of Service area is reviewed and reported as above</p>	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 **20/05/2024**.

#### **Summary of current caseload:**

- A. Number **Active Individual Complaints**: 4 complaints from 4 individual complainants (see current status/update below).
- B. Number Complaints **Not Commenced**: 0
- C. Number **individual complaints** relating to a City Councillor: 2
- D. Number **individual complaints** relating to a Parish/Town Councillor: 2.
- E. Number of complaints received since last report: 4.
- F. Number of **complaints closed** since the last report: 4.
- G. Number of **Standards Sub Committees** held: 0.



**Analysis of active cases:**

<b>Date received</b>	<b>Relating to Parish/ Town/ City Councillor</b>	<b>Current status/update</b>	<b>Approx time spent on this complaint since 01/07/23</b>
November 2023	City Councillor	Determined to be a breach of the code of conduct. Further details regarding this complaint are provided within this appendix below.	34 hours
March 2024 and April 2024	Parish Councillor	<p>Response received from subject member for both complaints. There is considerable correspondence ongoing in respect of these complaints.</p> <p>March – Independent Person (IP) consulted prior to Monitoring Officer (MO) consideration and draft decision to be circulated.</p> <p>April – IP to be consulted – likely referral for investigation.</p>	<p>March - 24 hours</p> <p>April - 12 hours</p>
April 2024	City Councillor	Complaint shared with subject member response currently remains outstanding.	4 hours

### **Breach of the Code of Conduct**

In line with paragraph 5.1.1 of the Guidance notes relating to the handling of code of conduct complaints, where a complaint is decided by informal resolution and the subject member accepts that their conduct was unacceptable and offers an apology, the Monitoring Officer will report the matter to the Audit and Governance Committee.

This is the first such case that has fallen within this part of the process and details of the complaint and the determination of the Monitoring Officer is set out below.

On 13 November 2023, a complaint was made regarding Councillor Learney's conduct. The complaint was shared with the subject member who made a full response to the points raised. The complaint essentially highlighted a concern that Councillor Learney had not appropriately disclosed her interest with WinACC at the Cabinet meeting of 13 September 2023 before a decision was taken regarding the City Council's Carbon Neutrality Action Plan (CNAP), reference CAB3432.

Councillor Learney was acting in her capacity as a Councillor at the Cabinet meeting in September 2023 and so was subject to the requirements of the Code of Conduct. Councillor Learney had correctly registered her association with WinACC in her register of interests and this had also been recorded in the minutes of a previous Cabinet meeting in May 2023. This interest is regarded as a non-pecuniary interest and in line with paragraph 2.3 of the Code of Conduct should have been declared at the September meeting and it was not. It therefore amounts to a breach of the Code of Conduct.

The Independent Person was consulted and has agreed that there has been a breach of the Code of Conduct.

Councillor Learney has been asked to apologise to the complainant for this breach and given the circumstances, to also apologise to her cabinet colleagues, which she has agreed to do. These apologies will be actioned as soon as the process of reporting this breach to the Audit & Governance committee has concluded and is formally noted.

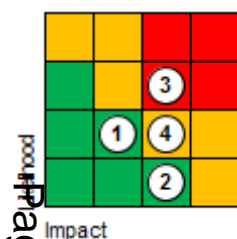
As this is a breach of the code of conduct this decision will also be uploaded onto the code of conduct pages of the website.

## Corporate Risk Register 2024/25



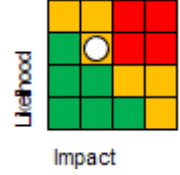
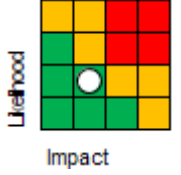
As of 16 May 2024

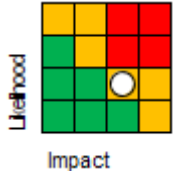
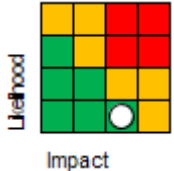
Summary of residual risks:

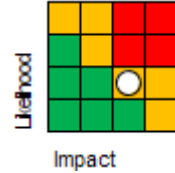
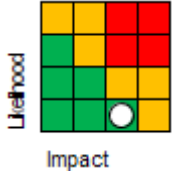


Code	Risk Description	Risk Owner	What might go wrong? (Cause)	What will happen? (Consequence)	Original Risk Rating	Current Controls	Residual Risk
CR001	Given competing demands and multiple complex priorities, the risk is that the council does not maintain capacity to deliver services	Chief Executive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

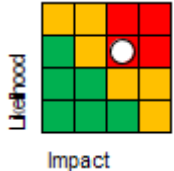
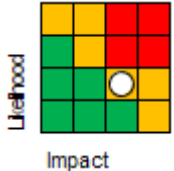
Code	Risk Description	Risk Owner	What might go wrong? (Cause)	What will happen? (Consequence)	Original Risk Rating	Current Controls	Residual Risk
			<p>critical services as well as respond to the needs of residents and businesses affected by the pandemic.</p> <ul style="list-style-type: none"> <li>• Competition from the private sector for key staff roles e.g. planning, project management.</li> <li>• Decision making can be slow.</li> <li>• Tension between day-to-day and strategic priorities.</li> <li>• Key skills not in the right place</li> </ul>	<ul style="list-style-type: none"> <li>• If staff lack political awareness, middle managers will be slow to redeploy resource to current priorities.</li> <li>• If staff are diverted, then can't deliver on other lower-level priorities or day-to-day work.</li> <li>• Reputation is damaged as the council is not seen to be able to deliver projects.</li> <li>• Local members are not always kept informed of activity in their area.</li> <li>• Unable to deliver key council services</li> </ul>		<ul style="list-style-type: none"> <li>• Proactive approach to communications internal and external</li> <li>• 50/50 hybrid working policy agreed.</li> <li>• Maintaining communication</li> <li>• Annual business planning, with actions and projects aligned to Council Plan priorities.</li> <li>• Regular meetings with relevant cabinet members</li> <li>• Positive use of fixed term contracts to aid flexible resourcing.</li> <li>• Targeted use of external resource</li> <li>• Reallocation of human and financial resources across and within the organisation as required.</li> <li>• PAC Board reviews resources to deliver projects on a regular basis</li> </ul>	

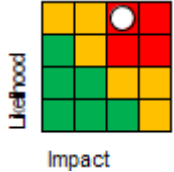
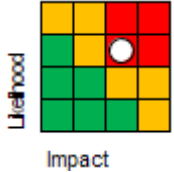
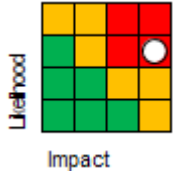
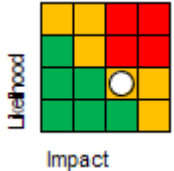
Code	Risk Description	Risk Owner	What might go wrong? (Cause)	What will happen? (Consequence)	Original Risk Rating	Current Controls	Residual Risk
CR003	Decisions made by the council are challenged due to a lack of a strong evidence base, customer insight and engagement with change or procedural errors	Monitoring Officer L Kirkman	<ul style="list-style-type: none"> <li>• Lack of skill and/or time to identify evidence to support decision making.</li> <li>• Lack of consultation with ward members and/ or parish council's over local issues</li> <li>• Procedural error in statutory process</li> <li>• Inconsistent and traditional approach to customer engagement across the council</li> <li>• Lack of awareness of the questions to ask.</li> <li>• Lack of awareness of the 'right time' to engage.</li> <li>• Lack of public awareness of the opportunity to engage.</li> <li>• Council is not aware of the full range of interested stakeholders.</li> <li>• Council may only hear the loudest voices and not the silent majority or</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of a robust and evidence-based approach to customer engagement can lead to: <ul style="list-style-type: none"> <li>- Reputational damage</li> <li>- Views that the council is too Winchester-centric</li> <li>- Decisions made are Inequitable</li> <li>- A perception that people's views are ignored</li> </ul> </li> <li>• Ward members and/or parish council's not being informed.</li> <li>• Legal/ judicial review or challenge against a decision made</li> </ul>	 <p>Likelihood</p> <p>Impact</p>	<ul style="list-style-type: none"> <li>• Engagement with ward and parish councillors (on matters within their ward or parish) encouraged.</li> <li>• Risks with regard to significant projects are recognised and addressed separately via robust Project Management and regular reports to the Programme and Capital Strategy Board</li> <li>• Legal and Monitoring Officer consultation on decisions made.</li> <li>• 2024 Residents' survey commissioned and will be undertaken in June'24 and results will be used to evidence decision making.</li> <li>• A proactive open and transparent approach to communication based on Gunning Principles</li> <li>• Use of external specialist advice when appropriate</li> </ul>	 <p>Likelihood</p> <p>Impact</p>

Code	Risk Description	Risk Owner	What might go wrong? (Cause)	What will happen? (Consequence)	Original Risk Rating	Current Controls	Residual Risk
			those that do not readily engage.			<ul style="list-style-type: none"> <li>Commitment made in the refreshed Council Plan in terms of 'Listening Better.'</li> <li>Equality, Diversity and Inclusion Action Plan is being embedded across the organisation.</li> <li>Updated Constitution adopted at Council on 30 November 2023</li> <li>Where possible and appropriate, digitalisation will be utilised to mitigate against procedural errors</li> </ul>	
R004	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	Chief Executive	<ul style="list-style-type: none"> <li>Not maintaining an effective corporate wide Business Continuity Plan</li> <li>Not regularly testing the plan and following-up learning</li> <li>Key staff unavailable</li> <li>Communication systems ineffective</li> <li>Lack of awareness of Business Continuity Plan</li> <li>Failure to assess business critical</li> </ul>	<ul style="list-style-type: none"> <li>Unacceptable delay and uncertainty in returning to normal working after an emergency.</li> <li>Adverse publicity and criticism</li> <li>Reputation damage</li> <li>Adverse social and/or economic impact</li> </ul>		<ul style="list-style-type: none"> <li>Business Continuity Plans reviewed and tested in 2023 and approved by ELB on 6 March 2024.</li> <li>IT Disaster Recovery Plan exercise held on 20 March.</li> <li>Business critical services identified with individual business continuity plans created, tested and approved.</li> <li>All staff able to seamlessly work from</li> </ul>	

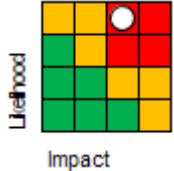
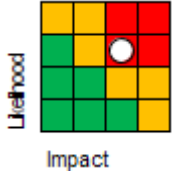
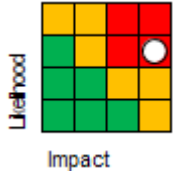
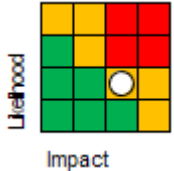
Code	Risk Description	Risk Owner	What might go wrong? (Cause)	What will happen? (Consequence)	Original Risk Rating	Current Controls	Residual Risk
			functions and have plans in place			<p>home, where job allows.</p> <ul style="list-style-type: none"> <li>2023 internal audit review of business continuity offered substantial opinion and no identified weaknesses.</li> <li>Work programme in place for 2024</li> </ul>	
CR006	Breakdown of effective partnership working	Strategic Director D Adey	<ul style="list-style-type: none"> <li>Partnerships can falter due to lack of shared vision within partnerships.</li> <li>Money spent on Partnership working doesn't add value.</li> <li>Strategic partnerships may falter due to conflicting demands within individual partners.</li> <li>Incorrect application of the procurement regulations due to a misunderstanding as to how and when they apply to partnership working.</li> <li>Partnerships may be unsuccessfully commissioned due</li> </ul>	<ul style="list-style-type: none"> <li>Significant project delivery such as the major projects and the new homes building programme could fail due to failure of strategic partnerships.</li> <li>Local delivery could fail if local strategic partners are not aligned.</li> <li>Reputational damage to all partners</li> <li>Lack of value for money (VfM)</li> </ul>		<ul style="list-style-type: none"> <li>Annual review by each CHoS of all partnerships undertaken to identify key strategic partners.</li> <li>Partnership register established and endorsed by ELB on 6 March.</li> <li>Guidance documents available from Knowledge Hub.</li> <li>Partnership Governance and Management Framework adopted.</li> <li>Partnership scoring tool available to assess project tier.</li> <li>Management checklist available from Knowledge Hub</li> </ul>	



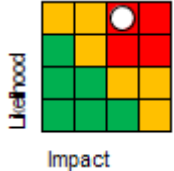
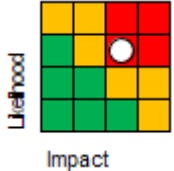
Code	Risk Description	Risk Owner	What might go wrong? (Cause)	What will happen? (Consequence)	Original Risk Rating	Current Controls	Residual Risk
			<ul style="list-style-type: none"> <li>to lack of skills and poor scoping.</li> <li>Significant local, regional or national partners may close down, affecting the council</li> </ul>				
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 L Keys	<ul style="list-style-type: none"> <li>Reduced Government funding</li> <li>Reliance on strategic partners to deliver services and projects.</li> <li>Macro economy, including effects of Brexit, reduces locally generated Business Rates and parking income.</li> <li>Failure to achieve income targets.</li> <li>Inflation rises.</li> <li>Penalties are imposed on the Council due to falling standards in services.</li> <li>Impact of a Pandemic</li> </ul>	<ul style="list-style-type: none"> <li>Unable to balance the budget.</li> <li>Increased Council Tax</li> <li>Public's ability to pay for services.</li> <li>Reduce services provided.</li> <li>Demand/cost of services.</li> <li>Increased construction costs and impact on delivery and viability of key projects</li> <li>Over borrowing and avoidable cost</li> </ul>		<ul style="list-style-type: none"> <li>One year funding settlement in place</li> <li>MTFS approach setting out medium- and longer-term options.</li> <li>Quarterly finance reporting and monitoring of key income sources</li> <li>Regular policy review and monitoring</li> <li>Scenario planning and sensitivity analysis of key risks</li> <li>Transformation Challenge 2025 (TC25) is now in the process of being implemented.</li> <li>Maintain General fund reserve of at least £2m.</li> <li>Regular review of reserves</li> <li>Annual review of fees and charges</li> </ul>	

Code	Risk Description	Risk Owner	What might go wrong? (Cause)	What will happen? (Consequence)	Original Risk Rating	Current Controls	Residual Risk
						<ul style="list-style-type: none"> <li>Monthly budget monitoring and regular HRA business plan updates</li> </ul>	
CR008	Availability of suitable viable sites to meet the strategic need for building new homes (HRA)	Strategic Director S Hendey	<ul style="list-style-type: none"> <li>Increasing demand for new houses</li> <li>High cost of housing, including private rented sector</li> <li>Unable to identify new sites for new houses.</li> <li>Increasing infrastructure demands on new sites.</li> <li>Higher build costs</li> <li>Increasing inflation and interest rates affecting supply</li> </ul>	<ul style="list-style-type: none"> <li>Increased housing waiting list numbers.</li> <li>Increasing homelessness</li> <li>Difficulty accessing housing markets.</li> <li>Outward migration of younger residents</li> <li>Adverse publicity</li> <li>Government intervention</li> <li>Ability to meet the business plan target which will have a negative effect on income</li> </ul>		<ul style="list-style-type: none"> <li>A variety of plans in place to deliver new homes.</li> <li>Regular monitoring of projects</li> <li>Revised Housing Strategy and HRA Business Plan</li> <li>Cost benchmarking</li> </ul>	
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 L Keys	<ul style="list-style-type: none"> <li>Malicious attack by Hackers for financial gain</li> <li>Malicious attack by Hackers to disrupt business and ability to deliver services.</li> <li>Viral code attack in order to data mine information and identities</li> </ul>	<ul style="list-style-type: none"> <li>Possible complete shutdown of Council IT Systems and Infrastructure</li> <li>Business\service delivery disruption</li> <li>Significant Financial loss</li> <li>Credibility and confidence lost in engaging with digital services and e-payments</li> </ul>		<ul style="list-style-type: none"> <li>Mandatory Cyber Security awareness training held for all staff.</li> <li>IT Systems and processes administered to PSN (Public Services Network) standards and protocols.</li> <li>ITILv3 Methodology adoption for ITSM</li> </ul>	

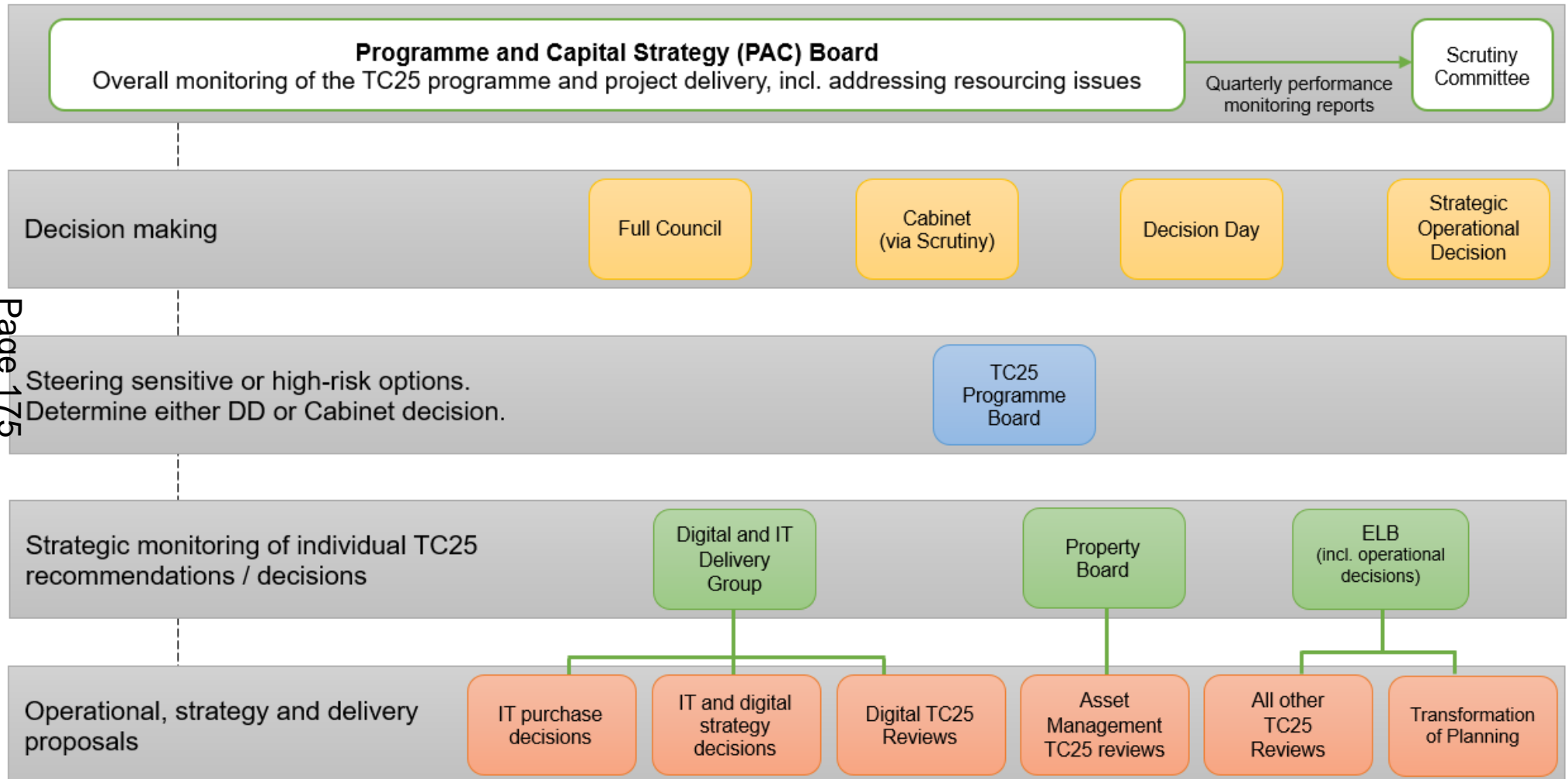
Code	Risk Description	Risk Owner	What might go wrong? (Cause)	What will happen? (Consequence)	Original Risk Rating	Current Controls	Residual Risk
						<ul style="list-style-type: none"> <li>• Comprehensive and regular reviews of ISP (Information Security Policies) and IT Network Access Policies</li> <li>• Operational daily checks and proactive monitoring of Firewalls and pattern updates</li> <li>• Staff qualified in Cyber Scheme Professional standards and within GOV UK CESG guidelines.</li> <li>• Regular system health checks and vulnerability scans</li> <li>• System and software maintained to supported levels.</li> <li>• Email security managed by accredited 3rd party.</li> <li>• Insurance for potential losses of a cyber attack</li> <li>• Third party review jointly with TVBC being undertaken to see what further actions the councils can pro-actively take</li> </ul>	

Code	Risk Description	Risk Owner	What might go wrong? (Cause)	What will happen? (Consequence)	Original Risk Rating	Current Controls	Residual Risk
						to mitigate this risk further	
CR010	Failure to effectively respond to the Climate Change Emergency and reduce the council and district carbon emissions	Strategic Director D Adey	<ul style="list-style-type: none"> <li>Failure to achieve target for the council to be carbon neutral by 2024 and the district by 2030.</li> <li>Carbon emissions increase</li> <li>Air quality drops</li> <li>Insufficient project capacity in-house</li> </ul>	<ul style="list-style-type: none"> <li>Reputational damage for failing to meet targets.</li> <li>Increased risk of flooding - damage to property, disruption to business, health and wellbeing of displaced residents</li> <li>Increased risk of droughts - pressure on river system health, depleted aquifer/reservoir volumes, negative impact upon agriculture, fire risk</li> <li>Extreme heat and cold - health risk for vulnerable people, pressure on emergency and health services.</li> <li>Protests by lobby groups</li> <li>House price volatility</li> </ul>		<ul style="list-style-type: none"> <li>Revised CNAP plan put in place 13/09/2023. Actions leading towards carbon reduction are clearer in theme and size of reduction needed.</li> <li>Climate Emergency declared.</li> <li>Asset Management Strategy</li> <li>£45mil HRA</li> </ul>	
CR011	Lack of preparedness and incapability to respond to events caused by climate change	Strategic Director D Adey	<ul style="list-style-type: none"> <li>Failure to prepare for an adverse weather event, for example long period of rain, heavy snow or heatwave.</li> </ul>	<ul style="list-style-type: none"> <li>Flooding causing damage to property and assets.</li> <li>Loss of income to the council e.g.</li> </ul>		<ul style="list-style-type: none"> <li>Multiagency Emergency Response Plan in place, reviewed and updated annually.</li> </ul>	

Code	Risk Description	Risk Owner	What might go wrong? (Cause)	What will happen? (Consequence)	Original Risk Rating	Current Controls	Residual Risk
			<ul style="list-style-type: none"> <li>• Failure to manage sluice gates and maintain rivers.</li> <li>• Failure to respond to an adverse weather event</li> </ul>	<ul style="list-style-type: none"> <li>closed car parks due to snow</li> <li>• Adverse publicity</li> <li>• Damage to reputation</li> </ul>		<ul style="list-style-type: none"> <li>• Emergency Planning exercise to test the Plan held annually with partners participating.</li> <li>• Completion of flood alleviation schemes</li> <li>• Temporary flood defence barrier purchased and available to be used where there is a need.</li> <li>• The Emerging Local Plan has clear objectives to support the council priority of Tackling the climate emergency and creating a greener district.</li> <li>• Annual review of Flood Action Plan which includes contact details of parish flood coordinators.</li> <li>• Gold and Silver commander training attended or to be by relevant officers at that level.</li> <li>• Cold Weather Plan</li> </ul>	

Code	Risk Description	Risk Owner	What might go wrong? (Cause)	What will happen? (Consequence)	Original Risk Rating	Current Controls	Residual Risk
						<ul style="list-style-type: none"> <li>HOIW LRF Multi-agency Flood Plan in place</li> </ul>	
CR012	Nutrient neutrality - Phosphates	Strategic Director DA and Corporate Head of Planning and Regulatory (JP)	<ul style="list-style-type: none"> <li>Inability for developers to achieve nutrient neutrality specifically related to phosphates will delay housing and delivery of other forms of residential development within the affected area</li> </ul>	<ul style="list-style-type: none"> <li>Adverse impact on economy</li> <li>Reduction in supply of new homes</li> <li>Inability to maintain a 5-year housing land supply leading to unplanned development being permitted.</li> <li>Reputational damage</li> </ul>		<ul style="list-style-type: none"> <li>DLUCH grant funding awarded to PfSH Subject to approval funds allocated for phosphorous mitigation in the Itchen Catchment</li> <li>Prospect of solution coming forward in next 6 months</li> <li>Project team initiated</li> </ul>	

### TC25 Governance and Decision-Making Structure



This page is intentionally left blank



AG115  
AUDIT AND GOVERNANCE COMMITTEE

REPORT TITLE: EQUALITY, DIVERSITY & INCLUSION – ANNUAL EQUALITY REPORT 2023/24

18 JULY 2024

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

Contact Officer: Simon Howson Tel No: 01962 848 104

Email [showson@winchester.gov.uk](mailto:showson@winchester.gov.uk)

WARD(S): ALL

PURPOSE

The Equality Act 2010 requires public authorities to publish information to demonstrate their compliance with the Public Sector Equality Duty and its own equality duties.

Attached as Appendix 1 to this report is the Annual Equality Monitoring Report 23/24 which summarises the work undertaken across the council during the year demonstrating compliance with the requirements as set out in the Equality Act 2010.

The report also provides an update on the progress achieved against the LGA's Equality Framework for Local Government (EFLG).

RECOMMENDATIONS:

That Audit and Governance Committee:

1. Note the Council's self-assessment of achieving the 'developing' level of compliance against the LGA Equality Framework for Local Government
2. Notes the council's equality work undertaken during 2023/24 and notes the intention to work towards the 'achieving' standard of the framework.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

Achieving equality, diversity and inclusion for all residents, employees, service users and visitors to the Winchester district is essential for the successful delivery of all priorities.

2 FINANCIAL IMPLICATIONS

Delivery of the council's equality duties have been met from existing budgets for each service, including training and there are no additional financial implications.

3 LEGAL AND PROCUREMENT IMPLICATIONS

The council has a statutory duty under section 149 of the Equalities Act 2010 that requires all public bodies to consider the needs of all individuals in their day-to-day work – in shaping policy; in delivering services; and in relation to their own employees. The Public Sector Equality Duty (PSED) is a duty on public bodies and others carrying out public functions.

This report is issued as part of our statutory duties under the Public Sector Equality Duty which requires public authorities to publish information at least once a year to show how they have complied with the equality duty.

To ensure continued compliance with our legal obligations, this report forms part of the annual workplan for the equality, diversity, and inclusion corporate workstream.

There are no procurement implications arising from the content of this report.

4 WORKFORCE IMPLICATIONS

No additional resources required.

5 PROPERTY AND ASSET IMPLICATIONS

None arising from the content of this report, however in making any decision that relate to property and assets, such as whether or not to dispose and acquire, which mechanism and the property and/or project development, the PSED objectives must be taken into consideration. A further consideration will be whether public property and assets are able to comply with the PSED such as design and access.

6 CONSULTATION AND COMMUNICATION

Consultation on the content of the report has taken place with Executive Leadership Board (ELB) and the Cabinet member for Community and Engagement.

The Equality, Diversity and Inclusion Forum is provided with an update on the progress the council is making on equality issues at its quarterly meeting.

Included in the Listening Better briefing for parish councils in December, information was provided on the LGA's Debate not Hate campaign which was backed by the council earlier in the year.

## 7 ENVIRONMENTAL CONSIDERATIONS

There are no environmental implications arising directly from this report.

## 8 PUBLIC SECTOR EQUALITY DUTY

This report has been prepared to fulfil the council's requirements under the Public Sector Equality Duty and reports on the progress achieved during 2023/24 against the agreed Duties.

## 9 DATA PROTECTION IMPACT ASSESSMENT

None required because there is no processing of personal data, or where there is processing it does not result in a high risk to the rights and freedoms of a person or persons directly or indirectly identified.

## 10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<b>Financial Exposure:</b> Failure to comply with the Public Sector Equality Duty could result in additional costs of remedial work or delay of policy implementation; or the cost of legal challenge through Judicial Review.	The council, in the exercise of all its functions, has due regard to the Public Sector Equality Duty. All decision reports have a section highlighting the necessary considerations regarding the PSED.  Equality impact assessments (EIAs) are used to systematically consider equality opportunities when making a decision and is a key mechanism that allows the council to understand and work with our communities.	None
<b>Exposure to challenge:</b> Failure to comply with the Public Sector Equality Duty could result in legal challenge through Judicial Review by the ECHR or dissatisfied persons / groups.		Non-compliance could lead to challenge and litigation.
<b>Reputation:</b> Failure to comply with the Public Sector Equality Duty could result in legal challenge through Judicial		Correct compliance results in due regard for all sectors of the community and enhances the council's reputation

Risk	Mitigation	Opportunities
Review which could cause reputational damage for the council.		
<b>Achievement of outcome:</b> Failure to comply with the Public Sector Equality Duty could result in legal challenge resulting in decisions being quashed by the courts. Policy implementation could also be delayed.		None.
<b>Innovation</b>		Innovative ideas and design maybe required to ensure compliance. Increased innovation leads to a more inclusive community which is at the heart of the PSED

## 11 SUPPORTING INFORMATION:

As a public sector organisation, the council has a statutory duty to ensure that equality and diversity are embedded into all its functions and activities as required by the Equality Act 2010.

- 11.1 The Equality Act 2010 introduced a Public Sector Equality Duty. This Duty includes the General Duty and the Specific Duties. The General Duty requires public bodies to consider how the decisions that they make and the services they deliver, affect people who share different protected characteristics. The General Duty has three main aims. It requires public bodies to have 'due regard' to:

- Eliminate discrimination, harassment, victimisation and any other conduct by the Act,
- Advance equality of opportunity between person who share a relevant protected characteristics and persons who do not share it,
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

- 11.2 This council's Public Sector Equality Duty (PSED) Policy was adopted by Cabinet at its meeting on 25 January 2022 (report CAB3331 refers).

To ensure transparency, as required by the Specific Duties in the Equality Act, the council has published on its webpages [Equality, Diversity & Inclusion - Winchester City Council](#) the following:

- Our equality objectives (updated at least every four years – next update due January 2026),
- Information to demonstrate our regard to people affected by our policies and practices in the form of equality impact assessments,
- Information on the general duty compliance with regard to our employees, this is reported in our annual Workforce Report,
- Publication of our pay gender gap data by 31 March. The 2023 report can be viewed on our website or by clicking [here](#).

In addition, the council has published a range of information from the Census regarding the equalities and protected characteristics.

- 11.3 To assist with our compliance of this duty, the Equality Monitoring Report 2023/24 is shown at Appendix 1 and presents a summary of the progress the council has made against the criteria of the LGA framework.
- 11.4 The Local Government Association Equality Framework for Local Government helps councils to deliver accessible, inclusive and responsive services to all customers and residents, including those in underrepresented groups. It also helps the council to provide equal opportunities for all staff and meet and exceed the requirements of the Public Sector Equality Duty.
- 11.5 The framework sets out four modules for improvement, underpinned by a range of criteria and practical guidance. The same four modules have been used in the Annual Equality Monitoring report, set out in Appendix 1:
- **Understanding and working with our community**
    - Collecting and sharing information
    - Analysing and using data and information
    - Effective community engagement
    - Fostering good community relations
    - Participation in public life
  - **Leadership, partnership and organisational commitment**
    - Political and officer leadership
    - Priorities and working in partnership
    - Using equality impact assessment
    - Performance monitoring and scrutiny
  - **Responsive services and customer care**
    - Commissioning and procuring services
    - Integration of equality objectives into planned service outcomes

- Service design and delivery
  - **Diverse and engaged workforce**
    - Workforce diversity and inclusion
    - Inclusive strategies and policies
    - Collecting, analysing and publishing workforce data
    - Learning, development and progression
    - Health and wellbeing
- 11.6 For each module there are three levels. Developing, Achieving and Excellent. An initial self-assessment by officers has concluded that the Council has achieved the Developing level across the four modules, with some areas meeting the Achieving standard. For example, the council performs particularly well on the following criteria:
- Workforce health and wellbeing
  - Community engagement
  - Fostering community relations
  - Inclusive strategies and policies
- 11.7 As noted by the report, key achievements during the year against the LGA Framework include:
- Introduction of a standardised template for equality impact assessments that are now being completed for all policy and service decisions and appended to the relevant Cabinet reports. Equality impacts from the assessment taken into consideration and reflected in the policy or service change.
  - Assessment of the impact on the council's Public Sector Equality Duty included in the main body of all committee reports.
  - Establishing a member led Equality, Diversity and Equality Forum, which meets quarterly to discuss equality issues across the district and provide a platform to hear evidence and lived experience of inequalities.
- 11.8 Appendix 2 shows the activities and actions required to move the council to achieving status in the next 24 months. Key actions include:
- Establishing a Social Value Framework where the social value of contracts can be measured and reported,
  - Gathering evidence that services are meeting the needs of a diverse community, and that take up of services is representative of the wider community,
  - Reviewing our engagement mechanisms and structures to ensure the council engages with all its communities when making decisions,

including those with protected characteristics who may otherwise be under represented.

- Ensuring information and data is analysed and used to support the assessment of local need and the setting of equality objectives.

11.9 Winchester City Council will work towards the Achieving level of the Equality Framework for Local Government over the two years. This will build on the strong foundations already implemented as part of Developing. Progress against this standard will be reported to the EDI Forum and Cabinet Member for Community and Engagement at regular intervals.

11.10 Specifically, the council will focus on the following goals:

- Ensuring that equality, diversity and inclusion principles are implemented consistently across the council and examples of best practice are shared across service areas. This will be achieved by designing and implementing an annual work plan and bringing together key council officers for regular meetings to ensure workstreams are complementary and avoid duplication.
- Continue to improve our approach to consultation and engagement with underrepresented groups, particularly young people. This will include developing our Consultation and Engagement Toolkit and guidance for officers.
- Improving the data we hold, including encouraging staff to disclose equality, diversity and inclusion information.
- Continuing to improve the accessibility of our website.

## 12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 Not applicable as the publication of publication of annual equalities report every four years is a statutory requirement under the Equality Act (2010).

### BACKGROUND DOCUMENTS: -

#### Previous Committee Reports: -

CAB3331 Public Sector Equality Duty, 25 January 2022.

#### Other Background Documents: -

Local Government Association Equality Framework for Local Government.

### APPENDICES:

Appendix 1: Equality, Diversity, and Inclusion Annual Report 2023/24

Appendix 2: Equality Framework for Local Government: Achieving action plan



## **Equality Monitoring Report 2023/24**



## Introduction

The council has a statutory duty under both the Equality Act and subsequent Public Sector Equality Duty to ensure that equality and diversity are embedded into all its functions and activities. As a public sector organisation, we must have 'due regard' to:

- Eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act.
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

To ensure transparency, and to assist in the performance of this duty, the Specific Duties require public authorities to publish:

- equality objectives, at least every four years; and
- information to demonstrate their compliance with the public sector equality duty.

This annual Equality Monitoring Report is one way in which the Council is demonstrating its compliance with the duty. It aims to highlight how the council is working towards its equality objectives as set out below. It also outlines progress made above and beyond the legislation, utilising the best practice outlined in the Equality Framework for Local Government.

## Equality objectives

To meet the requirements of the Equality Act, the council set out its equality objectives in the Public Sector Equality Duty Policy and grouped these under the following four performance areas:

### **Understanding and working with our communities**

- Engaging directly with our residents to foster good relations and promote understanding, ensuring everyone can make a meaningful contribution to the community and shape the services that matter to them.

### **Leadership, partnership and organisational commitment**

- Having in place the structures with clearly identified roles and responsibilities to ensure that both members and officers can perform their equalities roles well and champion equality issues within their wards/service areas and empower others within the local community. Our goal is to challenge discrimination, promote equality of opportunity and understanding and foster

good relations within our community. This will involve working closely with our public and private sector colleagues and those in the voluntary and community sectors who work to promote the rights and needs of those they represent.

### **Responsive services and customer care**

- Assessing all policies and services in order to identify any discrimination, unmet needs and opportunities to improve the delivery of services to specific groups of service users.

### **Diverse and engaged workforce**

- Take positive steps to promote equality in employment by developing a flexible, professional and highly skilled workforce and ensuring staff are culturally competent and able to provide quality services to all our service users.

These performance areas have been taken from the Local Government Association's Equality Framework for Local Government and are being used to benchmark our equality success.

## **Equality Framework for Local Government**

The Equality Framework for Local Government (EFLG) is a voluntary scheme developed by the Local Government Association to help local authorities meet and exceed their legal equality requirements under the Equality Act. The most recent iteration of the framework is available on the LGA website [here](#).

The council has set a goal to achieve Excellence in the EFLG – the highest level of achievement. In order to meet this accreditation, an incremental programme has been established to move through the three levels of improvement – developing, achieving, and excellence. This year, the council has worked towards evidencing against the Developing level across all four modules. This began with conducting a self-assessment of our position against each criterion, identifying the areas in which further action was required, and working with officers across the council to action these areas.

Following this self-certification process, we are pleased to declare that the Developing Level of the Equality Framework for Local Government has been achieved.

The following pages outline some the key achievements of the council over the last 12 months, organised by the four modules of the Equality Framework for Local Government. To access the full Developing self-assessment report, please contact the Policy Team.

## Progress against our equality objectives

### Objective 1: Understanding and working with our communities

The council continues to use a range of engagement methodologies to involve residents and the importance of this is recognised in its Corporate Governance Statement and Council Plan priority to “listening better”. Examples of this include:

- Meet-and-greet events with our Central Winchester Regeneration development partner in community centres and with businesses located within the CWR zone, such as Kings Walk.
- Local “walkabout” sessions with our housing engagement team and neighbourhood services in key anti-social behaviour hotspots, often in tandem with partners such as the police.
- Award winning statutory local plan consultation.
- Online consultation platform with subject-specific consultations on topics such as the future of waste and recycling, engaging thousands of residents on specific issues.
- Refreshed approach to tenant engagement through the TACT (Tenants and Council Together) programme, such as utilising Tenant Champions within the retrofit project.
- Successful meetings of the Landlord Forum and Carbon Neutrality Open Forum.
- Ensuring the voice of Winchester district is heard within external consultations such as Hampshire County Council’s Future Services Consultation and the future of Winchester hospital by sharing invitations through social media and parish meetings, as well as compiling a council-led response.
- Utilising growing network of EDI contacts to receive feedback on specific issues such as community engagement and our review of polling places.

In addition, the council has increased its understanding of our communities by:

- Creating a Data Hub on the council intranet to bring together multiple sources of corporate data including EDI indicators, Census information and workforce demographics. All employees can access this information to inform policy, strategy, and equality impact assessments.
- Providing ward councillors to individual ward infographics that summarise the recent Census data and allow them to better understand any nuances of their local community.
- Producing a dynamic EDI data indicators document that brings together demographic data on protected characteristics of people who apply to job vacancies, those shortlisted to interview, our current workforce and how this compares to the wider district and our tenancy profile.

- Collecting additional EDI data as part of the Winchester Town Forum grants application scheme to ensure such grants continue to benefit the inclusion and wellbeing of local communities in our town centre – applicants are asked in their application form and end of grant report to detail how their activities have actively benefitted the groups within and beyond the protected characteristics.

### Equality Impact Assessments (EIAs)

An equality impact assessment (EIA) is a way of systematically taking equality, inclusion and diversity into consideration when making a decision and is a key mechanism that allows the council to understand and work with our communities. With an established and effective EIA process in place for many years, consistency of assessments across the council has improved through use of a toolkit, policy, and guidance to help with completing the form in a way that robustly evidences necessary legal commitments. Furthermore, since January 2023, the Policy Team have reviewed all published EIAs to not only ensure consistency, but also to identify and action any overarching trends.

In the period April 2023 to March 2024, a total of 27 equality impact assessments were published on the council's website as part of committee, cabinet and council reports. This included significant assessments for projects such as the new Cultural Strategy, station approach masterplan, Licensing Policy and Housing Strategy.

### Objective 2: Leadership, partnership, and organisational commitment

During 2023/24, the council has demonstrated leadership, partnership and organisational commitment to equality, diversity and inclusion through the following actions:

#### Equality, Diversity and Inclusion Forum

On the 22<sup>nd</sup> of June 2022, Cabinet approved to establish a members' Equality, Diversity and Inclusion Forum. The cross-party forum met for the first time in November 2022 and has continued to meet quarterly over the past year. Members have heard from a number of guest speakers during these sessions including from the EDI team at Peter Symonds College and the National Autistic Society and have begun to develop a network of organisations and connections with lived experiences of inequality across the district. The forum also provides an effective scrutiny function, having ensured the council kept up its momentum against the demands of the LGA Equality Framework and its associated action plan.

### Debate not Hate

In tandem with the 2023 local elections, the council approved a motion in support of the Local Government Association's Debate not Hate campaign. This aims to encourage healthy debate in politics and actively challenge instances of intimidation, harassment, discrimination and abuse. Since approving this motion:

- Leaders of the local Conservative, Liberal Democrats and Green parties co-signed a statement in agreement with the campaign's key principles.
- Members and officers worked together to develop an action plan to provide wellbeing support during the local elections. This included working with the police to ensure a joined-up process for reporting threats and harassment.
- The Policy Team had conversations with each parish clerk to raise awareness of the campaign and ask if councillors had any concerns.

### Violence Against Women and Girls

The council continues to work proactively as part of the Winchester Community Safety Partnership to monitor and reduce community tensions – a key requirement of the Equality Act. This has included committing to a city-wide strategy to reduce violence against women and girls.

Furthermore, the council has shown a commitment to reducing VAWG through councillors supporting White Ribbon Day and ongoing work to achieve accreditation from Domestic Abuse Housing Alliance (DAHA).

### External communications

The council continues to share its commitment to equality, diversity and inclusion through its communication channels. For example, by encouraging staff to include their pronouns in email signatures to support the inclusion of transgender and non-binary individuals and displaying the Pride flag outside the Guildhall.

Furthermore, the council continues to work alongside local partners on specific EDI issues, playing an active role in group such as:

- Winchester District Older Persons Partnership
- Dementia Friendly Winchester initiative
- Winchester District Health and Wellbeing Partnership Board
- Social Inclusion Partnership
- Winchester City of Sanctuary

**Case study:**  
**Social Inclusion Partnership (SIP)**

The Social Inclusion Partnership is a network of organisations across the Winchester District that come together to support those living with or experiencing social exclusion and co-create partnership-led solutions. Although initiated by the council, the partnership is not led by WCC and instead exists to bring together equal partners on equality, diversity and inclusion matters.

The Social Inclusion Partnership meets as a whole every quarter but is also separated into project-based sub-groups that meet more frequently to implement actionable goals. These include financial inclusion, health inequalities, digital inclusion, and food resilience. Current projects include developing a partnership with the NHS to launch a digital inclusion initiative and a research project into trans experiences of health care.

**Objective 3: Responsive services and customer care**

There are many examples of how the council is seeking to improve equality in the access to and delivery of its services:

- Proactively providing documents in alternative formats, including translating documents into Ukrainian and providing Easy Read versions of information such as Voter ID changes.
- Ensuring consultation and engagement activities are accessible for all residents, for example by providing paper copies of online surveys and developing Easy Read explanations of local plan proposals.
- Becoming a Dementia Friendly organisation, including encouraging all staff to complete an e-learning module.
- Working to ensure 100% completion rate of EDI training for employees and councillors, as well as supporting additional training opportunities in response to issues identified by employees e.g. autism awareness.
- Providing accessible buildings and sites through dedicated disabled parking bays, ramps at entrances and exits, power assisted doors, a hearing loop in the city offices reception and an accessible lift in both the city offices and Guildhall.
- Providing free of charge clinical waste collection service.
- Implementing accessible play equipment across sites such as Abbey Gardens, including a communication board and accessible swing.

- Committing to a Customer Charter that includes a commitment to Plain English.
- Council Tax exemption scheme for care leavers.
- Ongoing project to reduce levels of Digital Exclusion across the district, including supporting drop-in sessions and providing free Wi-Fi across all sheltered housing schemes.
- Providing alt-text on all council social media channels when posting images and enabling subtitles on committee meeting livestreams.
- Continuing to provide Disabled Facilities Grants
- Ongoing work to support all residents with the cost-of-living crisis, including providing free stagecoach travel to the Sports and Leisure Park and additional financial support for Citizens Advice.
- Signing the Armed Forces Covenant to continue to build on our relationships and support offered to local armed forces community.
- Working in partnership with the council's Reader's Panel to ensure any written work – such as policies and procedures – are accessible to all tenants and consider lived experiences of inequality.

### **Case study: Sports and leisure outreach programme**

The council continues to work in partnership with local organisations to provide a range of sports and wellbeing opportunities to underrepresented groups such as women and girls, young people, those with long term health conditions, and people from areas of socioeconomic deprivation. Examples of initiatives they have continued to support over the last year include:

- Half Term sports activities for people aged 6-14, specifically targeted at young people in Stanmore, Winnall, Highcliffe, Wickham and Weeke.
- Regular disability tennis coaching at River Park aimed at children and adults with physical and/or learning disabilities.
- Winchester Wellbeing Walks programme across the district aimed at adults who are looking to improve their activity levels as well as addressing issues of loneliness, isolation, and mental health.
- Annual Paralympic Sport Event run in partnership with Winchester GoLD, University of Winchester and Everyone Active at Winchester Sport and Leisure Park. This gives adults with physical and learning disabilities the chance to take part in activities including football, cricket, yoga, dance, athletics, squash, swimming, and badminton.

The team also continue work in partnership with Everyone Active – the operators of both key leisure centres in the district – to deliver a joint [Community, Health and Wellbeing programme](#). This provides access to a high-quality, supervised exercise programme for people that suffer from, or at risk of developing chronic medical conditions and provides support to patients whose health could benefit from a more active lifestyle. This programme consists of a range of support for a variety of demographics including:

- Specialist classes for pulmonary, neurological, musculoskeletal and falls problems.
- Access to a specialist hydrotherapy pool.
- Dedicated classes, gym sessions and school's provision.

#### **Objective 4: Diverse and engaged workforce**

Over the past year, work has continued to ensure the council is a local employer of choice and provides an inclusive and welcoming environment for all.

##### **Age Friendly Employer**

In recognition of the value of its older workers, earlier this year the council became a signatory of the Centre of Ageing Better's Age Friendly Employer Pledge. As a result, the council is committed to hiring age positively, being flexible about flexible working, encouraging career development at all ages, ensuring everyone has the health support they need, and creating an age-positive culture in the workplace. We are now listed as an Age-Friendly employer on the [Centre for Ageing Better's website](#).

##### **EDI in Employment Policy**

The council recently updated its internal policies on equality, diversity and inclusion to reflect our commitment to fostering an inclusive, equitable and diverse workforce. This included an overarching EDI in Employment Policy as well as specific policies such as the Menopause Policy.

##### **Supporting youth employment**

The council continues to support the employment of young people through its successful work experience programme, apprenticeship opportunities and continued participation in the National Graduate Development Scheme.



### Winchester District Jobs and Opportunities Fair

In partnership with Winchester Job Centre and partners such as Sparsholt College, Nationwide and Hampshire County Council, the council ran a successful jobs and opportunities fair for anyone wanting a change in their employment situation.

In addition, the council continues to:

- Report the composition of its workforce annually to Audit and Governance Committee.
- Manually collect data on ethnicity, religion, sexuality, gender and age at the recruitment stage to ensure we are applying a fair and consistent recruitment process.
- Utilise interview panels and standardised interview questions to ensure all candidates are judged fairly and equally on their competence.
- Publish and report on our Gender Pay Gap in line with government guidelines.
- Conduct an annual Staff Satisfaction Survey and analyse the results by protected characteristic.
- Support all staff through a range of health and wellbeing measures including Mental Health First Aiders, Domestic Abuse advocates and a contracted counselling service.
- Fulfil its requirements as a Disability Confident Employer by guaranteeing interviews for all disabled candidates that meet the essential criteria for a job.

## Equality Framework for Local Government: Achieving Action Plan

The following table sets out the actions that the council will undertake over the next 2 years to reach the Achieving level of the LGA's Equality Framework for Local Government (EFLG).

Module	Criteria	Action
Understanding and working with your communities	Analysing and using data	Performance data is monitored against equality objectives and outcomes.
	Effective community engagement	There is evidence that underrepresented groups are increasingly involved in engagement work while not being over-consulted in any area.
	Fostering good community relations	Harassment and hate crimes are monitored and analysed regularly, with appropriate action taken.
	Participation in public life	The council is able to innovate and find new ways to encourage diverse participants in public life.
		Outreach work or public campaigning has been undertaken to increase levels of participation by protected groups
Leadership, partnership and organisational commitment	Political and officer leadership	The council has adopted some of the key policies of the socio-economic duty when making decisions.
		The organisation and its staff are up to date with language and concepts and have the cultural competence and confidence to have difficult EDI conversations.
		The organisation has taken steps to counter negative stereotypes or dispel myths.
	Priorities and partnership working	There is a coherent, shared vision of equality for the local area which has been agreed by stakeholders including the voluntary and community sector.
		When working in partnership, the council looks beyond traditional partners and includes the voices of smaller organisations.
	Using equality impact assessments	Decisions around budget cuts and savings have taken account of cumulative impact.
	Performance monitoring and security	The public and partners are enabled to monitor progress on equality issues.
Responsive services and customer care	Integration of equality objectives	Resource implications of equality objectives have been properly assessed
	Service delivery and design	Data is collected to ensure service take up is representative of the wider community.

Module	Criteria	Action
Diverse and engaged workforce	Workforce diversity and inclusion	The workforce profile at all levels is more diverse compared to previous years.
		There are initiatives aimed at increasing workforce diversity in underrepresented areas of the council.
		There are career development and retention strategies for under-represented groups into management roles.
	Inclusive policies and strategies	Staff and managers are helped to discuss sensitive issues such as race, gender identity and religion (e.g., through toolkits, training, and guidance documents).
		There is evidence that discipline, grievance, and capability procedures are not disproportionately being applied to staff from protected groups.
		There are processes in place to address and monitor specific complaints of staff from protected groups about issues like micro-aggressions.
		Staff-led equality networks have been established.
	Collecting, analysing and publishing workforce data	The race pay gap and disability pay gap are published and any gender pay gap is reducing.
		There has been success in encouraging staff to disclose equality information and there are no significant gaps in employee data.
	Learning, development and progression	There is a learning and development strategy that supports the progression of under-represented groups and supports members and officers to achieve equality objectives.
		Management and individual appraisals include specific equality objectives.
		Employees are confident that they can deliver services to diverse customers.
	Health and Wellbeing	Managers are trained on mental health awareness and are equipped to address staff issues.
		Staff from protected groups report a safe working environment which supports their wellbeing.

This page is intentionally left blank

AG135  
AUDIT & GOVERNANCE COMMITTEE

REPORT TITLE: DRAFT ANNUAL FINANCIAL REPORT 2023/24

18 JULY 2024

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

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

WARD(S): ALL

PURPOSE

The draft Annual Financial Report 2023/24 was published on the council's website on 31<sup>st</sup> May 2024. The document contains the council's unaudited Statement of Accounts 2023/24 which have been certified by the Chief Financial Officer as giving a true and fair view of the financial position of the council as at 31<sup>st</sup> March 2024. It is brought to Committee at this time for information only.

Once the external auditors have completed their work on the draft Annual Financial Report, they will present a report of their findings to the Audit and Governance Committee and members will have opportunity to ask questions of the auditors.

The Audit and Governance Committee will then be asked to approve the audited Annual Financial Report and authorise its publication. A training session on the accounts and their interpretation, along with a question & answer session, will be provided for committee members ahead of approving the audited Annual Financial Report.

RECOMMENDATIONS:

That the Audit and Governance Committee:

1. Note the report in respect of the council's Draft Statement of Accounts for 2023/24.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

Your Services, Your Voice

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

The planned scale fee for the audit of the 2023/24 accounts is £158,000. The scale fee set by Public Sector Audit Appointments (PSAA) has significantly increased from the 2022/23 fee of £52,000.

Our understanding is that there is no further work planned on the council's 2022/23 financial statements; it is therefore likely that the auditors will issue a disclaimer opinion on the statements although the wording has yet to be discussed and agreed. The fee is still subject to agreement with the PSAA.

3 LEGAL AND PROCUREMENT IMPLICATIONS

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 2023/24 (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.

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.

The necessity to conform to these Regulations and the Code is recognised accurately in this report.

4 WORKFORCE IMPLICATIONS

None

5 PROPERTY AND ASSET IMPLICATIONS

None

## 6 CONSULTATION AND COMMUNICATION

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 was published the working day following publication of the unaudited Annual Financial Report.

## 7 ENVIRONMENTAL CONSIDERATIONS

None

## 8 PUBLIC SECTOR EQUALITY DUTY

None

## 9 DATA PROTECTION IMPACT ASSESSMENT

None required.

## 10 RISK

- 10.1 A risk, outside of the council's control, to publication of the audited Annual Financial Report by the 31<sup>st</sup> May 2025 September target date (set out in the *Accounts and Audit (Amendment) Regulations (2024)*) exists in so much as the audit may not have concluded by this deadline.

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
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.	

## 11 SUPPORTING INFORMATION:

- 11.1 Only 1% of local government bodies received an auditor's opinion on their 2022/23 accounts by the publishing deadline 30<sup>th</sup> September 2023. The Accounts and Audit Regulations (2015) were amended in 2024 for financial years 2015-2027 as part of measures to address the audit backlog. The 2022/23 financial statements and those still outstanding from earlier years must be published before 30<sup>th</sup> September 2024 and if accounts are not finalised by this deadline disclaimers of opinion will be issued.
- 11.2 The council is one of the 41% of local authorities that published the draft accounts for 2023/24 by the 31<sup>st</sup> May 2024.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 This is a statutory requirement therefore there are no other options to be considered.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

None

Other Background Documents:-

None

APPENDICES:

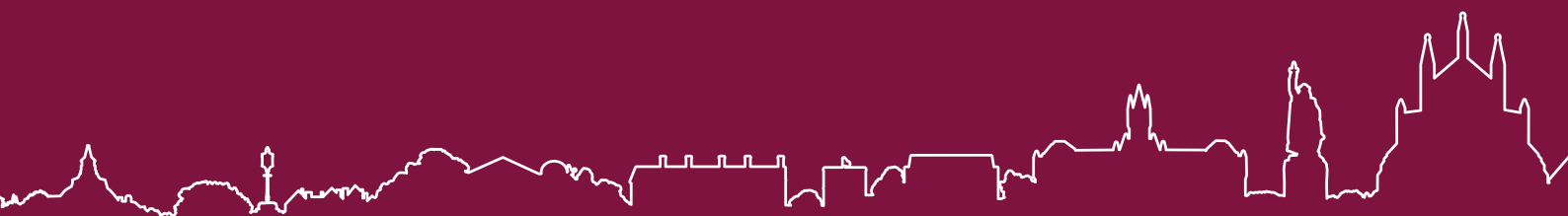
Appendix 1 – Draft Annual Financial Report 2023/24





# ANNUAL FINANCIAL REPORT 2023/24

FOR THE YEAR ENDED 31 MARCH 2024





## CONTENTS

NARRATIVE STATEMENT .....	5
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS .....	26
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2024 .....	27
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2024 .....	28
BALANCE SHEET AS AT 31 MARCH 2024 .....	30
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2024 .....	31
1. Material Item .....	32
2. Expenditure and Funding Analysis .....	32
3. Critical Judgements in Applying Accounting Policies .....	35
4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty .....	36
5. Events after the Balance Sheet Date .....	37
6. Going concern .....	38
7. Accounting Standards Issued but not Adopted .....	39
8. Adjustments between Accounting Basis and Funding Basis under Regulations .....	40
9. Grant Income .....	41
10. Audit Fees .....	43
11. Officers' Remuneration .....	43
12. Termination Benefits and Exit Packages .....	45
13. Defined Benefit Pension Schemes .....	45
14. Property, Plant and Equipment (PPE) .....	49
15. Heritage Assets .....	52
16. Investment Properties .....	53
17. Finance Leases .....	56
18. Financial Instruments .....	57
19. Nature and Extent of Risks Arising from Financial Instruments .....	59
20. Short-Term Debtors .....	64
21. Short-Term Creditors .....	64
22. Provisions .....	64
23. Transfers (to)/from Earmarked Reserves .....	65
24. Capital Expenditure and Capital Financing .....	66
25. Unusable Reserves .....	66
25.1. Revaluation Reserve .....	67
25.2. Pensions Reserve .....	67
25.3. Capital Adjustment Account .....	68
25.4. Collection Fund Adjustment Account .....	69
26. Related Parties .....	69
27. Group Accounts .....	69
28. Accounting Policies .....	70
28.1 General Principles .....	70
28.2 Recognition of Income and Expenditure .....	70
28.3 Cash and Cash Equivalents .....	70
28.4 Charges to Revenue for Non-Current Assets .....	70

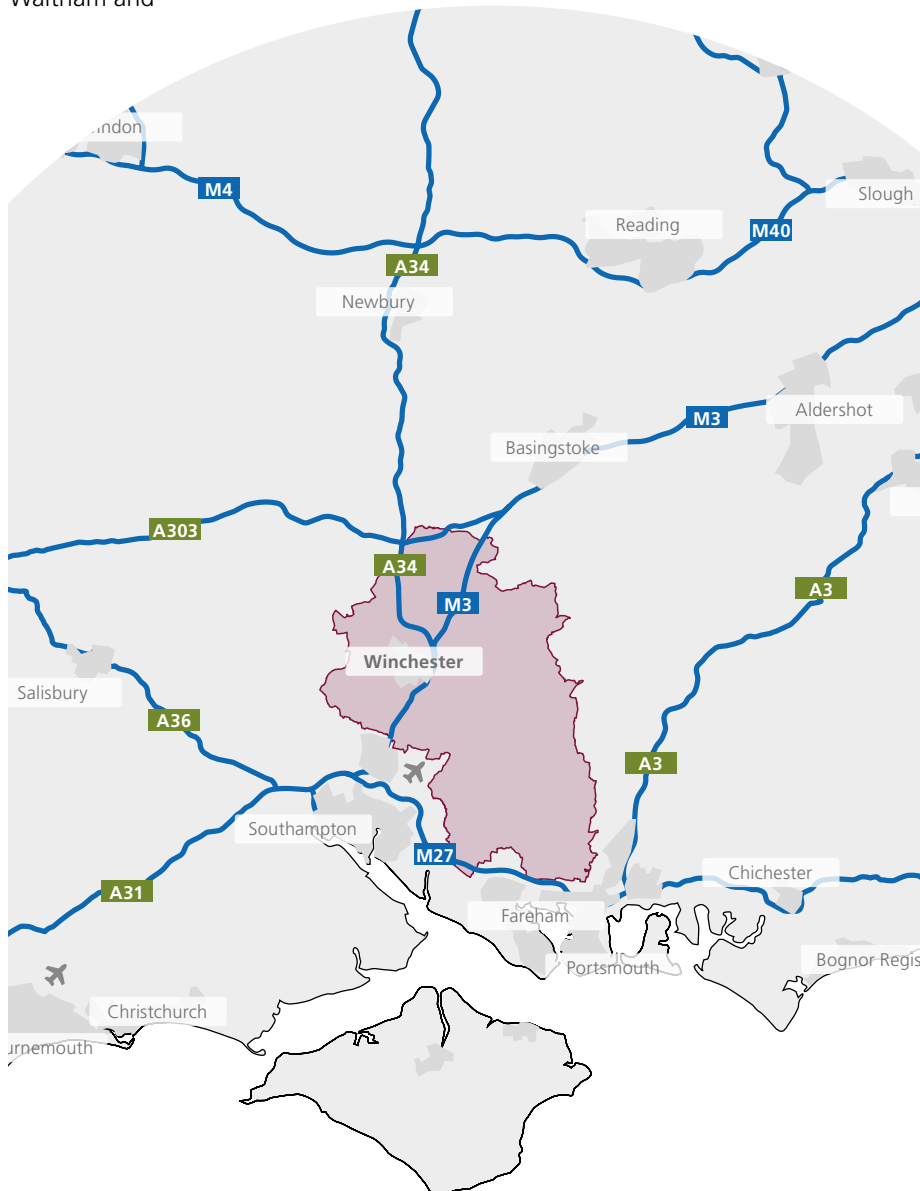
28.5	Council Tax and Non-domestic Rates .....	71
28.6	Employee Benefits .....	71
28.7	Fair Value Measurement.....	72
28.8	Financial Instruments.....	73
28.9	Government Grants and Other Contributions.....	73
28.10	Investment Property.....	74
28.11	Overheads and Support Services.....	74
28.12	Property, Plant and Equipment.....	74
28.13	Provisions.....	76
28.14	Reserves.....	76
28.15	Revenue Expenditure Funded from Capital under Statute.....	77
28.16	Value Added Tax (VAT).....	77
HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2024 .....		78
H1.	IAS 19 Employee Benefits .....	80
H2.	Major Repairs Reserve .....	80
H3.	Housing Stock.....	80
H4.	Capital Expenditure and Receipts .....	81
H5.	Depreciation and Impairment.....	82
H6.	Rent Arrears.....	82
COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2024.....		83
C1.	Council Tax .....	84
C2.	Non-Domestic Rates (NDR).....	84
C3.	Share of estimated Collection Fund (Surplus)/Deficit.....	84
INDEPENDENT AUDITOR'S REPORT .....		86
ANNUAL GOVERNANCE STATEMENT .....		87
GLOSSARY OF TERMS .....		93
STATUTORY PUBLICATION OF INFORMATION .....		102
1.	Building Control Account.....	102
2.	Charges for Property Searches .....	103

# THE WINCHESTER DISTRICT

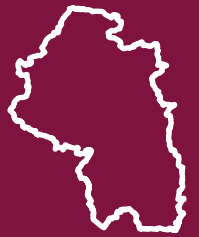
Winchester City Council is one of 11 district and borough councils in Hampshire and serves an estimated population of 136,500 residents.

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  
**136,500**  
(Source HCC 2024  
district population  
forecast)

**76.8%**  
OF RESIDENTS  
AGED 16-64 YRS  
IN EMPLOYMENT  
(Source ONS Jul 22 - June 2023 figures)



**44.9%**  
OF RESIDENTS  
QUALIFIED TO  
NVQ4 AND ABOVE  
(Source Census 2021)



**8,225**  
BUSINESSES  
(2023 source ONS)



**51,715**  
HOMES

# ORGANISATION

The council operates 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 three 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 2024 ELECTIONS)

45 Councillors

16 wards

The political make-up of the council is:

Liberal Democrat	33 Councillors
Conservative	8 Councillors
Green	3 Councillor
Independent	1 Councillors

## EMPLOYEES

Chief Executive

Three Strategic Directors

Nine Corporate Heads/Programme Leads

446 employees (408 F/T equivalents) Just under two-thirds of the council workforce is female (figures at 31/3/24).

## 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. The council also procures insurance services from Basingstoke & Deane Borough Council.

## 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.

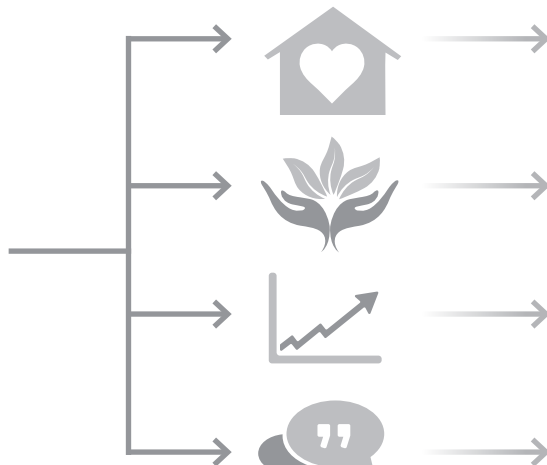
Our latest Residents' Survey shows that these remain the priorities most local people want us to focus on. The Plan was refreshed in December 2022, and there are four areas of enhanced focus for the upcoming year. These are:

- a.** Cost of living support – pivoting our services and resources to support our residents, businesses and voluntary organisations with the cost of living crisis
- b.** Greener faster – adding weight to our commitment to achieve our net zero targets for 2024 and 2030
- c.** Pride in place – making a visible difference to our places to delight residents and visitors
- d.** 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

### TACKLING THE CLIMATE EMERGENCY



- The 'Retrofit Ready' programme launched to all council tenants occupying traditionally constructed houses and bungalows with an Energy Performance Certificate rating of 'D' or below. Over five hundred property assessments completed.
- Successful grant bid under the Social Housing Decarbonisation Fund
- A decarbonisation review of the council Campus buildings undertaken.
- The new King George V Pavilion constructed to achieve a BREEAM rating of Excellent and includes sustainable measures.
- Continued actions to switch council vehicles to low and zero-carbon fuels, including:
  - The Neighbourhood Services Team replaced six vehicles with electric ones.
  - The contract to operate the Park and Ride service from April 2024 will operate with Euro VI vehicles fuelled with Hydrotreated Vegetable Oil (HVO), this will reduce WCC carbon emissions by 8%.
  - Work is underway to explore using HVO to decarbonise the current waste and recycling vehicles.
- The council currently has a network of 60 Electric Vehicle charging points (EVCPs).

### LIVING WELL



- £472,000 core grants awarded to key voluntary sector organisations supporting vulnerable residents.
- Cost of living support provided including:
  - Grants awarded from the Household Support Fund to Winchester organisations to support vulnerable residents with food and fuel poverty.
  - £313,000 allocated to fund households in receipt of Council Tax Reduction (CTR) with a £50 food voucher, and households in receipt of Housing Benefit (who do not receive CTR) with an £80 food voucher.
- Winchester Sport & Leisure Park membership numbers exceeded 5,500, with monthly visits exceeding 100,000.
- Community classes for people with long-term health conditions operates with about one thousand attendees per quarter.



60



ELECTRIC VEHICLE  
CHARGING POINTS  
INSTALLED

REDUCED CITY COUNCIL  
EMISSIONS BY  
**-34%**



39.7%



ANNUAL RECYCLING RATE  
AVERAGE QUARTERLY  
RECYCLING RATE  
SEPT 22- SEPT 23

## HOMES FOR ALL



- 275 new homes completed or nearing completion, including developments at Winnall and Whiteley.
- The council has secured Local Authority Housing Funding (LAHF) to purchase accommodation to assist supporting Ukrainian and Afghan households. 27 families have been housed in LAHF properties from round 1 allocations.
- New Winchester Housing Company Venta Living Ltd set up to address the limited supply of affordable private rented housing. The company has leased a block of 41 flats in 2024 for letting to private tenants.

## VIBRANT LOCAL ECONOMY



- Implemented Green Economic Development Strategy to deliver green growth.
- Jobs and Opportunities Fair in partnership with Winchester Jobcentre at Winchester Sport and Leisure Park
- £130,000 of this year's Rural England Prosperity Funding has been allocated to five rural businesses across the Winchester District.
- £96,000 of the government's UK Shared Prosperity Funding has been allocated to seven internal and external projects to support businesses and community organisations across the district.

## YOUR SERVICES, YOUR VOICE



- The council continues to regularly engage and consult with residents, examples include:
  - The Neighbourhood Services and Community Safety team carried out a consultation on reducing the fear of crime and the incidence of crime and disorder.
  - Residents were consulted for their views on the options for how to generate more renewable energy in the district.
- A budget of £400,000 was approved for digital transformation to continue the drive to increase digital platforms to offer 24/7 services.

# 2023/24 GENERAL FUND BUDGET

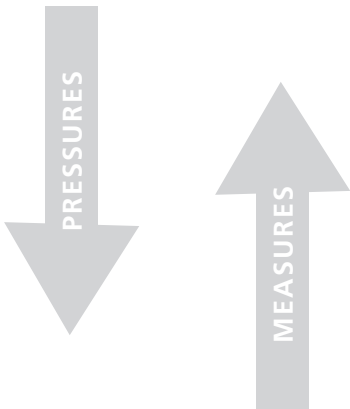
The council was able to produce a balanced budget in 2023/24, whilst supporting the delivery of the key priorities of the Council Plan.

Additional contract, pay and energy inflationary costs were forecast to total £1.1m in excess of the original base budget. Other unavoidable pressures include the continuing loss of parking

income following changes to working practices post COVID. Measures taken to balance the budget included a 2.7% Council Tax increase and a 10% increase in fees and charges. Government funding included an unexpected further one year of New Homes Bonus grant and the Funding Guarantee grant. Whilst this did not assist the council to address longer term funding pressures,

the budget was able to include £2m of “one off” reserve allocation proposals to support the delivery of the Council Plan. These included £0.5m allocated to support the transition to new food collection and other changes to waste collection and £0.4m to increase digital platforms and transform the digital customer experience.

2023/24	£m
Inflation pressures	1.1
Growth	0.7
Unavoidable pressures	0.5
Reserve allocations to support Council Plan	2.0
<b>Total</b>	<b>£4.3m</b>



2023/24	£m
Additional One-off Government grants	2.8
Council Tax 2.7% increase	0.2
Fees & Charges CPI increase	0.2
Efficiency Savings	0.1
Parking amendments to charges	0.3
Increased Revenues	0.7
<b>Total</b>	<b>£4.3m</b>





## 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 medium-term outlook for the council's finances is dominated by two key factors; firstly the macro-economic volatility the UK is experiencing (such as recent high inflation and continued elevated interest rates); secondly, the unknown impact of the long awaited fair funding review and proposed further business rates retention proposals for 2024-25 and beyond. Higher interest rates have significantly increased returns on the council's investments during the current year. This provides a short-term benefit given current cash balances, however it does mean that when, as projected, the council moves to a net borrowing position, costs of borrowing are likely to be much higher than they would have been over the last decade. In addition, the increased cost of borrowing available to the council has a detrimental impact on the financial viability and affordability of capital schemes reliant on borrowing to fund them.

The landscape for local authority finances in England continues to be challenging. The combination of recent high inflation (baking-in high

prices in contracts); rising demand for services; and lack of freedom and certainty in funding (with council tax caps and no sign of the Fair Funding Review) are leading many councils to report overspends spiralling out of control. Council chief financial officers (CFOs) must set a balanced budget for the financial year ahead. If the council's forecast income is insufficient to meet its forecast expenditure for the next year the CFO will issue a 'section 114 notice' to publicly indicate that it cannot meet its spending commitments. Seen as a rarity until 2020, 2023 has seen multiple s114 notices issued by councils across the country; with the threat of many more to come over the next two years. Although the majority of these are from upper tier or unitary authorities, a survey published in October by the District Councils' Network (DCN) revealed that 52% of respondents did not expect to balance their budget in 2024/25 without needing to draw on reserves.

Winchester is no exception to feeling the same financial pressures as other councils. The MTFP is showing a projected annual budget shortfall of £2.87m per annum in 2027/28.

THE DISTRICT COUNCILS' NETWORK REVEALED THAT

**52%** of respondents **DID NOT EXPECT TO BALANCE THEIR BUDGET IN 2024/25** without needing to draw on reserves.



## MEDIUM TERM FINANCIAL PROJECTIONS (£M)

	23/24	24/25	25/26	26/27	27/28
Council Tax	(9.360)	(9.830)	(10.203)	(10.546)	(10.900)
Business Rates	(6.680)	(7.459)	(7.998)	(4.671)	(4.993)
Govt Funding	(4.964)	(3.405)	(3.091)	(2.626)	(1.065)
Investment Activity	(2.968)	(2.326)	(2.012)	(1.877)	(2.234)
Baseline Resource Requirement	18.009	18.925	19.828	20.474	21.239
One Off Budgets & Reserve Related Movements	5.963	4.095	3.476	0.811	0.822
(Surplus)/ Shortfall	0	0	0	1.565	2.869

# MEDIUM TERM FINANCIAL STRATEGY

## TRANSFORMATION CHALLENGE 2025

It was clear this financial challenge for the council was like no other and of a completely different magnitude to previous rounds of savings since the mid-2000s. Drastic action is needed to ensure a sustainable financial future, or the council faces the same s114 fate as others in the sector.

In response, Cabinet took action and initiated a bold, organisation-wide transformation programme to seek out and to deliver transformational changes to the way we deliver services in order to save £3m a year within 3 years: 'Transformation Challenge 2025' (TC25). A comprehensive and detailed review of the operating model for the delivery of all our services is required if the transformation is to deliver the necessary savings and protect our core services for those residents and customers in the greatest need.

An initial strategic budget review identified 12 themes for consideration. Work continued over the year and a selection of these 12 themes provided essential learning for the next phase of this work but not significant savings. Recognising the limited success and/or progress of the 12 pilot projects it was elevated to a tier one strategic project, sponsored by a new Transformation Board. The Board has clear terms of reference, setting out the transformation, financial, workforce and consultation principles of the

programme. A Programme Lead and Programme Manager were appointed to drive the programme and ensure success can be achieved and measured. So far the programme has already identified £0.6m of savings.



Drastic action -  
**ENSURE A SUSTAINABLE FINANCIAL FUTURE**  
Initiate a bold, organisation-wide transformation programme

## TC25 STAR CHAMBERS

In the next phase of TC25, Corporate Heads of Service worked with all staff in their teams to generate ideas for service transformation. From small efficiencies to completely changing the operating model of a service, no stone has been left unturned when seeking out the transformational changes needed to save £3m a year within 3 years.

These ideas are collated into the following five streams:

- Digital redesign
- Structural cost reduction through service change
- Contract management change
- External funding and partnerships
- Income generation

The long list of transformation ideas were presented to 'Star Chambers' by each Corporate Head and the responsible Cabinet member. Challenge in the Star Chamber came from the Executive Leadership Board, the CFO, the other Cabinet members, and the Programme Lead for TC25. The challenge process shortlisted and prioritised options taken forward to feasibility and consultation stages in 2024.



## GENERAL FUND 2023/24 OUTTURN

The Funding and Other Activity outturn was £3.5m higher than originally budgeted for. This was through additional government funding and retained business rates. The additional government funding related to £2.2m of new burdens funding received during the year related to Homes for Ukraine and Preventing Homelessness. The retained business rates £1.4m favourable outturn was primarily through the release of 2017 provision for business rates appeals no longer required. The outturn surplus has enabled the council to achieve a £3.1m net transfer movement to earmarked general fund reserves.

SERVICE BUDGET (excluding depreciation)	ORIGINAL BUDGET	OUTTURN	VARIANCE
	£'000	£'000	£'000
ENVIRONMENT	6,315	6,437	122
LIVING WELL	3,917	3,721	(196)
HOMES FOR ALL	2,186	2,401	215
VIBRANT LOCAL ECONOMY	1,306	1,530	224
YOUR SERVICES, YOUR VOICE	6,556	6,305	(251)
TOTAL	20,281	20,395	114
FUNDING AND OTHER ACTIVITY	(21,887)	(25,384)	(3,497)
TRANSFER TO (FROM) EARMARKED RESERVES	1,606	4,093	(2,487)
UNDERSPEND		(896)	(896)

## HRA 2023/24 OUTTURN

The HRA outturn resulted in a decrease in the HRA balance of £1.3m which is just under £0.4m higher than originally budgeted for. Significant adverse variances related to the cost of building maintenance £1.6m and depreciation £1.4m, whilst there was a favourable variance for the cost of interest payable (£1.6m), external income (£0.8m), and employees (£0.4m), and utility and cleaning costs (£0.5m).

SERVICE	ORIGINAL BUDGET	OUTTURN	VARIANCE
	£'000	£'000	£'000
RENT, SERVICE CHARGES AND OTHER INCOME	(30,821)	(31,311)	(490)
HOUSING MANAGEMENT GENERAL	6,325	6,165	(160)
HOUSING MANAGEMENT SPECIAL	2,412	1,945	(467)
REPAIRS (INCLUDING ADMINISTRATION)	7,901	9,278	1,377
EXTERNAL INTEREST PAYABLE	6,857	7,230	373
DEPRECIATION	8,821	10,214	1,393
OTHER INCOME AND EXPENDITURE	(605)	(2,358)	(1,753)
TRANSFERS TO (FROM) EARMARKED RESERVES	0	95	95
(INCREASE)/DECREASE IN HRA BALANCE	890	1,258	368

The cost of building maintenance was over budget and is largely the combination of an increase in responsive repairs demand and in prices, and higher replacement costs for the components of housing stock resulted in higher depreciation than budgeted.

Interest charges payable were lower than budgeted due to the council being in a position to internally borrow rather than externally.

# GENERAL FUND MOVEMENT

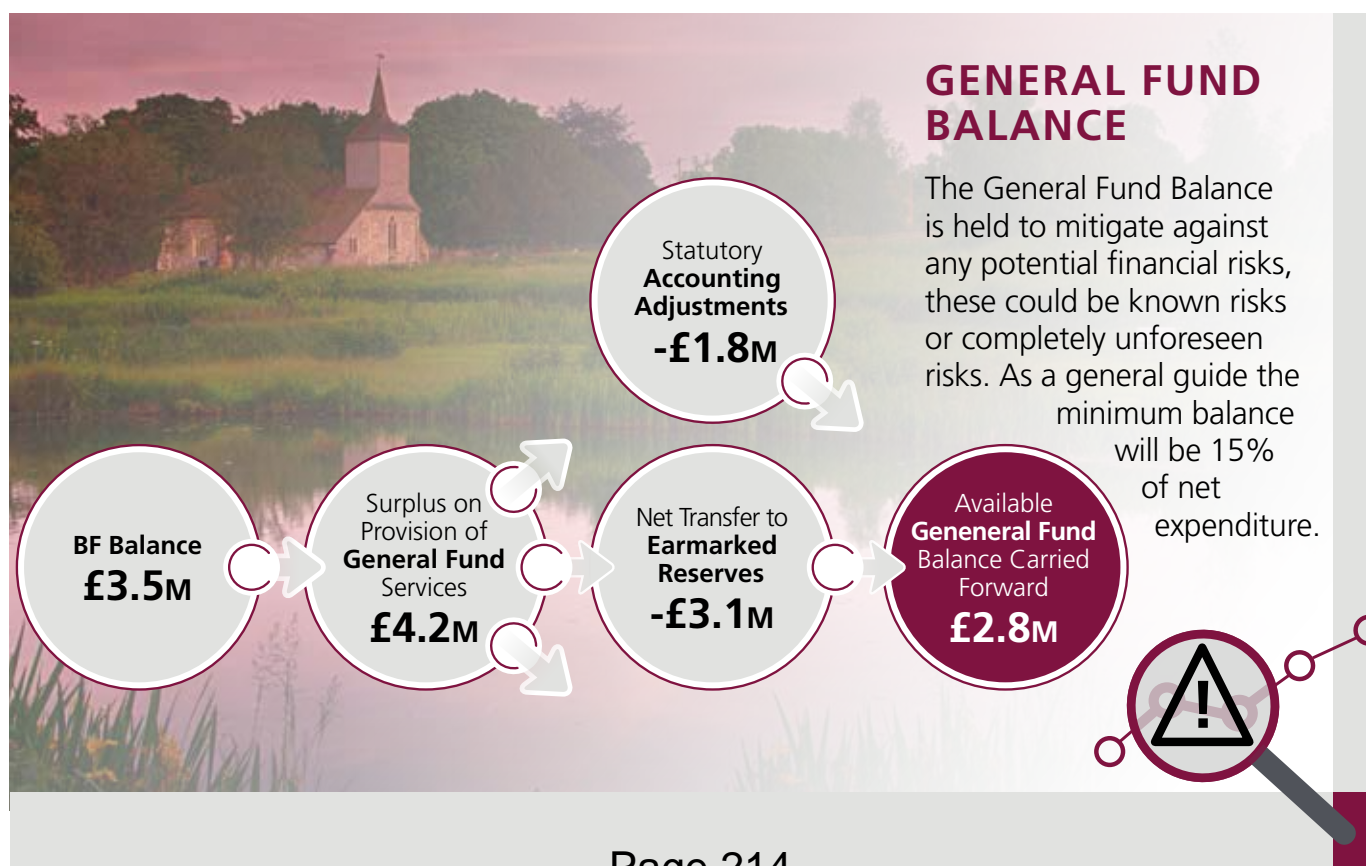
The table shows the in year movements of the General Fund balance. The Surplus on the Provision of Services (within the council's Comprehensive Income & Expenditure Statement) was £21.1m. However, once the surplus on HRA services is adjusted for there is a surplus for General Fund services of £4.2m.

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 increase in the General Fund balance is £2.4m.

A further net transfer of £3.1m 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
<b>Brought Forward Balance</b>			3.5
Surplus on provision of all services	21.1		
Adjust for HRA related surplus	(16.9)		
		4.2	
Apply Accounting Adjustments		(1.8)	
In year surplus on Provision of General Fund Services			2.4
<b>Movements (to)/ from Earmarked Reserves</b>			
Major Investment Reserve	1.3		
Transitional Reserve	(1.9)		
Other unrestricted reserves	(1.4)		
Net movement unrestricted reserves		(2.0)	
Net movement restricted reserves		(1.1)	
<b>Net Earmarked Reserves transfer</b>			<b>(3.1)</b>
<b>Available General Fund Balance</b>			<b>2.8</b>



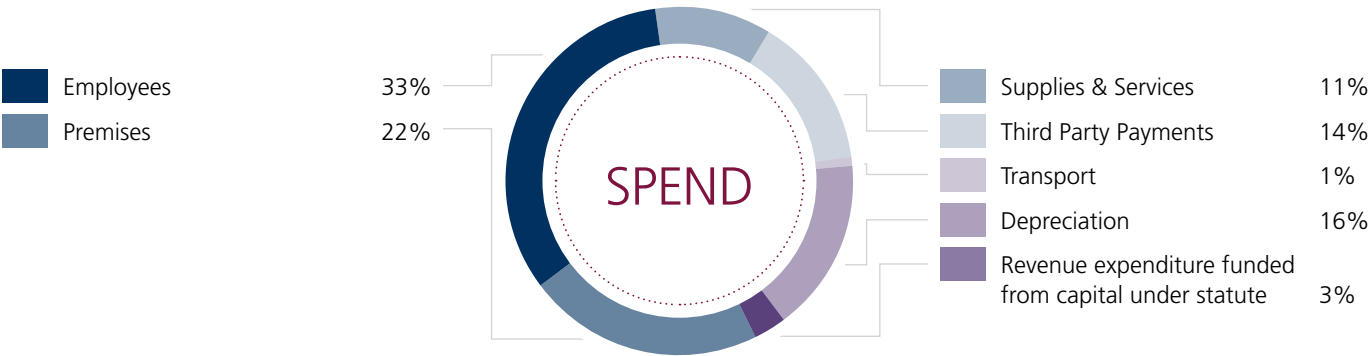
# WHERE THE COUNCIL'S FUNDING CAME FROM

(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

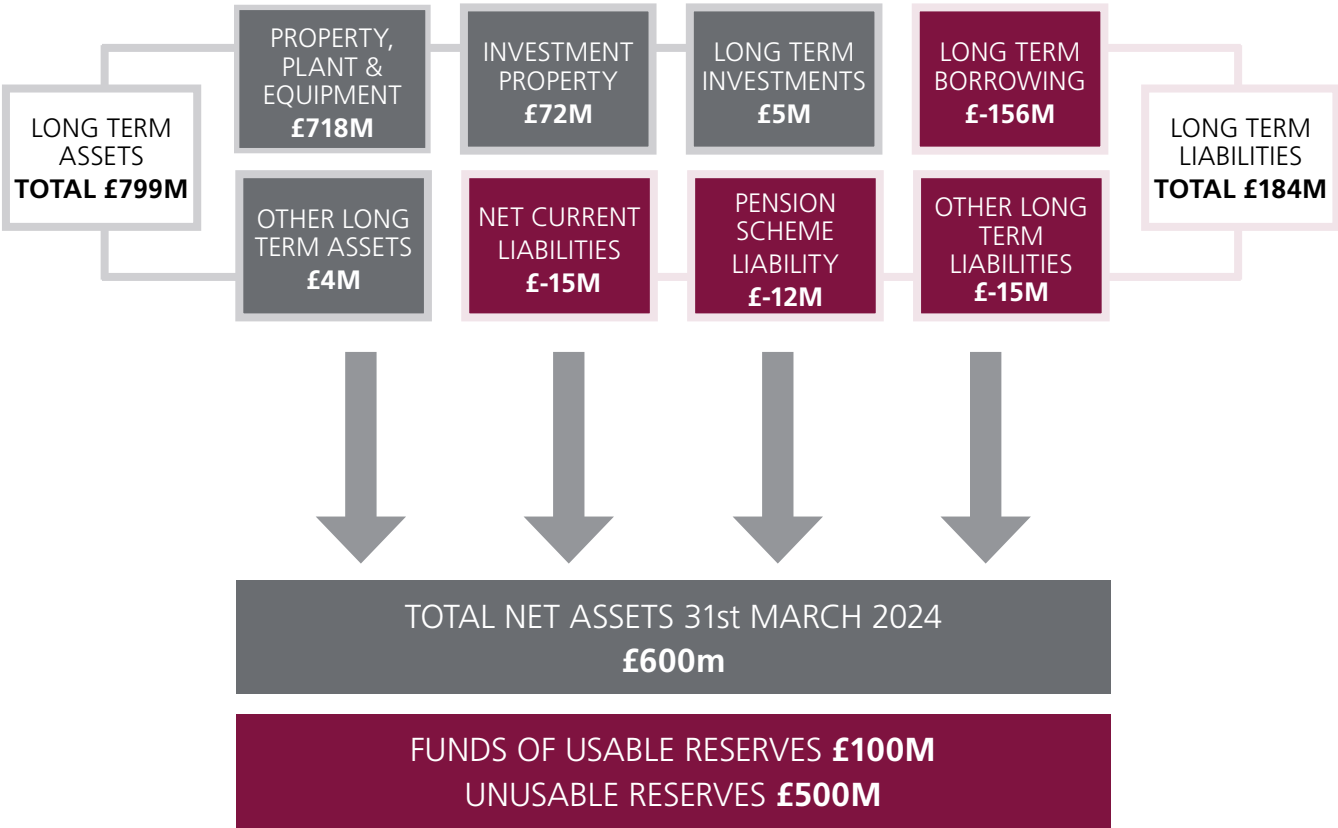
THE COUNCIL'S BALANCE SHEET SHOWS IT HAS A **NET WORTH OF £600M.**

TOTAL LONG TERM **ASSETS** OF **£799M** AT THE BALANCE SHEET DATE INCLUDE:

- Council dwellings £569m
- Other operational land and buildings £107m
- Investment property £72m.

TOTAL LONG TERM **LIABILITIES** OF **£184M** INCLUDE:

- Long term borrowing of £156m
- The pension scheme potential future liability of £12m.



The council's balance sheet includes £100m of usable reserves available to fund future spending plans and programmes.

The overall increase in the council's net worth of £34m is primarily due to increases in property values.



# THE PENSION FUND DEFICIT

The Pension Fund deficit has reduced significantly since 2021/22 and as at 31 March 2024 the fund position is a deficit of £12.5m.

Pension Fund Surplus/(Deficit) £m	
31 March 2022	(60.8)
31 March 2023	(13.8)
31 March 2024	(12.5)

An actuarial valuation determines the value of all pension fund assets and liabilities as of a specific date. If the value of the fund assets is below the value of the liabilities, the fund will be in a deficit position, however if the value of the plan assets exceeds the value of the liabilities, the funded ratio will be greater than 100% and the plan will be considered to be in a “surplus” position.

In conducting an actuarial valuation, many future events must be assumed or predicted. These assumptions include life expectancy, age of retirement, general salary increases, and interest rates. In general, when calculating the present value of future assets and liabilities, actuaries discount future cash flows by using a discount rate linked to long-term interest rates. An increase

in long-term interest rates means that the liabilities, or the discounted value of future cash flows of a pension plan, decreases. Primarily it is this reduction in the value of liabilities which has led to the significant reduction in the pension fund deficit over recent periods.



# 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.



# 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 2024 the council held £41.3m 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 2024 the council held £9.7m 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 Transitional Reserve has increased to fund the transformation programme.

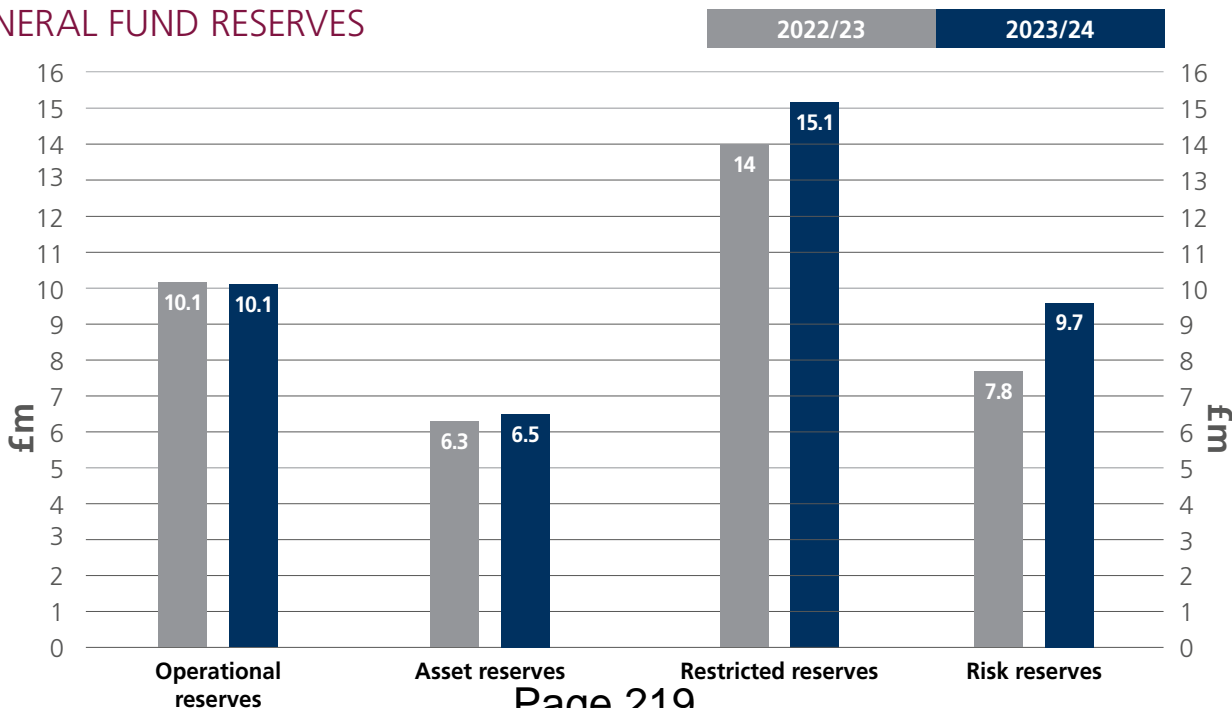
The council currently holds a balance of £2.9m to mitigate the risk of exceptional inflationary pressures.

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 £15.1m of restricted reserves as at 31 March 2024. Of these £12.4m are Community Infrastructure Levies which can only be used to deliver infrastructure.

## GENERAL FUND RESERVES



# CAPITAL STRATEGY

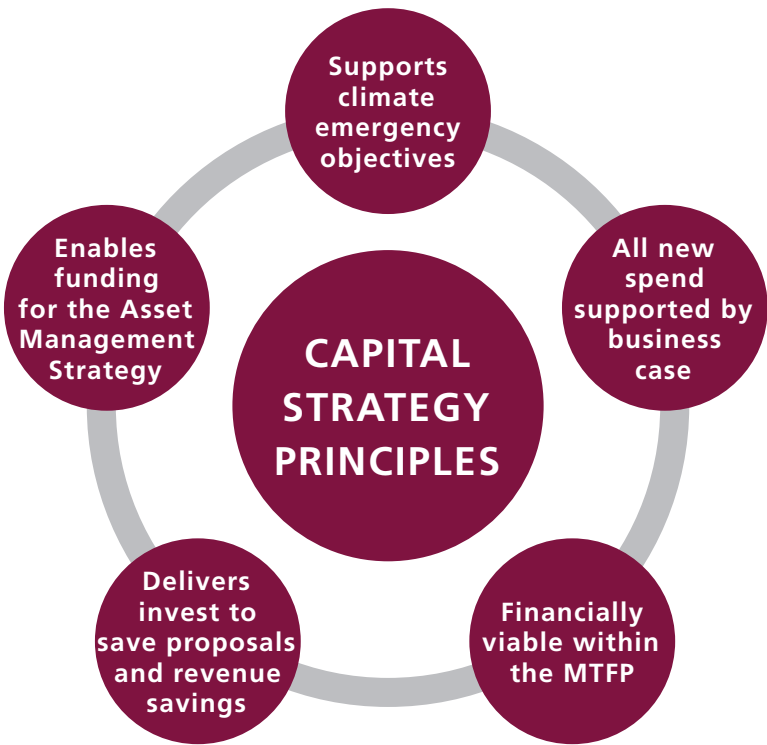
The Council Plan details how the council will deliver its five strategic priorities: Tackling the climate emergency and creating a greener district, Homes for all, Vibrant local economy, Living well, and Your services your voice. Several of these priorities will be delivered through capital spend and associated projects.

The Capital Strategy sets out the council's capital spending programme and the principles which underpin this to deliver the desired priorities as set out in the Council Plan. The council's capital programme incorporates both the General Fund (GF) and the Housing Revenue Account (HRA) capital requirements to support service provision and links with the Council Plan, Housing Business Plan, the Asset Management Strategy, IMT strategy and Medium Term Financial Strategy.

The Capital Strategy 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 2033/34 totals £445 million of which £39 million is General Fund and £406 million is Housing Revenue Account. Within the HRA Capital Programme £261m relates to New Build Housing, £85m is for Major repairs top Housing stock, and £43m for additional investment in the council's housing stock to improve energy efficiency and help reduce carbon emissions.

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))
- Revenue contributions, including Earmarked Reserves and the Major Repairs Reserve
- Borrowing, including internally (also known as the "Capital Financing Requirement")

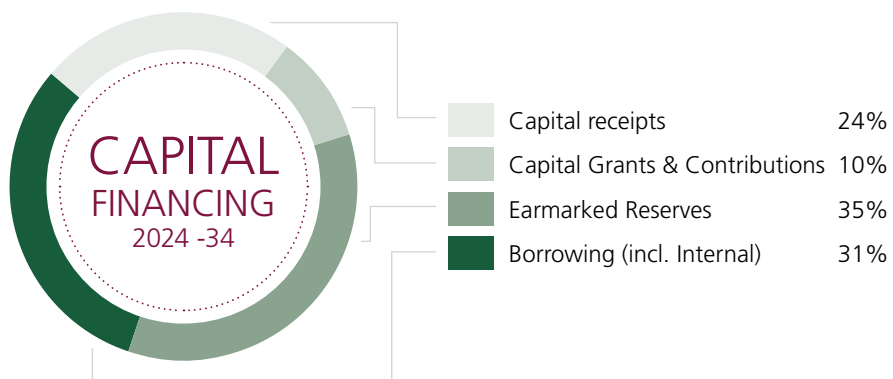


The proposed financing of the 10-year capital expenditure is made up of:

- Capital receipts £106m
- Capital grants and contributions £47m
- Revenue (including earmarked reserves and the Major Repairs Reserve) £155m
- Borrowing £137m

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 £159.8m 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 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 2023/24

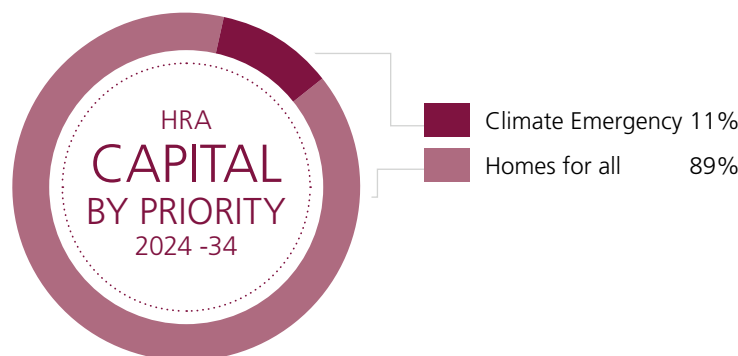
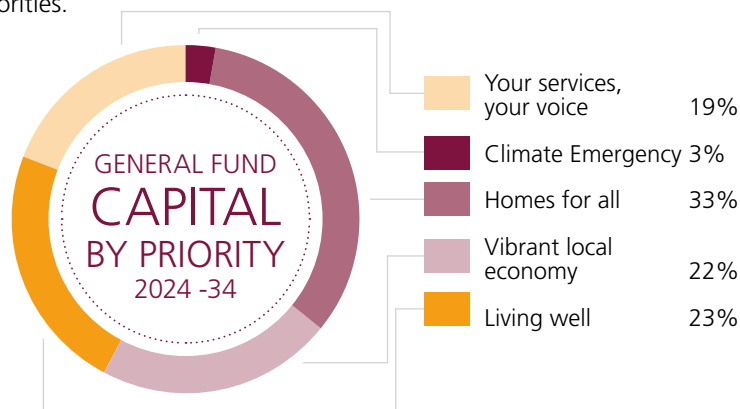
The council has made further progress in 2023/24 in delivering its capital programme. In the General Fund, projects completed or substantially complete this year include:

- King George V (KGV) pavilion. As well as offering a modern facility for its users, it will help the council achieve its carbon neutral goals by incorporating several features including EV charging points, solar panels, an air source heat pump, and a green roof.
- Kings Walk improvements to the ground floor & public realm - external greening, lighting, and internal alterations to create a refreshed image and to enhance connectivity and visibility between Kings Walk and the High Street.
- The establishment of a Housing Company, based on a leasing model, which will support the delivery of alternative tenures.
- The demolition of Friarsgate Medical Centre in advance of the creation of an interim public space in the Central Winchester Regeneration area.

In addition to the required investment in major works to the existing stock including an ambitious retrofit programme to increase energy efficiency and help tenants reduce energy costs and to maintain the current decent homes standard, significant additional funding towards a challenging new build programme is included to facilitate the delivery of the council's objective of 1000 new homes for local people. Major projects included are:

- Winnall Flats with 76 units (35 shared ownership, and 41 market rent) – complete
- Southbrook Cottages (6 units of affordable) delivered to Passive House standard

The following charts illustrate the percentage of total capital expenditure forecast for each of the council's priorities.



**TOTAL FUNDING £28.8M**  
**INCREASED FINANCING REQUIREMENT £13.6M**

## FUNDING

Capital Receipts \_\_\_\_\_ **£14.3m**  
 Government Grants and Other Contributions \_\_\_\_\_ **£8.6m**  
 General Fund Reserves \_\_\_\_\_ **£1.9m**  
 Major Repairs Reserve \_\_\_\_\_ **£4m**

## INVESTMENT

HRA New Build \_\_\_\_\_ **£16.9m**  
 HRA Major Repairs \_\_\_\_\_ **£7.8m**  
 HRA Property Acquisitions \_\_\_\_\_ **£10.3m**  
 HRA Disabled Adaptations \_\_\_\_\_ **£1m**  
 HRA Other \_\_\_\_\_ **£0.2m**  
 Disabled Facilities Grants \_\_\_\_\_ **£1.6m**  
 King George V Pavillion \_\_\_\_\_ **£2.3m**  
 Friarsgate Medical Centre \_\_\_\_\_ **£0.5m**  
 General Fund Other \_\_\_\_\_ **£1.8m**





# CAPITAL PROGRAMME

## HOUSING BUILD

£261m is planned for the HRA new build programme over 10 years (2024-2034).



### 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 2024.

### WINNALL FLATS

A new affordable housing scheme for Winchester City Council at Winnall Flats has been completed in 2024. The new flats, accredited to Passivhaus low energy building standard provide a total of 73 new flats in two new blocks and three new houses, and 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.

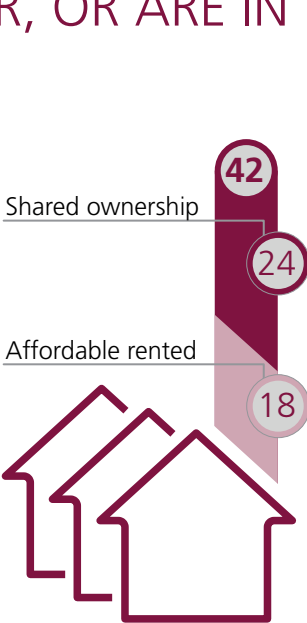
A major feature of the scheme is the upgrading of the public open space around the existing four blocks on the site by changing the previous car-dominated areas to a more people focussed environment – making it more pleasant to walk around the site and also making space for a new pocket park to encourage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

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

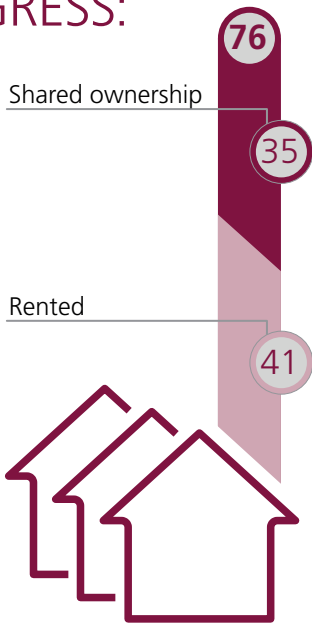
## A NUMBER OF HRA NEW BUILD SCHEMES HAVE BEEN COMPLETED IN YEAR, OR ARE IN PROGRESS:



NEW HOMES



WHITELEY



WINNALL FLATS



## 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.

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. The company became operational in 2024. The first homes available will be within the Winnall Flats redevelopment. Here, 41 one-bedroom apartments will be available to rent privately. The homes have been built to a high standard, with the warmth and comfort of residents in mind - and they will also be more cost-effective to run thanks to their energy efficient design.

## LOCAL AUTHORITY HOUSING FUND

The Local Authority Housing Fund (LAHF) grant programme provides grants to local authorities by the Department of Levelling up Housing and Communities (DLUHC) to acquire properties for the resettlement of Ukraine and Afghan refugees.

Between the 3 rounds of government LAHF grant allocation the council will have acquired 45 properties that will initially benefit Ukraine and Afghan refugees, but in the longer term will be used as additional affordable homes for all. The council has received grant allocations of £7.3m towards the cost of acquiring the properties representing 40% of acquiring the properties plus an additional repairs allowance of per property. As part of the conditions for receiving the grant the council is required to provide match funding for the additional capital costs of the acquisitions.



The council has received grant allocations of

# 7.3m

## TOWARDS THE COST OF ACQUIRING PROPERTIES

initially to benefit Ukraine and Afghan refugees



# 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



## 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.

In July 2023 the cabinet agreed to progress the project to Stage 2 and procure a multi-disciplinary team that can articulate our vision and produce a concept masterplan for the Station Approach area. Once the concept masterplan has been produced it will be reported to Cabinet for adoption and become a material planning consideration for any planning applications on the site in future.





# 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.

Work to improve and refresh the Kings Walk area of Winchester has been completed in year. The upgrade includes integrating the Nutshell theatre with the Kings Walk Arcade, improving the appearance of the façade and entrance along Silver Hill and enhancing existing open spaces. The work included creating a courtyard area – the 'Courtyard Garden'.



---

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**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 2024 and its income and expenditure for the year then ended.

Signature: .....

Date:

**Chief Financial Officer, Section 151 Officer**

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2024**

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.

2022/23			2023/24		
Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
20,322	(10,990)	9,332	17,996	(11,457)	6,539
4,060	(985)	3,075	7,130	(1,596)	5,534
13,586	(9,601)	3,985	13,851	(9,713)	4,138
28,206	(30,626)	(2,420)	29,566	(33,210)	(3,644)
2,690	(721)	1,969	2,266	(667)	1,599
19,037	(11,309)	7,728	20,596	(11,375)	9,221
87,901	(64,232)	23,669	91,405	(68,018)	23,387
(26,099)	0	(26,099)	(10,789)	0	(10,789)
<b>61,802</b>	<b>(64,232)</b>	<b>(2,430)</b>	<b>80,616</b>	<b>(68,018)</b>	<b>12,598</b>
			<b>Other Operating Income and Expenditure</b>		
			3,776		4,045
			(2,509)		(926)
			(71)		0
			<b>Financing and Investment Income and Expenditure</b>		
			5,499		5,287
			1,604		650
			(1,248)		(1,671)
			Income and Expenditure in relation to Investment Properties and Changes in their Fair Value (Note 16)		
			(3,663)		(4,213)
			(Gains)/losses for financial assets classified as fair value through profit or loss (Note 18)		
			1,044		182
			<b>Taxation and Non-Specific Grant Income</b>		
			(5,771)		(8,082)
			(4,580)		(5,358)
			(2,569)		(10,034)
			(12,741)		(13,549)
			<b>(23,659)</b>		<b>(21,071)</b>
			<b>Other Comprehensive (Income) and Expenditure</b>		
			(1,169)		(10,946)
			(52,264)		(2,055)
			<b>(77,092)</b>		<b>(34,072)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2024**

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 £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
<b>Balance at 31 March 2023</b>	<b>(3,512)</b>	<b>(38,248)</b>	<b>(15,355)</b>	<b>(174)</b>	<b>(26,140)</b>	<b>(18,029)</b>	<b>(980)</b>	<b>(102,438)</b>	<b>(463,426)</b>	<b>(565,864)</b>
<b>Movement in Reserves during 2023/24</b>										
(Surplus) or Deficit on Provision of Services	(4,146)	0	(16,925)	0	0	0	0	(21,071)	0	<b>(21,071)</b>
Other Comprehensive (Income) and Expenditure	0	0	0	0	0	0	0	0	(13,001)	<b>(13,001)</b>
<b>Total Comprehensive (Income) and Expenditure</b>	<b>(4,146)</b>	<b>0</b>	<b>(16,925)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(21,071)</b>	<b>(13,001)</b>	<b>(34,072)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations ( <a href="#">Note 8</a> )	1,811	0	18,176	0	(6,183)	9,631	(238)	23,197	(23,197)	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(2,335)</b>	<b>0</b>	<b>1,251</b>	<b>0</b>	<b>(6,183)</b>	<b>9,631</b>	<b>(238)</b>	<b>2,126</b>	<b>(36,198)</b>	<b>(34,072)</b>
Transfers to/(from) Earmarked Reserves ( <a href="#">Note 23</a> )	3,058	(3,058)	8	(8)	0	0	0	0	0	<b>0</b>
<b>(Increase)/Decrease in Year</b>	<b>723</b>	<b>(3,058)</b>	<b>1,259</b>	<b>(8)</b>	<b>(6,183)</b>	<b>9,631</b>	<b>(238)</b>	<b>2,126</b>	<b>(36,198)</b>	<b>(34,072)</b>
<b>Balance at 31 March 2024 Carried Forward</b>	<b>(2,789)</b>	<b>(41,306)</b>	<b>(14,096)</b>	<b>(182)</b>	<b>(32,323)</b>	<b>(8,398)</b>	<b>(1,218)</b>	<b>(100,312)</b>	<b>(499,624)</b>	<b>(599,936)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2024**

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



**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**BALANCE SHEET AS AT 31 MARCH 2024**

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 23 £000		Note	31 Mar 24 £000
675,093	Property, Plant and Equipment	14	718,212
2,750	Heritage Assets	15	2,820
71,033	Investment Property	16	71,646
61	Intangible Assets		35
5,441	Long-Term Investments	18	5,236
288	Long-Term Debtors		761
<b>754,666</b>	<b>Long-Term Assets</b>		<b>798,710</b>
6,998	Short-Term Investments	18	4,129
23	Inventories		82
9,529	Short-Term Debtors	20	6,955
11,624	Cash and Cash Equivalents		1,946
<b>28,174</b>	<b>Current Assets</b>		<b>13,112</b>
(5,513)	Short-Term Borrowing	18	(5,522)
(24,991)	Short-Term Creditors	21	(21,504)
(3,504)	Provisions	22	(1,154)
<b>(34,008)</b>	<b>Current Liabilities</b>		<b>(28,180)</b>
(158,919)	Long-Term Borrowing	18	(156,466)
(13,823)	Pension Scheme Liability	13	(12,453)
(10,226)	Grants and Contributions in Advance	9	(14,787)
<b>(182,968)</b>	<b>Long-Term Liabilities</b>		<b>(183,706)</b>
<b>565,864</b>	<b>Net Assets</b>		<b>599,936</b>
102,438	Usable Reserves		100,312
463,426	Unusable Reserves	25	499,624
<b>565,864</b>	<b>Total Reserves</b>		<b>599,936</b>

Signature: .....

Date:

**Chief Financial Officer, Section 151 Officer**

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2024**

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.

2022/23			2023/24		
£000	£000		£000	£000	
		<b><u>Cash Flows from Operating Activities</u></b>			
	(23,659)	Surplus on the Provision of Services		(21,071)	
		<b><u>Adjustments for Non-Cash Movements</u></b>			
(11,676)		Depreciation of Property, Plant and Equipment	(12,579)		
28,155		Revaluation gains on property, plant and equipment and investment property	9,471		
(54)		Amortisation of Intangible Assets	(26)		
(5,250)		Pension Fund Adjustments	(685)		
(148)		(Increase)/Decrease in Impairment for Bad Debts	9		
613		Contributions (to)/from Provisions	2,350		
(6,185)		Carrying Amount of Property, Plant and Equipment sold	(4,315)		
(1,044)		Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	(182)		
		<b><u>Accruals adjustments:</u></b>			
(18)		Increase in Inventories	60		
(6,963)		Decrease/(Increase) in Short-term and Long-term Debtors	(1,992)		
14,720		Increase/(Decrease) in Short-term Creditors	3,487		
(902)	11,248	Decrease/(Increase) in Grants and Contributions	(4,561)	(8,963)	
	<b>(12,411)</b>			<b>(30,034)</b>	
		<b><u>Adjust for Items that are Investing and Financing Activities</u></b>			
8,694		Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	5,241	5,241	
	<b>(3,717)</b>			<b>(24,793)</b>	
		<b><u>Net Cash Flows from Operating Activities</u></b>			
		<b><u>Cash Flows from Investing Activities</u></b>			
26,482		Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	40,278		
6,000		Purchase of Short Term and Long Term Investments	3,000		
0		Other Payments for Investing Activities			
(8,694)		Proceeds from the Sale of Property, Plant, Equipment, Investment Property and Intangible Assets	(5,241)		
(20,074)		Proceeds from the Sale of Short Term and Long Term Investments	(6,010)		
	<b>3,714</b>	<b><u>Net Cash Flows from Investing Activities</u></b>		<b>32,027</b>	
		<b><u>Cash Flows from Financing Activities</u></b>			
4,999		Cash receipts from Short & Long Term Borrowing	2,001		
433		Cash Payments for the Reduction of the Outstanding Liabilities Relating to Finance Leases	443		
	<b>5,432</b>	<b><u>Net Cash Flows from Financing Activities</u></b>		<b>2,444</b>	
	<b>5,429</b>	<b><u>Net (Increase)/Decrease In Cash and Cash Equivalents</u></b>		<b>9,678</b>	
	<b>17,053</b>	<b><u>Cash and cash equivalents at the beginning of the year</u></b>		<b>11,624</b>	
	<b>11,624</b>	<b><u>Cash and cash equivalents at the end of the year</u></b>		<b>1,946</b>	

## **1. MATERIAL 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 2023/24 the value of dwellings has increased by £14.726m, which means the reversal charged to the CIES was £10.775m and a revaluation reserve of £3.951m has been created.

## **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 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

<b><u>2023/24</u></b>	<b>Net charge to the General Fund &amp; HRA under statutory funding provisions £000</b>	<b>Adjustments for Capital Purposes £000</b>	<b>Net change for Pensions Adjustments £000</b>	<b>Other £000</b>	<b>Net costs in the Comprehensive Income and Expenditure Statement £000</b>
Environment	6,394	103	42	0	6,539
Living Well	3,711	1,813	10	0	5,534
Homes for All	(11,332)	1,028	9	0	(10,295)
Vibrant Local Economy	1,525	69	5	0	1,599
Your Services, Your Voice	6,620	2,677	(76)	0	9,221
<b>Cost of Services</b>	<b>6,918</b>	<b>5,690</b>	<b>(10)</b>	<b>0</b>	<b>12,598</b>
Other income & expenditure	(32,980)	(1,384)	695	0	(33,669)
Other General Fund & HRA items	18,976	(16,465)	0	(2,511)	0
<b>(Surplus)/deficit on the General Fund &amp; HRA</b>	<b>(7,086)</b>	<b>(12,159)</b>	<b>685</b>	<b>(2,511)</b>	<b>(21,071)</b>

Opening General Fund and HRA balance at 1 April 23	(83,429)
Surplus on General Fund and HRA	(7,086)
Loss on valuation (to Pooled Fund Adjustment Account)	(182)
Other	1
<b>Closing General Fund &amp; HRA balance 31 March 24</b>	<b>(90,696)</b>

<b><u>Analysis of Reserve Balance</u></b>	<b>General Fund £000</b>	<b>HRA £000</b>	<b>Total £000</b>
General Fund Balance	(2,789)		(2,789)
Earmarked Reserves	(41,306)	(182)	(41,488)
HRA balance		(14,096)	(14,096)
Major Repairs Reserve		(32,323)	(32,323)
<b>Total</b>	<b>(44,095)</b>	<b>(46,601)</b>	<b>(90,696)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

<b><u>2022/23</u></b>	<b>Net charge to the General Fund &amp; HRA under statutory funding provisions £000</b>	<b>Adjustments for Capital Purposes £000</b>	<b>Net change for Pensions Adjustments £000</b>	<b>Other £000</b>	<b>Net costs in the Comprehensive Income and Expenditure Statement £000</b>
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
<b>Cost of Services</b>	<b>8,440</b>	<b>(13,618)</b>	<b>2,748</b>	<b>0</b>	<b>(2,430)</b>
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
<b>(Surplus)/deficit on the General Fund &amp; HRA</b>	<b>(727)</b>	<b>(21,655)</b>	<b>5,250</b>	<b>(6,527)</b>	<b>(23,659)</b>

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
<b>Closing General Fund &amp; HRA balance 31 March 23</b>	<b>(83,429)</b>

<b><u>Analysis of Reserve Balance</u></b>	<b>General Fund £000</b>	<b>HRA £000</b>	<b>Total £000</b>
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)
<b>Total</b>	<b>(41,760)</b>	<b>(41,669)</b>	<b>(83,429)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

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

2022/23		2023/24
£000		£000
26,263	Employees	24,250
13,567	Premises	15,047
375	Transport	403
8,302	Supplies & services	8,203
9,401	Third party payments	10,055
18,596	Transfer payments	18,516
(13,277)	Capital charges	5,927
(1,425)	Support services	(1,785)
(64,232)	External income	(68,018)
<b>(2,430)</b>	<b>Cost Of Services</b>	<b>12,598</b>

2022/23	<u>Analysis of External Income</u>	2023/24
£000		£000
(19,898)	Government grants & contributions	(19,776)
(30,625)	HRA: rent, service charges, & other income	(33,121)
(13,709)	General Fund: fees, charges & other income	(15,121)
<u>(64,232)</u>		<u>(68,018)</u>

### 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 28 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.

#### **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 2024, the council had a balance of sundry debtors of £2.6 million. A review of debtors, profiled by the age of the debt, suggested that a loss allowance of 20% (£0.51 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 74k 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 2023/24 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 £2.7 million amounted to £1.1 million 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 £108k.
Valuation of operational property	The council's external valuer provided valuations as at 31 March 2024 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 £10.7m total reduction to the revaluation reserve and/or loss 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.  An increase in estimated valuations would

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

Item	Uncertainties	Effect if actual results differ from assumptions
		result in increases to the revaluation reserve and/ or reversals of previous negative revaluations in the CIES.
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 £7.2m 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 £28.4m 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 2024, 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 2023/24 budget was set in February 2023, and this included a forecast balanced position for 2024/25. With income, parking income in particular, returning to pre-pandemic levels, the associated risks of not achieving budget were reduced. The key known future risk relates to reductions in government funding, but delays around implementation of any reforms keeps pushing this risk further out.

The final outturn is just under £0.9m favourable to the February 2024 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 2024/25 to 2025/26 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 £11.3m as at 31 March 2024. 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 2024/25 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 2026. The council has sufficient access to cash and borrowing to ensure its liquidity, plans to set a balanced budget for 2025/26, and has sufficient reserves throughout the period of its Medium Term Financial Strategy. Reserve balances are forecast to include £10.2m 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**

For the 2024/25 financial year, the council must implement IFRS 16 Leases, applying the provisions as they have been adopted the 2024/25 Accounting Code. The main impact of IFRS 16 will relate to property that the council holds under operating leases, for which assets and liabilities are not recognised and rents are generally charged as revenue expenditure when they are payable. Under IFRS 16, the accounting treatment for all leases (except those with a term of less than 12 months and those involving low value items) will be to recognise a right-of-use asset in the Balance Sheet, measuring the value of the council's right to use the property over the remaining term of the lease. The Balance Sheet will also include a liability for the rents payable before the lease expires.

When rents are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset will be reflected in depreciation charges in the Comprehensive Income and Expenditure Statement. However, statutory arrangements are in place that will allow the impact on the General Fund Balance to be unchanged – i.e., that the overall charge for each year will be the rents payable in that year. Based on the minimum lease payments outstanding at 31 March 2024 it is estimated that the transition will not result in the recognition of material new assets and liabilities in the Balance Sheet.

The code adoption of IFRS 16 extends the definition of a lease to include arrangements where no rents are payable (or nothing more than a peppercorn), if these arrangements are material authorities are required to recognise right-of-use assets for them that require a valuation on recognition. The estimated current value of right of use assets related to leased assets with no or peppercorn rents is £11.7m.

There are no other changes in accounting requirements for 2024/25 that are anticipated to have a material impact on the council's financial performance or financial position.



**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

**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).

	<u>2022/23</u>					Adjustments between Accounting Basis and Funding Basis	<u>2023/34</u>				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unappl'd £000		General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unappl'd £000
	<b>Adjustments to Revenue Resources</b>										
(4,533)	(717)	0	0	0	Pensions (transfers to/ from Pensions Reserve)	(692)	7	0	0	0	0
6,527	0	0	0	0	Council Tax and Business Rates (transfers to/ from the Collection Fund Adjustment Account)	2,511	0	0	0	0	0
(2,614)	12,102	0	0	196	Reversal of entries included in the Surplus or Deficit on Provision of Services in relation to Capital Adjustment Account	(3,851)	3,101	0	0	0	(238)
(1,044)	0	0	0	0	Fair value gains/losses of pooled investment funds	(182)	0	0	0	0	0
587	(587)	0	0	0	Other adjustments	402	(402)	0	0	0	0
(1,077)	10,798	0	0	196	<b>Total Adjustments to Revenue Resources</b>	(1,812)	2,706	0	0	0	(238)
	<b>Adjustments between Revenue &amp; Capital Resources</b>										
1,198	7,462	(8,660)	0	0	Transfer of non current sale proceeds from revenue to the Capital Receipts Reserve	101	5,122	(5,223)	0	0	0
0	9,341	0	(9,341)	0	Funding set aside to Major Repairs Reserve	0	10,214	0	(10,213)	0	0
1,517	0	0	0	0	Statutory provision for the Financing of Capital	1,591	0	0	0	0	0
0	0	200	0	0	Voluntary provision for the Financing of Capital	0	87	600	0	0	0
1,992	0	0	0	0	Capital Expenditure financed from revenue	1,931	47	0	0	0	0
4,707	16,803	(8,460)	(9,341)	0	<b>Total Adjustments between Capital and Revenue Resources</b>	3,623	15,470	(4,623)	(10,213)	0	0
	<b>Adjustments to Capital Resources</b>										
0	0	10,717	0	0	Use of Capital Receipts Reserve to finance capital	0	0	14,254	0	0	0
0	0	0	0	0	Use of Major Repairs Reserve to finance capital	0	0	0	4,030	0	0
0	0	10717	0	0	<b>Total Adjustments to Capital Resources</b>	0	0	14,254	4,030	0	0
3,630	27,601	2,257	(9,341)	196	<b>Total Adjustments</b>	1,811	18,176	9,631	(6,183)	(238)	

## 9. GRANT INCOME

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

<b>2022/23</b>	<b>Credited to Services</b>	<b>2023/24</b>
<b>£000</b>		<b>£000</b>
(9,531)	Rent Allowances	(9,578)
(8,782)	Rent Rebates	(8,895)
(469)	Contributions	(513)
(1,116)	Other Grants	(790)
<u>(19,898)</u>	<b>Total</b>	<u>(19,776)</u>

<b>2022/23</b>	<b>Credited to Taxation and Non Specific Grant Income</b>	<b>2023/24</b>
<b>£000</b>		<b>£000</b>
	<b>Non Domestic Rates Income and Expenditure</b>	
(23,528)	Retained Business Rates	(25,340)
2,285	Levy Payment	3,599
20,429	Tariff Payment	21,912
(273)	Share of (surplus)/deficit	(1,792)
(496)	Allowances	(621)
(4,168)	S31 Grants	(5,831)
(20)	Other	(9)
<u>(5,771)</u>		<u>(8,082)</u>
	<b>Capital Grants and Contributions</b>	
(410)	Other Capital Grants and Contributions	(7,456)
(928)	Community Infrastructure Levy	(1,240)
(1,231)	Disabled Facilities Grant	(1,338)
<u>(2,569)</u>		<u>(10,034)</u>
	<b>Non-Ringfenced Government Grants</b>	
(1,933)	New Burdens Grant	(2,456)
(2,327)	New Homes Bonus	(1,629)
(49)	Revenue Support Grant	(156)
0	Funding Guarantee	(885)
(271)	Other	(232)
<u>(4,580)</u>		<u>(5,358)</u>
<u>(12,920)</u>	<b>Total</b>	<u>(23,474)</u>

---

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

---

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

<b>31/3/23</b>	<b>Grants and Contributions in Advance</b>	<b>31/3/24</b>
<b>£000</b>		<b>£000</b>
(5,758)	Developers' Contributions - Social Housing	(10,515)
(1,611)	Developers' Contributions - West of Waterlooville	(1,513)
(819)	LA Housing Fund	(774)
(775)	Developers' Contributions - Open Spaces	(718)
(1,263)	Other	(1,267)
<b>(10,226)</b>	<b>Total</b>	<b>(14,787)</b>

#### Agency Grant Schemes

The receipt and payment of 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.

	<u><b>2022/23</b></u>		<u><b>2023/24</b></u>		
	<u><b>Income</b></u>	<u><b>Expenditure</b></u>	<u><b>Income</b></u>	<u><b>Expenditure</b></u>	<u><b>Balance</b></u>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Council Tax Energy Rebate Schemes	(4,421)	4421	(150)	150	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.

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
52	Fees Payable to External Auditor with Regard to the External Audit Services Carried Out by the Appointed Auditor for the Year <sup>1</sup>	158
48	Fees Payable to the External Auditor for the Certification of Grant Claims and Returns for the Year	46
0	Fees Payable in Respect of the Other Services Provided by the External Auditor During the Year	0
<b>100</b>	<b>Total</b>	<b>204</b>

<sup>1</sup> The external auditor is likely to disclaim the opinion on the council's 2022/23 audit, the fee setting body Public Sector Audit Appointments (PSAA) will use its fee variation process to determine the final fee.

## 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 2023/24. 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.

<b>2022/23</b>				<b>2023/24</b>		
Ongoing employees	Employees left in year	Total Employees	Remuneration Band	Ongoing employees	Employees left in year	Total Employees
15	0	<b>15</b>	£50,000-£54,999	21	2	<b>23</b>
9	0	<b>9</b>	£55,000-£59,999	15	1	<b>16</b>
11	0	<b>11</b>	£60,000-£64,999	11		<b>11</b>
6	0	<b>6</b>	£65,000-£69,999	3	1	<b>4</b>
1	0	<b>1</b>	£70,000-£74,999	7		<b>7</b>
3	0	<b>3</b>	£75,000-£79,999	1		<b>1</b>
3	0	<b>3</b>	£80,000-£84,999	4		<b>4</b>
0	0	<b>0</b>	£90,000-£94,999	2		<b>2</b>
1	0	<b>1</b>	£95,000-£99,999	1		<b>1</b>
1	0	<b>1</b>	£105,000-£109,999	1		<b>1</b>
0	0	<b>0</b>	£110,000-£114,999	2		<b>2</b>
1	0	<b>1</b>	£130,000-£134,999	0		<b>0</b>
0	0	<b>0</b>	£135,000-£139,999	1		<b>1</b>
<b>51</b>	<b>0</b>	<b>51</b>		<b>69</b>	<b>4</b>	<b>73</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

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 2023/24.

<b>2023/24</b>	<b>Salary</b>	<b>Taxable expenses &amp; benefits</b>	<b>Pension payments</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive - Laura Taylor <sup>1</sup>	139	1	25	165
Strategic Director: Place	114	1	20	135
Strategic Director: Resources <sup>2</sup>	106	1	18	125
Monitoring Officer <sup>2</sup>	12	0	2	14
Strategic Director: Regeneration <sup>3</sup>	43	0	0	43
Director: Regeneration <sup>4</sup>	91	1	16	108
Strategic Director: Services	110	1	20	131
Chief Financial Officer <sup>5</sup>	91	1	16	108

<sup>1</sup>. The Chief Executive also received payments of £13,242 as Returning Officer in 2023/24, that are excluded above.

<sup>2</sup>. The Strategic Director: Resources was the Monitoring Officer until 31st December 2023. From 1st January 2024 a new Monitoring Officer was appointed.

<sup>3</sup>. Payments of £42,925 have been made to an Employment Agency for the services of the Strategic Director (Regeneration role).

<sup>4</sup>. The Director: Regeneration was appointed 26th June 2023.

<sup>5</sup>. The S151 Officer is the Chief Financial Officer.

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

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

<sup>2</sup>. 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.

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

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.

## 12. TERMINATION BENEFITS AND EXIT PACKAGES

The council terminated the contracts of 5 employees, incurring liabilities (for compensation for loss of office; employer's pension contributions for enhanced benefits; and other costs) in 2023/24 of £39,921 (£103,816 in 2022/23).

2022/23			Total Package	2023/24		
Compulsory Redundancy	Other Termination	Amount Paid (£)		Compulsory Redundancy	Other Termination	Amount Paid (£)
1	7	71,396	£0 - £20,000	0	4	17,456
1	0	32,420	£20,001 - £40,000	0	1	22,465
<b>2</b>	<b>7</b>	<b>103,816</b>		<b>0</b>	<b>5</b>	<b>39,921</b>

## 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 2023/24 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.

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

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

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
	<u>Included in the Cost of Services</u>	
6,404	Current Service Cost	3,109
23	Past Service Cost	0
0	Settlement Cost	0
	<u>Included in Financing and Investment Income and Expenditure</u>	
1,604	Net Interest on the Net Defined Benefit Liability	650
	<u>Included in Other Comprehensive Income and Expenditure</u>	
52,264	Remeasurement of the Net Defined Benefit Liability	2,055
<b>60,295</b>	<b>Total Included in Comprehensive Income and Expenditure</b>	<b>5,814</b>
	<u>Included in the Movement in Reserves</u>	
(8,031)	Removal of Notional Charges Made for Retirement Benefits	(3,759)
2,781	Inclusion of Actual Employer's Contributions Payable	3,074
<b>(5,250)</b>	<b>Total Included in the Movement in Reserves</b>	<b>(685)</b>
	<u>Actual Employer's Contributions Charged Against Council Tax</u>	
2,603	Normal Funded Contributions	2,915
23	Lumps Sums for Early Retirements	0
155	Discretionary / Unfunded Added Years	159
<b>2,781</b>	<b>Total Amount Charged to Council Tax</b>	<b>3,074</b>

Assets and liabilities in relation to post-employment benefits

The movement in scheme liabilities was:

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
	<b>Opening Present Value of Liabilities</b>	
<b>(213,663)</b>	<b>Funded</b>	<b>(155,316)</b>
<b>(2,074)</b>	<b>Unfunded</b>	<b>(1,625)</b>
(6,404)	Current Service Cost	(3,109)
(5,754)	Interest Expense on Benefit Obligation	(7,339)
(1,094)	Contributions by Scheme Participants	(1,146)
79,430	Actuarial Gains / (Losses) - Financial Assumptions	(55)
1,032	Actuarial Gains / (Losses) - Demographic Assumptions	1,798
(14,754)	Actuarial Gains / (Losses) - Experience	(5,755)
6,363	Net Benefits Paid Out	5,839
(23)	Past Service Cost	0
0	Settlements	0
<b>(156,941)</b>	<b>Closing Present Value of Liabilities</b>	<b>(166,708)</b>
<b>(155,316)</b>	<b>Funded</b>	<b>(165,154)</b>
<b>(1,625)</b>	<b>Unfunded</b>	<b>(1,554)</b>



---

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

---

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

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
<b>154,900</b>	<b>Opening Fair Value of Assets</b>	<b>143,118</b>
4,150	Interest Income on Assets	6,689
1,094	Contributions by Scheme Participants	1,146
2,626	Contributions by the Employer	2,915
	Contributions in respect of unfunded benefits	159
(13,444)	Remeasurement Gains / (Losses) on Assets	6,067
(6,208)	Net Benefits Paid Out	(5,839)
0	Settlement	0
<b>143,118</b>	<b>Closing Fair Value of Assets</b>	<b>154,255</b>

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 2023/24 was a gain of £12.8 million (£9.3 million loss in 2022/23).

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 2025 is £2.9 million.

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:

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
	<u>Principal Financial Assumptions</u>	
4.7%	Rate for Discounting Scheme Liabilities	4.8%
2.7%	CPI Inflation Rate	2.8%
2.7%	Pension Increases	2.8%
3.7%	Rate of General Increases in Salaries	3.8%
	<u>Mortality Assumptions</u>	
	Future lifetime from 65 for members aged 65 at 31 March	
23.3	Males	22.1
25.7	Females	24.7
	Future lifetime from 65 for members aged 45 at last formal valuation	
23.8	Males	22.6
26.7	Females	25.7

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

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

	<b>2023/24</b>		
	<b>Quoted</b>	<b>Unquoted</b>	<b>Total</b>
Equity Securities	43%	0%	43%
Private Equity	0%	7%	7%
UK Property	0%	7%	7%
Corporate Bonds	0%	5%	5%
UK Government Bonds	15%	0%	15%
Other Debt Securities	6%	7%	13%
Cash	1%	0%	1%
Investment Funds/ Unit Trusts	0%	9%	9%
	65%	35%	100%

	<b>2022/23</b>		
	<b>Quoted</b>	<b>Unquoted</b>	<b>Total</b>
Equities	42.0%	15.6%	57.6%
Property	1.4%	5.4%	6.8%
Government Bonds	16.5%	0.0%	16.5%
Cash	1.1%	0.0%	1.1%
Multi Asset Credit	0.0%	0.0%	0.0%
Other	0.0%	18.0%	18.0%
	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 2024.

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.

<b>Change in Assumptions as at 31 March 2024</b>	<b>Approximate % increase to Defined Benefit Obligation</b>	<b>Approximate Monetary Amount £000</b>
0.1% decrease in Real Discount Rate	2%	2,729
0.1% increase in the Salary Increase Rate	4%	6,668
0.1% increase in the Pensions Increase Rate (CPI)	0%	144
1 year increase in member life expectancy	2%	2,633

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

**14. PROPERTY, PLANT AND EQUIPMENT (PPE)**

<b>Movements in 2023/24</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
<u>Cost or Valuation</u>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 April 2023</b>	<b>538,012</b>	<b>102,765</b>	<b>16,967</b>	<b>11,080</b>	<b>1,073</b>	<b>5,118</b>	<b>15,792</b>	<b>690,807</b>
Additions	30,076	975	548	431	0	1	8,244	40,275
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	3,951	5,468	0	0	0	(1)	0	9,418
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	810	(2,002)	0	0	0	0	0	(1,192)
Derecognition - Disposals	(4,025)	(25)	(100)	0	0	0	(178)	(4,328)
Reclassifications	12	0	0	0	0	0	(12)	0
<b>At 31 March 2024</b>	<b>568,836</b>	<b>107,181</b>	<b>17,415</b>	<b>11,511</b>	<b>1,073</b>	<b>5,118</b>	<b>23,846</b>	<b>734,980</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2023</b>	<b>0</b>	<b>0</b>	<b>(11,453)</b>	<b>(4,084)</b>	<b>(177)</b>	<b>0</b>	<b>0</b>	<b>(15,714)</b>
Depreciation Charge	(9,966)	(1,459)	(816)	(338)	0	0	0	(12,579)
Accumulated Depreciation Written-Out to the Gross Carrying Amount on Depreciation Written-Out to the Revaluation Reserve	0	1,459	0	0	0	0	0	1,459
Depreciation Written Out to the Surplus/Deficit on the Provision of Services	9,966	0	0	0	0	0	0	9,966
Derecognition - Disposals	0	0	100	0	0	0	0	100
<b>At 31 March 2024</b>	<b>0</b>	<b>0</b>	<b>(12,169)</b>	<b>(4,422)</b>	<b>(177)</b>	<b>0</b>	<b>0</b>	<b>(16,768)</b>
<b>Net Book Value</b>								
At 31 March 2024	568,836	107,181	5,246	7,089	896	5,118	23,846	718,212
At 31 March 2023	538,012	102,765	5,514	6,996	896	5,118	15,792	675,093

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

<b>Movements in 2022/23</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
<u>Cost or Valuation</u>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 April 2022</b>	<b>512,456</b>	<b>103,346</b>	<b>16,292</b>	<b>10,664</b>	<b>1,073</b>	<b>4,910</b>	<b>4,694</b>	<b>653,435</b>
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)
<b>At 31 March 2023</b>	<b>538,012</b>	<b>102,765</b>	<b>16,967</b>	<b>11,080</b>	<b>1,073</b>	<b>5,118</b>	<b>15,792</b>	<b>690,807</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2022</b>	<b>0</b>	<b>0</b>	<b>(10,646)</b>	<b>(3,758)</b>	<b>(177)</b>	<b>0</b>	<b>0</b>	<b>(14,581)</b>
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
<b>At 31 March 2023</b>	<b>0</b>	<b>0</b>	<b>(11,453)</b>	<b>(4,084)</b>	<b>(177)</b>	<b>0</b>	<b>0</b>	<b>(15,714)</b>
<b>Net Book Value</b>								
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

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	30 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 2024, the council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2023/24 and future years. The total commitments at 31 March 2024 were £3,862,000 (similar commitments at 31 March 2022 were £21,432,000) made up as follows: -

	<b>£000</b>
HRA - Major Works	2,107
HRA - New Build (Winnall Flats)	521
General Fund Grants	402
GF - Plant vehicles and equipment	223
HRA - Plant, vehicles & Equipment	191
GF - Land & Buildings	191
HRA - Other	227
	3,862

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 2023/24, 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 28/02/2024
- PPE (with the exception of car parks and Winchester Sport & Leisure Park) – valuation date 28/02/2024
- Car parks & Winchester Sport & Leisure Park - valuation date 31/03/2024
- HRA dwellings and Garages - valuation date 31/03/2024

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

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

Standards 2017: UK National Supplement (issued November 2018 and effective from 14 January 2019), and in 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).

	2023/24	2022/23	2021/22	2020/21	2019/20	Historic Cost	Total
	£000	£000	£000	£000	£000	£000	£000
Council Dwellings	568,836	0	0	0	0	0	568,836
Land & Buildings	107,181	0	0	0	0	0	107,181
Plant / Vehicles / Equipment	0	0	0	0	0	5,246	5,246
Infrastructure	0	0	0	0	0	7,089	7,089
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	23,846	23,846
<b>Total</b>	<b>681,135</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>37,077</b>	<b>718,212</b>

## 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 31 March 2023	750	1,500	500	2,750
Revaluation	(150)	220	0	70
Balance as at 31 March 2024	600	1,720	500	2,820

**Art Collection** (Topographical Art and Portraits)

The Authority undertook an external valuation of its artwork with an independent auction house (Andrew Smith & Son) on 21<sup>ST</sup> February 2024. 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 was a single revaluation in the current financial year exceeding £100,000. This was in relation to a carved and gilded van Dyke frame containing an oil on canvas painting of King Charles II circa 1680 in 17th Century. This is now valued at £100,000 (previously valued in June 2011 at £250,000).

**Civic Regalia**

An external valuation of the civic regalia was carried out on 21st February 24 (previous valuations were conducted as of 15 June 2011) by an independent auction house (Andrew Smith & Son). This was a full market valuation of the collection for insurance purposes. There were two revaluation increases in the current financial year exceeding £100,000 being:

- Set of four Civic Ceremonial Maces in silver gilt now valued at £1,600,000 (previous valuation was £1,400,000).
- Silver Epergne now valued at £120,000 (previous valuation was £100,000).

**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.

**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:

- Print, Ray Evans, 'Winchester from St. Giles Hill' 1976 (A. 1776)
  - Etching print of Buttercross and High Street
  - Early Medieval cast copper-alloy Anglo-Scandinavian sword pommel cap
  - Copper-alloy Roman nummus coin from Droxford, an addendum to a scattered Roman coin hoard
  - Collection of archaeological objects found by metal detector at Headbourne Worthy
  - Winchester City Football Club 2004 FA Vase final T-shirt
  - Framed print 'The Two Hundredth Anniversary Festival of the Natives Society at Winchester', 1869
- There have been no disposals during this period.

## 16. INVESTMENT PROPERTIES

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

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
	<u>Income and Expenditure in Relation to Investment Properties</u>	
(3,648)	Rental Income from Investment Property	(4,272)
652	Direct Operating Expenses of Investment Property	756
0	(Gain)/Loss on Disposal of Investment Property	0
(667)	Net (Gain)/Loss on Revaluation of Investment Property	(697)
<b>(3,663)</b>	<b>Net (Income)/Expenditure on Investment Properties</b>	<b>(4,213)</b>

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



**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
<b>69,343</b>	<b>Balance at the start of the year</b>	<b>71,033</b>
0	Additions - Acquisitions	0
22	Additions - Enhancements	3
(241)	Disposals	(87)
667	Net Gains/(Losses) from Fair Value Adjustments	697
	<u>Transfers:</u>	
1,242	(To)/From Property, Plant and Equipment	0
<b>71,033</b>	<b>Balance at the end of the year</b>	<b>71,646</b>

Investment Properties Fair Value (FV) Measurements

	<b>Retail</b>	<b>Offices</b>	<b>Industrial</b>	<b>Residential / Garages</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
FV Measurements (Level 2)	28,389	10,898	6,868	24,483	1,008	71,646

**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 £13.56m. Of this amount, £13.28m 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 2024, the council had entered into one contract for the enhancement or acquisition of Investment Properties in 2023/24 and future years. The total commitment at 31 March 2024 was £82,000 (similar commitments at 31 March 2023 were £nil).

Council as Lessor of Investment Properties

---

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

---

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:

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
3,386	Due within one year	3,713
11,611	Due later than one year and not later than five years	12,221
70,805	Due after five years	70,139
<b>85,802</b>	<b>Total future minimum lease rentals receivable</b>	<b>86,073</b>

The minimum lease payments receivable does 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:

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
2,623	Vehicles, Plant and Equipment	2,185

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

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
	Finance Lease Liabilities (net present value of minimum lease payments)	
443	-Current	452
2,197	-Non-Current	1,744
165	Finance Costs Payable in Future Years	113
2,805	<b>Minimum Lease Payments</b>	<b>2,309</b>

The liabilities are payable according to the following timescale:

<b>Minimum Lease payments 2022/23 £000</b>	<b>Finance Lease Liability 2022/23 £000</b>		<b>Minimum Lease payments 2023/24 £000</b>	<b>Finance Lease Liability 2023/24 £000</b>
495	443	Not later than one year	495	452
2,310	2,197	Later than one year but not later than five years	1,814	1,744
0	0	Payments due after 5 years	0	0
2,805	2,640	<b>Total</b>	2,309	2,196

## 18. FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the council. All of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders,
- overdraft with bank,
- lease payables detailed in note 17, and
- trade payables for goods and services received.

The council has no material soft loans.

### Financial Assets

A financial asset is a right to future economic benefits controlled by the council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the council. The financial assets held by the council during the year are accounted for under the following classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the council's business model is to collect those cash flows) comprising:
  - o cash in hand,
  - o bank current and deposit accounts,
  - o fixed term deposits with banks and building societies,
  - o loans to other local authorities,
  - o certificates of deposit and covered bonds issued by banks and building societies,
  - o treasury bills and gilts issued by the UK Government, and
  - o trade receivables for goods and services provided.
- Fair value through profit and loss (all other financial assets) comprising:
  - o money market funds managed by fund managers, and
  - o pooled bond, equity and property funds managed by fund managers.

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

<u>Long Term</u>	<u>Short Term</u>		<u>Long Term</u>	<u>Short Term</u>
<u>31 Mar 23</u>	<u>31 Mar 23</u>		<u>31 Mar 24</u>	<u>31 Mar 24</u>
<u>£000</u>	<u>£000</u>		<u>£000</u>	<u>£000</u>
		<u>Investments</u>		
0	5,999	Amortised Cost	0	3,129
5,441	1,000	Fair Value through Profit or Loss	5,236	1,000
		<u>Cash and Cash Equivalents</u>		
0	1,335	Amortised Cost	0	(415)
0	7,785	Fair Value through Profit or Loss	0	2,320
		<u>Debtors</u>		
288	3,133	Amortised Cost	761	3,293
<b>5,729</b>	<b>19,252</b>	<b>Total Financial Assets</b>	<b>5,997</b>	<b>9,327</b>
		<u>Borrowings</u>		
(156,722)	(5,070)	Amortised Cost	(154,722)	(5,070)
		<u>Other Liabilities</u>		
(2,197)	(443)	Finance Lease-Amortised Cost	(1,744)	(452)
		<u>Creditors</u>		
0	(9,738)	Amortised Cost	0	(8,949)
<b>(158,919)</b>	<b>(15,251)</b>	<b>Total Financial Liabilities</b>	<b>(156,466)</b>	<b>(14,471)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

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

	<b>Financial Liabilities: Amortised Cost</b>	<b>Financial Assets: Amortised Cost</b>	<b>Financial Assets: Fair Value through Profit or Loss</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>2023/24</b>				
Interest Expense	5,287	0	0	5,287
(Gain)/loss on valuation	0	0	182	182
Interest Income	0	(459)	(1,212)	(1,671)
<b>Net (Gain)/Loss for the Year</b>	<b>5,287</b>	<b>(459)</b>	<b>(1,030)</b>	<b>3,798</b>
<b>2022/23</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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)
<b>Net (Gain)/Loss for the Year</b>	<b>5,499</b>	<b>(491)</b>	<b>287</b>	<b>5,295</b>

#### 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 2024, using the following methods and assumptions:

- Loans borrowed by the 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.

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

Balance Sheet	Fair Value		FV Level	Balance Sheet	Fair Value
31/03/23	31/03/23			31/03/24	31/03/24
£000	£000			£000	£000
<b>Financial assets held at fair value:</b>					
7,785	7,785	Money market funds	1	2,320	2,320
5,253	5,253	Property funds	2	5,048	5,048
979	979	Bond funds	1	1,002	1,002
0	0	Corporate, covered and government bonds	1	0	0
0	0	Unquoted Equity investment at Cost	2	0	0
<b>Financial assets held at amortised cost:</b>					
0	0	Corporate, covered and government bonds	1	0	0
0	0	Long-term investments with local authorities	2	0	0
14,017	14,017	<b>Total</b>		8,370	8,370
10,157		Assets for which fair value is not disclosed		2,941	
<b>24,174</b>		<b>Total financial assets</b>		<b>11,311</b>	
<i>Recorded on balance sheet as:</i>					
5,441		Long-term investments		5,236	
7,109		Short-term investments		4,129	
11,624		Cash & cash equivalents		1,946	
<b>24,174</b>		<b>Total financial assets</b>		<b>11,311</b>	

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
31/03/23	31/03/23			31/03/24	31/03/24
£000	£000			£000	£000
<b>Financial liabilities at amortised cost:</b>					
(161,792)	(132,041)	Long-term loans from PWLB	2	(159,792)	(133,139)
(2,640)		Liabilities for which fair value not disclosed		(2,196)	
<b>(164,432)</b>		<b>Total Financial Liabilities</b>		<b>(161,988)</b>	
<i>Recorded on balance sheet as:</i>					
(158,919)		Long-term borrowing		(156,466)	
(5,513)		Short-term borrowing		(5,522)	
<b>(164,432)</b>		<b>Total</b>		<b>(161,988)</b>	

## 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.

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Department for Levelling Up Housing and Communities and 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.

<b>31/3/23</b>	<b>Exposure Category</b>	<b>31/3/24</b>
<b>£000</b>		<b>£000</b>
17,779	Treasury Investments	6,680
2,015	Trade Receivables	2,609
<b>19,794</b>	<b>Total Credit Risk Exposure</b>	<b>9,289</b>

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.

<b>Asset Type</b>	<b>Credit Risk Management Practices</b>	<b>Estimation of Impairment Loss Allowance</b>
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.



**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

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

Long Term 31/3/23 £000	Short Term 31/3/23 £000	Credit Rating	Long Term 31/3/24 £000	Short Term 31/3/24 £000
0	0	AAA	0	0
0	7,786	AA-	0	1,045
0	10	A+	0	0
0	2,038	A	0	10
0	0	A-	0	0
0	7,785	AAA Money Market Funds	0	2,320
0	188	Unrated local authorities	188	3,117
5,253	979	Credit risk not applicable*	5,048	1,002
<b>5,253</b>	<b>18,786</b>	<b>Total Investments</b>	<b>5,236</b>	<b>7,494</b>

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

#### 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.

	31/03/2023		31/03/2024	
	Trade receivables £000	Loss Allowance £000	Trade receivables £000	Loss Allowance £000
Not past due	395	2	536	4
Past due < 3 months	938	52	819	26
Past due 3-12 months	242	103	762	52
Past due 12+ months	440	403	492	430
<b>Total</b>	<b>2,015</b>	<b>560</b>	<b>2,609</b>	<b>512</b>

#### 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.

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024**

The maturity analysis of the council's borrowing is as follows:

31/03/23			31/03/24		
Discounted (principal)	Undiscounted (principal plus interest)	Time to maturity (years)	Discounted (principal)	Undiscounted (principal plus interest)	
£000	£000		£000	£000	
(5,070)	(10,240)	< 1	(5,301)	(10,478)	
(5,000)	(10,105)	1-2	(5,231)	(10,327)	
(25,000)	(39,306)	2-5	(20,692)	(34,569)	
(25,000)	(44,896)	5-10	(26,154)	(45,545)	
(35,000)	(62,383)	10-20	(35,692)	(61,933)	
(56,722)	(87,942)	20-40	(56,722)	(85,957)	
(10,000)	(11,600)	> 40	(10,000)	(11,400)	
<b>(161,792)</b>	<b>(266,472)</b>	<b>Total</b>	<b>(159,792)</b>	<b>(260,209)</b>	

The Council holds £3.4m (2023: £11.6m) of liquid financial assets that can be withdrawn or sold at short notice if required to meet cash outflows on financial liabilities.

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:

31/03/2023		31/03/2024
£000		£000
0	Increase in interest payable on variable rate borrowing	1
(153)	Increase in interest receivable on variable rate investments	(64)
9	Decrease in fair value of investments held at FVPL	12
<b>(144)</b>	<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(51)</b>
26	Decrease in fair value of loans and investments at amortised cost	0
(21,640)	Decrease in fair value of fixed rate borrowing	(13,059)

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 2024 would result in a £0.25m (2023: £0.26m) 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 23 £000		31 Mar 24 £000
254	Central Government Bodies	258
1,143	Other Local Authorities	516
4,063	Other Entities and Individuals	4,634
12	NHS Bodies	109
302	Council Tax	326
324	Housing Rents	301
3,431	Prepayments	811
<b>9,529</b>	<b>Total</b>	<b>6,955</b>

## 21. SHORT-TERM CREDITORS

31 Mar 23 £000		31 Mar 24 £000
(10,737)	Central Government Bodies	(7,234)
(1,318)	Other Local Authorities	(1,727)
(1,843)	Other	(2,138)
(8,815)	Trade Creditors	(8,005)
(2,278)	Amounts Received in Advance	(2,400)
<b>(24,991)</b>	<b>Total</b>	<b>(21,504)</b>

## 22. PROVISIONS

The 2023/24 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 £000	NNDR £000	Total £000
<b>Balance at 1 April 2022</b>	<b>(74)</b>	<b>(4,043)</b>	<b>(4,117)</b>
Additional Provisions made in 2022/23	0	(2,323)	(2,323)
Amounts Used in 2022/23	0	2,936	2,936
<b>Balance at 1 April 2023</b>	<b>(74)</b>	<b>(3,430)</b>	<b>(3,504)</b>
Additional Provisions made in 2023/24	0	(316)	(316)
Amounts Used in 2023/24	0	2,666	2,666
<b>Balance at 31 March 2024</b>	<b>(74)</b>	<b>(1,080)</b>	<b>(1,154)</b>

## 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 2023/24.

	Balance at 1/4/2022	Net Transfers	Balance at 31/3/2023	Transfers Out	Transfers in	Balance at 31/3/2024
	£000	£000	£000	£000	£000	£000
<b>General Fund</b>						
<b>Operational Reserves</b>						
Major Investment Reserve	(9,030)	1,343	(7,687)	1,868	(532)	(6,351)
Local Development Framework	(290)	(621)	(911)	113	0	(798)
Other	(1,476)	(70)	(1,546)	775	(2,139)	(2,910)
<b>Asset Reserves</b>						
Car Parks Property	(1,899)	(145)	(2,044)	156	(150)	(2,038)
Property Reserve	(3,760)	(56)	(3,816)	73	(250)	(3,993)
Other	(208)	(260)	(468)	296	(280)	(452)
<b>Restricted Reserves</b>						
CIL General Fund	(12,244)	660	(11,584)	1,040	(1,150)	(11,694)
CIL Winchester Town	(1,209)	66	(1,143)	463	(21)	(701)
Homes for Ukraine	0	(462)	(462)	586	(1,565)	(1,441)
Other	(745)	(49)	(794)	155	(629)	(1,268)
<b>Risk Reserves</b>						
Business Rates Retention	(1,900)	900	(1,000)	0	0	(1,000)
Exceptional Inflation Pressures	(2,000)	(902)	(2,902)	0	0	(2,902)
Transitional Reserve	(3,089)	(663)	(3,752)	2,004	(3,871)	(5,619)
Other	(139)	0	(139)	0	0	(139)
<b>Total General Fund</b>	<b>(37,989)</b>	<b>(259)</b>	<b>(38,248)</b>	<b>7,529</b>	<b>(10,587)</b>	<b>(41,306)</b>
HRA Sinking Fund	(172)	(2)	(174)	0	(8)	(182)
<b>Total Earmarked Reserves</b>	<b>(38,161)</b>	<b>(261)</b>	<b>(38,422)</b>	<b>7,529</b>	<b>(10,595)</b>	<b>(41,488)</b>

## 24. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

2022/23		2023/24	
£000	£000	£000	£000
	<b>258,817</b>		<b>271,430</b>
	<b>Opening Capital Financing Requirement</b>		
	<u>Capital Expenditure</u>		
26,444	Property, Plant and Equipment	40,278	
22	Investment Properties	2	
16	Intangible Assets	0	
2,409	Revenue Expenditure Funded from Capital Under Statute	2,094	
0	Acquisition of Share Capital	0	
	<b>28,891</b>		<b>42,374</b>
	<u>Sources of finance</u>		
(10,717)	Capital Receipts	(14,254)	
(1,852)	Government Grants and other contributions	(8,558)	
0	HRA Major Repairs Reserve	(4,030)	
0	HRA Revenue	(47)	
(1,992)	GF Reserves	(1,931)	
	<b>(14,561)</b>		<b>(28,820)</b>
	<b>14,330</b>		<b>13,554</b>
	<b>Unfinanced capital expenditure in year</b>		
(1,517)	Statutory provision for the financing of capital investment	(1,591)	
(200)	Voluntary provision for the financing of capital investment	(687)	
	<b>271,430</b>		<b>282,706</b>
	<b>Closing Capital Financing Requirement</b>		
	<u>Explanation for Movement in year</u>		
	12,613 Increase/(decrease) in underlying need to borrow		11,276

## 25. UNUSABLE RESERVES

The unusable reserves contain unrealised gains and losses, timing differences and adjustments between the accounting basis and funding basis under regulations.

31/3/23		31/3/24
£000		£000
(38,823)	Revaluation Reserve	(49,509)
(232)	Pooled Investment Funds Adjustment Account	(51)
(438,871)	Capital Adjustment Account	(460,683)
13,823	Pensions Reserve	12,453
(35)	Deferred Capital Receipts Reserve	(35)
712	Collection Fund Adjustment Account	(1,799)
<b>(463,426)</b>	<b>Total Unusable Reserves</b>	<b>(499,624)</b>

## 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.

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
(38,661)	<b>Balance at 1 April</b>	<b>(38,823)</b>
(2,874)	Upward Revaluation of Assets	(11,249)
1,705	Downward Revaluation of Assets and Impairment Losses not Charged to the Surplus/Deficit on the Provision of Services	303
(1,169)	Surplus or Deficit on Revaluation of Non-Current Assets not Posted to the Surplus or Deficit on the Provision of Services	(10,946)
243	Difference between Fair Value Depreciation and Historical Cost Depreciation	248
764	Accumulated Gains on Assets Disposed of or Transferred Between Funds	12
1,007	Amount Written Off to the Capital Adjustment Account	260
<b>(38,823)</b>	<b>Balance at 31 March</b>	<b>(49,509)</b>

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.

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
<b>60,837</b>	<b>Balance at 1 April</b>	<b>13,823</b>
(52,264)	Actuarial Gains or Losses on Pensions Assets and Liabilities	(2,055)
8,031	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)	3,759
(2,781)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year (Note 13)	(3,074)
<b>13,823</b>	<b>Balance at 31 March</b>	<b>12,453</b>

### 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.

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
<b>(413,753)</b>	<b>Balance at 1 April</b>	<b>(438,871)</b>
	<b><u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:</u></b>	
11,677	Charges for Depreciation and Impairment of Non-Current Assets	12,579
(27,488)	Revaluation (Gains)/Losses on Property, Plant and Equipment	(8,774)
54	Amortisation of Intangible Assets	27
2,409	Revenue Expenditure Funded from Capital Under Statute	2,094
6,184	Amounts of Non Current Assets Written-Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	4,316
<u>(7,164)</u>		<u>10,242</u>
(1,008)	Adjusting Amounts Written-Out of the Revaluation Reserve	(260)
<u>(8,172)</u>	<b>Net Written Out Amount of the Cost of Non-Current Assets Consumed in the Year</b>	<u>9,982</u>
	<b><u>Capital Financing Applied in the Year:</u></b>	
(10,717)	Use of the Capital Receipts Reserve to Finance New Capital Expenditure	(14,254)
0	Use of the Major Repairs Reserve to Finance New Capital Expenditure	(4,030)
(201)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(263)
(1,652)	Capital Grants and Contributions Credited to the Comprehensive Income and Expenditure Statement that have been Applied to Capital Financing	(8,294)
(1,517)	Statutory Provision for the Financing of Capital Investment	(1,591)
(200)	Voluntary Provision for the Financing of Capital Investment	(687)
(1,992)	Capital Expenditure Charged Against the General Fund and HRA Balances	(1,978)
<u>(16,279)</u>		<u>(31,097)</u>
(667)	Movements in the Market Value of Investment Properties Debited or Credited to the Comprehensive Income and Expenditure Statement	(697)
<b><u>(438,871)</u></b>	<b>Balance at 31 March</b>	<b><u>(460,683)</u></b>



#### 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 taxpayers compared with the statutory arrangements for paying across annual entitlements from the Collection Fund to the General Fund.

2022/23 £000		2023/24 £000
7,239	<b>Balance at 1 April</b>	712
	Amount by which Collection Fund income recognised within the Comprehensive Income and Expenditure Statement is different to income calculated in accordance with statutory requirements:	
(37)	Council Tax	(105)
(6,490)	Business Rates	(2,406)
<u>712</u>	<b>Balance at 31 March</b>	<u>(1,799)</u>

## 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 2023/24 totalled £439,796 (£419,302 in 2022/23). The Mayor and Deputy Mayor also received allowances for their additional mayoral duties - these totalled £5,051 in 2023/24 (£5,853 in 2022/23). A detailed breakdown of amounts paid to individual councillors and co-opted members can be found on the council's website [www.winchester.gov.uk](http://www.winchester.gov.uk).

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 charity Hampshire Cultural Trust to which the council paid quarterly and other grants totalling £480,879 in 2023/24. Councillor L. Thompson's spouse is a director and trustee of the charity Trinity Winchester to which the council paid grants and other funding of £190,952. 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 2023/24 there were no material transactions between the council and chief officers.

## 27. GROUP ACCOUNTS

On 22<sup>nd</sup> May 2023, Venta Living Limited, a Housing Company which is a wholly owned subsidiary of Winchester City Council was incorporated. The company did not trade in 2023/24 and Group accounts have not been prepared for the year ended 31st March 2024.

## **28. ACCOUNTING POLICIES**

### **28.1 General Principles**

The Financial Statements summarise the council's transactions for the 2023/24 financial year and its position at 31 March 2024. 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 2023/24, 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.

### **28.2 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.

### **28.3 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

### **28.4 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.

## 28.5 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.

## 28.6 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.

- Effect of the Asset Ceiling

- The limitation of the council's ability to realise pensions assets through reductions in future employer's contributions as a result of minimum funding requirements.

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.

## 28.7 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.

## 28.8 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 currently in place; gains and losses are reversed out of the General Fund Balance to a specific adjustment account.

## 28.9 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.

### 28.10 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.

### 28.11 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.

### 28.12 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.

## 28.13 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.

## 28.14 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.

**28.15 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.

**28.16 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 2023/24**  
**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE FOR YEAR ENDED 31 MARCH 2024**

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).

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>	<b>Note</b>	<b>£000</b>
<b><u>Income</u></b>		
(28,071) Dwelling Rents		(30,417)
(355) Non-Dwelling Rents		(367)
<u>(2,404) Charges for Services and Facilities</u>		<u>(2,622)</u>
(30,830) Total Income		(33,406)
<b><u>Expenditure</u></b>		
7,951 Repairs and Maintenance		8,315
10,154 Supervision and Management		10,304
547 Rents, Rates, Taxes and Other Charges		723
9,337 Depreciation and Impairment of Non-Current Assets	H5	10,213
(26,099) Revaluation (Gains) or Losses on Property, Plant and Equipment	H5	(10,789)
4 Amortisation of Intangible Assets	H5	1
205 Revenue Expenditure Funded by Capital Under Statute	H4	0
<u>8 Debt Management Costs</u>		<u>10</u>
2,107 Total Expenditure		18,777
<b>(28,723) Net (Income) or Expenditure of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement</b>		<b>(14,629)</b>
98 HRA share of Corporate and Democratic Core		132
HRA share of other amounts included in the whole Council Net Expenditure of Continuing Operations but not allocated to Specific Services		2
<u>7</u>		<u>2</u>
<b>(28,618) Net (Income) or Expenditure of HRA Services</b>		<b>(14,495)</b>
(2,825) Net Gain on Sale of HRA Non-Current Assets		(948)
Changes in Fair Valuations on Investment		
26 Properties		(131)
5,362 External Interest Payable		5,235
(245) Capital Grants and Contributions	H4	(6,587)
<u>(26,300) (Surplus)/Deficit for the year on HRA Services</u>		<u>(16,926)</u>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE**  
**FOR THE YEAR ENDED 31 MARCH 2024**

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

2022/23			2023/24	
£000	£000		£000	£000
(26,300)	(26,300)	(Surplus)/Deficit for the year on the Housing Revenue Account	(16,926)	(16,926)
<u>Adjustments between Accounting Basis and Funding Basis under Statute:</u>				
			<b>Note</b>	
(587)		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	(402)	
(716)		Reversal of Items Relating to Retirement Benefits and Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	<b>H1</b>	7
26,073		Reversal of Revaluation Gains or (Losses) on Property, Plant and Equipment and Movements in the Market Value of Investment Properties		10,920
2,825		Net Gain on Sale of Non-Current Assets		948
0		Capital funded by the Housing Revenue Account	<b>H4</b>	47
(205)		Reversal of Revenue Expenditure Funded by Capital Under Statute	<b>H4</b>	0
245		Reversal of Capital Grants and Contributions	<b>H4</b>	6,495
0		Capital Grants Unapplied Credited to the CIES	<b>H4</b>	92
(33)		Contribution from the Capital Receipts Reserve towards Administrative costs of Non-Current Asset Disposals		(18)
(9,337)		Charges for Depreciation and Impairment of Non-Current Assets	<b>H5</b>	(10,213)
(4)		Amortisation of Intangible Assets	<b>H5</b>	(1)
9,341		Transfer to Major Repairs Reserve	<b>H2</b>	10,213
	27,602			18,088
	<b>1,302</b>	<b>Net increase in HRA Balance before transfers to or from Reserves</b>		<b>1,162</b>
0		Transfer to Capital Adjustment Account for Debt Repayment		89
2		Transfer to Earmarked Reserves		8
	2			97
	<b>1,304</b>	<b>Increase in HRA Balance</b>		<b>1,259</b>
(16,659)		Housing Revenue Account Surplus Brought Forward		(15,355)
<b>(15,355)</b>		<b>Housing Revenue Account Surplus Carried Forward</b>		<b>(14,096)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2024**

**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.

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
<u>(9,341)</u>	HRA Depreciation	<u>(10,213)</u>
(9,341)	Net Charge to HRA	(10,213)
<u>0</u>	HRA Capital Financed	<u>4,030</u>
(9,341)	Movement in Year	(6,183)
<u>(16,799)</u>	Balance Brought Forward at 1 April	<u>(26,140)</u>
<u>(26,140)</u>	Balance Carried Forward at 31 March	<u>(32,323)</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:

<b>31/3/23</b>		<b>31/3/24</b>
859	Bungalows	858
1,937	Flats & Maisonettes	1,938
2,299	Houses	2,328
<u>65</u>	Shared Ownership	<u>84</u>
<u>5,160</u>		<u>5,208</u>

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

<b>31/3/23</b>		<b>31/3/24</b>
<b>£000</b>		<b>£000</b>
	<u>Operational Assets</u>	
538,012	Dwellings	568,836
1,014	Other Land and Buildings	1,113
0	Vehicles Plant Furniture and Equipment	0
3,814	Infrastructure	3,798
14	Community Assets	14
14,862	Assets Under Construction	20,619
<u>1</u>	Intangibles	<u>0</u>
<u>557,717</u>		<u>594,380</u>
	<u>Non-Operational Assets</u>	
<u>2,588</u>	Investment Properties	<u>2,719</u>
<u>560,305</u>	Total value	<u>597,099</u>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2024**

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 2023/24 was 33% (2022/23 - 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 £569 million at 31 March 2024 (£538 million at 31 March 2023) and the vacant possession value was £1,609 million (£1,544 million at 31 March 2023).

**H4. CAPITAL EXPENDITURE AND RECEIPTS**

	2022/23		2023/24
£000	£000		£000
	<b>186,005</b>	<b>Opening Capital Financing Requirement</b>	<b>199,777</b>
		<u>Capital Expenditure</u>	
13,224		Dwellings	30,077
124		Infrastructure	212
10,589		Assets Under Construction	5,911
205		Revenue Expenditure Funded from Capital Under Statute	0
	<b>24,142</b>	<b>Expenditure in year</b>	<b>36,200</b>
		<u>Financed by</u>	
(10,125)		Capital Receipts	(12,772)
0		Major Repairs Reserve	(4,030)
0		Contributions from Revenue	(47)
(245)		Grants and Contributions	(6,495)
	<b>(10,370)</b>		<b>(23,344)</b>
	<b>13,772</b>	<b>Unfinanced Capital Expenditure in Year</b>	<b>12,856</b>
	0	Voluntary Financing of Capital Investment	(87)
	0	Transfer of assets to the General Fund	0
	<b>199,777</b>	<b>Closing Capital Financing Requirement</b>	<b>212,546</b>
		<u>Capital Receipts</u>	
		Operational Assets	
	(7,495)	Dwellings	(5,140)
	0	Other	0
	<b>(7,495)</b>	<b>Total</b>	<b>(5,140)</b>

**H5. DEPRECIATION AND IMPAIRMENT**

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
	<u>Depreciation</u>	
9,089	Dwellings	9,966
19	Other Land and Buildings	19
0	Vehicles, Plant, Furniture and Equipment	0
<u>229</u>	Infrastructure	<u>227</u>
<u>9,337</u>	Total Depreciation	<u>10,212</u>
	<u>Amortisation</u>	
<u>4</u>	Intangibles	<u>1</u>
<u>4</u>	Total Amortisation	<u>1</u>
	<u>Revaluation Below Historic Cost</u>	
(26,084)	Dwellings	(10,775)
<u>(15)</u>	Other Land and Buildings	<u>(14)</u>
<u>(26,099)</u>	Total	<u>(10,789)</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 2023/24, by £14.726m, which means the reversal charged to the CIES was £10.775m and a revaluation reserve of £3.951m has been created.

**H6. RENT ARREARS**

<b>31/3/23</b>		<b>31/3/24</b>
<b>£000</b>		<b>£000</b>
985	Rent Arrears	906
<u>(661)</u>	Provision for Bad Debts	<u>(605)</u>
<u>324</u>	Anticipated Collectable Arrears	<u>301</u>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2024**

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.

<b>2022/23</b>				<b>2023/24</b>		
<b>Business Rates £000</b>	<b>Council Tax £000</b>	<b>Total £000</b>		<b>Business Rates £000</b>	<b>Council Tax £000</b>	<b>Total £000</b>
<b>Income</b>						
0	(101,268)	(101,268)	Council Tax Receivable	0	(109,372)	(109,372)
0	(115)	(115)	Transfer for S13A(1c) Relief	0	(150)	(150)
0	0	0	Amounts collected in respect of previous	0	0	0
(59,264)	0	(59,264)	Business Rates Receivable	(58,059)	0	(58,059)
<b>(59,264)</b>	<b>(101,383)</b>	<b>(160,647)</b>		<b>(58,059)</b>	<b>(109,522)</b>	<b>(167,581)</b>
<b>Expenditure</b>						
<u>Precepts and Shares</u>						
29,410	0	29,410	Central Government	31,675	0	31,675
5,294	71,705	76,999	Hampshire County Council	5,701	76,848	82,549
23,528	12,680	36,208	General Fund (WCC)	25,340	13,404	38,744
588	3,889	4,477	Fire and Rescue Authority	633	4,233	4,866
0	12,190	12,190	Police Authority	0	13,234	13,234
<u>Distribution of Previous Year (Deficit)/</u>						
<u>Surplus</u>						
(8,088)	0	(8,088)	Central Government	(573)	0	(573)
(1,456)	144	(1,312)	Hampshire County Council	(103)	228	125
(6,470)	24	(6,446)	General Fund (WCC)	(458)	40	(418)
(162)	7	(155)	Fire and Rescue Authority	(11)	13	2
0	25	25	Police Authority	0	40	40
<u>Charges to Collection Fund</u>						
0	0	0	Interest due to ratepayers on refunds	22	0	22
149	27	176	Less Write-Off of Uncollectable Amounts	141	123	264
117	402	519	Allowance for Impairment	116	512	628
(1,532)	0	(1,532)	Provision for Appeals	(5,877)	0	(5,877)
210	0	210	Cost of Collection	211	0	211
533	0	533	Transitional Protection Payment	(4,793)	0	(4,793)
286	0	286	Renewable Energy cost	410	0	410
<b>42,407</b>	<b>101,093</b>	<b>143,500</b>		<b>52,434</b>	<b>108,675</b>	<b>161,109</b>
<b>(16,857)</b>	<b>(290)</b>	<b>(17,147)</b>	(Surplus) / Deficit Arising During the Year	<b>(5,625)</b>	<b>(847)</b>	<b>(6,472)</b>
<b>18,743</b>	<b>(138)</b>	<b>18,605</b>	Opening Fund Balance at 1 April	<b>1,886</b>	<b>(428)</b>	<b>1,458</b>
<b>1,886</b>	<b>(428)</b>	<b>1,458</b>	Closing Fund Balance at 31 March	<b>(3,739)</b>	<b>(1,275)</b>	<b>(5,014)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2023/24**  
**COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2024**

**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 £2046.84) is then multiplied by the proportion specified for the particular band to give an individual amount due. For 2023/24, Council Tax bills were based on the following dwellings and proportions:

Band	Estimated Number of Taxable Properties after Discounts and Exemptions	Ratio Equivalent	Number of Band D Equivalent Dwellings
Disabled A	1.87	5/9	1.04
A	1,705.91	6/9	1,137.27
B	4421.10	7/9	3,438.63
C	10,176.41	8/9	9,045.70
D	9,234.02	1	9,234.02
E	8,282.16	11/9	10,122.64
F	6,567.76	13/9	9,486.76
G	5,369.15	15/9	8,948.58
H	673.78	18/9	1,347.56
Ministry of Defence			445.04
	<b>46,432.16</b>		53,207.25
Less adjustment for collection rates			(580.41)
			<b>52,626.84</b>

**C2. NON-DOMESTIC RATES (NDR)**

For 2023/24, the standard Non Domestic Rate multiplier was 51.2p (51.2p in 2022/23) and the small business multiplier was 49.9p (49.9p in 2022/23). The total estimated non-domestic rateable value in the district as at 31 March 2024 was 168.4 million (£156.7 million as at 31 March 2023).

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

2022/23			2023/24		
Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
754	(53)	701	(1,496)	(158)	(1,654)
1,132	(375)	757	(2,243)	(1,117)	(3,360)
1,886	(428)	1,458	(3,739)	(1,275)	(5,014)







## **ANNUAL GOVERNANCE STATEMENT 2023/24**

### **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 2023/24 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 full and detailed review of its constitution between 2017 and 2019 and was adopted by Full Council in March 2019.
- 1.6 A full and detailed review to ensure the Constitution remains fit for purpose was undertaken during 2023 with a cross-party Constitution Working Party assisting with the review. Eleven meetings of the working party were held in total. Consideration and outcomes of the final meeting of the Constitution Working Party was held on 16 November 2023 to consider the recommendations from Audit and Governance Committee. Special regard was also had to existing and emerging legislation as well as how decisions are taken as this is a key part of the Constitution which sets the tone for the culture the Council wishes to operate. The updated Constitution was adopted by Full Council on 30 November.

### **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 2024 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.

---

**WINCHESTER CITY COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

---

- 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 was adopted at Council on 15 January 2020 and is reviewed annually to provide the opportunity to refine the actions that the council will be undertaking in the coming year and was last reviewed at the end of 2023. During the year, Cabinet can make amendments to the Council Plan to ensure that it remains fit for purpose and in December 2022 added four new areas of enhanced focus that included Listening Better, Green Faster, Cost of Living and Pride in Place with significant revenue and capital investment allocated to these areas. The coming financial year will be the final year of the current Council Plan and over early summer the council will undertake a district wide Residents' and Young Persons Survey which will capture the views and opinions of our residents' and young people. The results from the survey will provide valuable evidence that will be used to support the shaping of the priorities and objectives to be included in the next Council Plan.
- 5.7 The Council Plan 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 more detailed business plans which 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.
- 5.8 Progress against the Council Plan priorities and budgets is monitored regularly by the Executive Leadership Board and members of the cabinet. The Scrutiny Committee reviews and scrutinises the performance of the council in relation to policy objectives and performance targets, focusing on delivery of key projects and programmes of work that deliver the priorities in the Council Plan, drawing attention to other areas where progress is exceeding, or falling short of targets. Members of cabinet also monitor progress in delivery.
- 5.9 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.
- 5.10 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.
- 5.11 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*.
- 5.12 The council has set out the arrangements for managing risk in its Risk Management Policy (approved by Cabinet 14 March 2024, report CAB3543 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.

---

**WINCHESTER CITY COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

---

- 6.2 Mandatory awareness training for all staff 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 has a direct reporting line to the Chief Executive for matters concerning the statutory officer role and attends Executive Leadership Team.
- 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:

<b>The Council</b>	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.
<b>The Cabinet</b>	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.
<b>Audit and Governance Committee</b>	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.
<b>External Audit</b>	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.
<b>Internal Audit</b>	<p>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.</p> <p>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</p>

---

**WINCHESTER CITY COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

---

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. Based upon the work completed to date the Internal Audit Opinion for 2023/24 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.

**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:

- **Records Retention and Disposal** – the work continues to ensure 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.

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 2023/24 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 2023/24 will be presented to this committee's next meeting on 18 July 2024.

**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:

**WINCHESTER CITY COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

**Annual Governance Statement 2023/24 – Action Plan**

No.	Issue	Actions	Lead Officer	Target Date	Method of Assurance
1	<b>Records Retention and Disposal</b> – 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.	Adoption of updated Retention & Disposal Schedule by Executive Leadership Board (ELB)	Senior Policy and Programme Manager/ Corporate Heads of Service	June 2024	Document prepared and approved that sets out how the schedule will be applied to council systems and document types.
		Map & align retention schedule to content/indexing and values in system(s)	Senior Policy and Programme/ Service Lead for IT	June 2024	System reports showing that the retention and disposal schedule is being successfully applied and records not being kept longer than required.
		Create implementation plan for roll out Policy & Schedule for adoption at ELB	Senior Policy & Programme Manager	June 2024	Document prepared and approved that sets out how the schedule will be rolled out across the council.
		Implementation of Retention & Disposal schedule across business applications and systems	Senior Policy and Programme Manager/ Corporate Heads of Service	Commence July 2024	Roll out of Retention and Disposal schedule, including deletion of physical and digital documents in accordance with the schedule.



**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.

---

**WINCHESTER CITY COUNCIL  
GLOSSARY OF TERMS**

---

**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, which 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 taxpayers 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, which 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.

---

**WINCHESTER CITY COUNCIL  
GLOSSARY OF TERMS**

---

**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 employee's 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.

---

**WINCHESTER CITY COUNCIL  
GLOSSARY OF TERMS**

---

**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.

---

## WINCHESTER CITY COUNCIL

### GLOSSARY OF TERMS

---

**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.

---

**WINCHESTER CITY COUNCIL  
GLOSSARY OF TERMS**

---

**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.

---

**WINCHESTER CITY COUNCIL  
GLOSSARY OF TERMS**

---

**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.

**Right of Use Asset** – in IFRS 16 lease accounting, an asset that represents a lessee's right to use a leased item over the duration of an agreed lease term.

**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.



---

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

---

**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.

	<b>2023/24</b>
	<b>£000</b>
Chargeable Costs	524
Chargeable Income	<u>(345)</u>
<b>Net (surplus) or deficit</b>	<b>179</b>
Building Control Earmarked Reserve (deficit brought forward)	<u>156</u>
<b>Deficit carried forward</b>	<b><u>335</u></b>

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:

	<b>2023/24</b>
	<b>£000</b>
Income from charges under regulation 8 (answering queries)	246

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**



**Winchester**  
City Council

If you would like to receive this document in another format,  
please contact Winchester City Council's customer service centre on 01962 840 222.  
Alternatively, you can request this information online.