



Meeting	Audit and Governance Committee
Date and Time	Tuesday, 25th February, 2025 at 6.30 pm.
Venue	Walton Suite, Guildhall, Winchester and streamed live on YouTube at 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) 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.

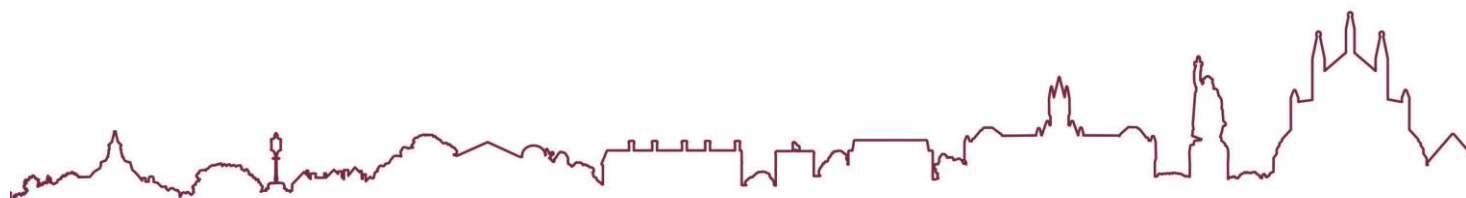
AGENDA

PROCEDURAL ITEMS

- 1. Apologies**
To record the names of apologies given.
- 2. Disclosure of Interests**
To receive any disclosure of interests from councillors or officers in matters to be discussed.
Note: Councillors are reminded of their obligations to declare disclosable pecuniary interests (DPIs), other registerable interests (ORIs) and non-registerable interests (NRIs) in accordance with the Council's Code of Conduct.
- 3. Chairperson's announcements**

BUSINESS ITEMS

- 4. Minutes of the previous meeting held on 9 January 2025 (Pages 5 - 8)**
- 5. Public Participation**
– To receive and note questions asked and statements made from members of the public on matters which fall within the remit of the Committee..
NB members of the public are required to register with Democratic Services three clear working days before the meeting (see below for further details).



Members of the public and visiting councillors may speak at this Committee, provided they have registered to speak three working days in advance. Please contact Democratic Services **by 5pm on Thursday 20 February** via democracy@winchester.gov.uk or (01962) 848 264 to register to speak and for further details.

6. **Audit results report 2023-24 (AG154) (Pages 9 - 62)**
7. **Annual financial report 2023-24 (AG155) (Pages 63 - 172)**
8. **Planning for and audit of the 24/25 accounts (AG156) (Pages 173 - 178)**
9. **Risk Management Policy 2025/26 (AG157) (Pages 179 - 218)**
10. **Approval of the Internal audit plan and charter 25-26 (AG159) (Pages 219 - 224)**
11. **Equality, Diversity & Inclusion (EDI) Policy Framework (AG149) (Pages 225 - 258)**
12. **Q3 Governance Monitoring (AG148) (Pages 259 - 284)**
13. **Dispensation requests - future process (AG158) (Pages 285 - 294)**

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.



17 February 2025

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

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

MEMBERSHIP

Chairperson:

Morris (Liberal Democrats)

Vice-Chairperson:

Chamberlain (Liberal Democrats)

Conservatives

Godfrey

Liberal Democrats

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 to ensure that the necessary arrangements are in place.

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AUDIT AND GOVERNANCE COMMITTEE

Thursday, 9 January 2025

Attendance:

Councillors
Morris (Chairperson)

Chamberlain
Cramoysan
Godfrey

Pinniger
Power

Other members in attendance:

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 given.

2. **DISCLOSURE OF INTERESTS**

There were no declarations made.

3. **CHAIRPERSON'S ANNOUNCEMENTS**

There were no announcements made.

4. **AUDIT & GOVERNANCE WORK PROGRAMME 2024/25**

RESOLVED:

That the work programme for the remainder of the 2024/25 municipal year be noted.

5. **MINUTES OF THE PREVIOUS MEETING**

In response to a member's query, the Director (Finance) confirmed that an update of the IT server issues that occurred in November would be included within the next governance quarterly monitoring report, scheduled for 25 February 2025.

RESOLVED:

That the minutes of the previous meeting held 22 November 2024 be agreed as a correct record.

6. **PUBLIC PARTICIPATION**

There were no members of the public present.

7. **CERTIFICATION OF CLAIMS & RETURNS ANNUAL REPORT 2024/25**
(AG150)

The Service Lead – Revenues and Benefits introduced the report and responded to members' questions thereon.

Members requested that the Benefits Team be congratulated on their success in achieving a positive annual report year on year.

RESOLVED:

That the Annual Report as set out as Appendix 1 to the report be noted.

8. **IMPLEMENTATION OF THE GLOBAL INTERNAL AUDIT STANDARDS**
(AG151)

Antony Harvey (SIAP) introduced the report and responded to members' questions thereon. Members were also reminded that the role and responsibilities of the Internal Audit service was contained within the Internal Audit Charter which was submitted to the committee on an annual basis.

RESOLVED:

That the pending implementation of the Global Internal Audit Standards be noted.

9. **LOCAL CODE OF CORPORATE GOVERNANCE**
(AG152)

The Senior Policy and Programme Manager introduced the report and drew members' attention to paragraph 11.12 which outlined the main changes since the previous year.

RESOLVED:

That the Local Code of Corporate Governance 2025 be approved as set out in Appendix 1 of the report.

10. **DISPENSATION REQUEST - COUNTY COUNCIL & CITY COUNCIL "DUAL HATTERS"**
(AG153)

The Director (Legal) introduced the report and responded to members' questions thereon. He advised that a report would be submitted to a future meeting outlining a proposal for the granting of future dispensation requests without the need for them to be considered by the full committee.

RESOLVED:

That a dispensation be granted for a period of up to four years, or for the time each Councillor remains a County Councillor, whichever is longest to Councillors Porter, Tod, Wallace, Warwick, and Williams

The meeting commenced at 6.30 pm and concluded at 7.20 pm

Chairperson

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REPORT TITLE: AUDIT RESULTS REPORT 2023-24

25 FEBRUARY 2025

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

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

WARD(S): ALL WARDS

PURPOSE

The *Audit Results Report* for the year ended 31 March 2024 is presented by the council's external auditors, Ernst & Young (EY). The report summarises the audit approach in this exceptional year, along with conclusions from the audit of the Financial Statements for 2023/24.

RECOMMENDATIONS:

1. Consider the matters presented in the auditor's report (Appendix 1) and take the opportunity to raise any points of clarification or concerns with EY, who will be present at the meeting.
2. Approves the *Letter of Representation* (Appendix 2)

1 SUPPORTING INFORMATION:

- 1.1 The Audit Results Report for the year ended 31 March 2024 details the work the external auditor undertook and any audit differences or reporting issues they identified during the course of this review. EY's report is appended in full to this paper.
- 1.2 Only 1% of local government bodies received an auditor's opinion on their 2022/23 accounts by the publishing deadline 30th 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 2023/24 financial statements must be published by 28th February 2025. The auditor plans to issue a disclaimed opinion on the council's 2023/24 Financial Statements as they have not performed sufficient audit procedures in accordance with International Standards on Auditing (ISAs) by this date.

APPENDICES:

Appendix 1 – Audit Results Report for the year ended 31 March 2024.

Appendix 2 – Letter of management representation 2023/24.

Winchester City Council Draft audit results report

Year ended 31 Month 2024

February 2025

Page 11





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

14 February 2025

Dear Audit & Governance Committee Members

2023/24 Audit results report

We are pleased to attach our audit results report, summarising the results of our audit on Winchester City Council.

The audit is designed to express an opinion on the 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Winchester City Council (the Council) accounting policies and judgements and material internal control findings.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise 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 in addressing the audit backlog.

The Audit 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. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the audit 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.

Given that Statutory Instrument 2024/907 "The Accounts and Audit (Amendment) Regulations 2024 ("SI 2024/907") imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued by the National Audit Office and endorsed by the Financial Reporting Council, together 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.

As reported in our 8 November 2024 Audit Completion Report, we undertook limited audit procedures and therefore issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit. As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we also do not have assurance over a number of 2023/24 in-year movements that depend on those opening balances, and therefore some closing balances. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we have not obtained sufficient evidence to be able to conclude that the 23/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

This report is intended solely for the information and use of the Audit Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully

Simon Mathers

Partner

For and on behalf of Ernst & Young LLP

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Contents

01 Executive Summary



02 Areas of Audit Focus



03 Value for Money



04 Audit Differences



05 Assessment of Control Environment



06 Other Reporting Issues



07 Independence



08 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 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 and Governance Committee and management of Winchester City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and 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 and Governance Committee and management of Winchester City Council for this report or for the opinions we have formed.



01 Executive Summary

Executive Summary – Context for the audit

Context for the audit – Ministry for Housing, Communities and Local Government (MHCLG, formerly 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 the 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 financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- Lack of capacity within the local authority financial accounting profession.
- Increased complexity of reporting requirements within the sector.
- Lack of capacity within audit firms with public sector experience.
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG (formerly DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI), together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- Phase 2: Recovery from Phase 1, starting from 2023/24, 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. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.
- ▶ Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 2022/23 Audit Completion Report to the Audit and Governance Committee we only undertook limited audit procedures and issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit. As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. Taken together with the requirement to conclude our work by the 2023/24 backstop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

A summary of the assurances we have gained from our 2023/24 audit procedures is set out at Appendix A.

Executive Summary

Scope update

In our Audit Planning Report presented at the 16 April 2024 Audit and Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- Changes in materiality: In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £2.093 million. This was based on prior year gross expenditure on the provision of services. We have re-calculated this using values from the draft financial statements. Based on this our revised materiality level is £2.180 million. The basis of our assessment has remained consistent at 2% of gross expenditure on provision of services. This results in updated performance materiality, at 75% of overall materiality, of £1.635 million, and an updated threshold for reporting misstatements of £0.109 million.

Status of the audit

Our audit work in respect of the audit of the Council is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Page 17
- Completion of final review procedures across a number of areas which could lead to further issues to resolve;
 - Review of the final version of the financial statements to ensure all adjustments have been made correctly;
 - Completion of subsequent events review; and
 - Receipt of the signed management representation letter

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix C.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Annual Report and Accounts which could influence our final audit opinion.

Value for Money

In our Audit Planning Report dated 16 April 2024, we reported that we had not completed our value for money (VFM) risk assessment. Having updated and completed the planned procedures in these areas identified a risk of significant weakness which we are likely conclude is an actual significant weakness in the Council's VFM arrangements. See Section 3 of the report for further details.

Executive Summary (cont'd)

Audit differences

The misstatements identified are detailed below:

► Uncorrected audited differences

- Overstatement of the gross book value and accumulated depreciation of vehicles, plants, and equipment related to assets with a net book value of zero that no longer exist amounting to £2,570k. This has no net impact on the carrying value of assets reported on the Council's balance sheet.
- Understatement of payable accruals amounting to £407k, which understate expenditure in the CIES by £240k
- Reclassification of long-term to short-term borrowings of £230k
- Reclassification of grants received in advance to short-term creditors of £631k

Corrected audit differences

We highlight the following audit differences which have been corrected by management that were identified during the course of the audit:

- An increase in income and expenditure of £906k due to incorrect mapping of Central Support Services income – nil impact to bottom line
- A net decrease of £4,968k to Pension Liability due to incorrect change in demographic assumptions and inflation experience used in the IAS 19 liability assessment by the pension fund actuary.
- A decrease in Council Dwellings of £9,923k due to a failure to apply the required reduction factor to the valuation. This impacting increases expenditure in the CIES by £5,972k but is reversed as an adjustment between accounting basis and funding basis.

Some less significant amendments were also made to a number of disclosure notes and associated narrative.

Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts.

Executive Summary (cont'd)

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Winchester City Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

	Area of audit focus	Risk type	Status	Summary of findings/Comments
1	Misstatements due to fraud and error	Fraud risk	Complete	No significant matters have been identified in the completion of our work.
2	Inappropriate capitalisation of revenue expenditure	Fraud risk	Complete	No significant matters have been identified in the completion of our work.
3	Land and building valuation - Property, Plant & Equipment (PPE) and Investment Property (IP)	Significant risk	Complete	<p>We noted issues around the key inputs and assumptions used in the valuation of land and buildings valued using Existing Use Value (EUV) and Fair Value (FV). This includes PPE Other Land and Buildings valued at EUV; Surplus Assets valued at FV; and Investment Properties valued at FV.</p> <p>We recognise that the management and the Council's specialist require a significant further time to re-evaluate the valuations. Further time would also be required for both the audit team and EY valuation specialist to consider revised valuations. Having considered the statutory backstop date of 28 February 2025, we concluded that we have insufficient time to further consider representations from the valuer on key inputs and assumption which we have challenged as being inaccurate as part of the audit. We also have insufficient time to consider whether potential errors are more pervasive across the untested population. Consequently, we did not carry out any additional procedures, and the audit team has ceased testing the remaining audit team samples.</p> <p>We identified no issues with the valuation of assets carried at depreciated replacement cost.</p>
4	Pension Liability Valuation	Inherent risk	Complete	<p>We have received the results from our internal pensions specialists from their review of the roll-forward of the Local Government Pension Scheme. Their work identified a material misstatement in the gross pensions liability figure as reported as at year end, due to errors in the demographic assumptions and inflation experience figures used by the Actuary. The impact is a £4,698k overstatement to the net pension liability.</p> <p>The Council has obtained an updated IAS 19 Report from the Actuary and has posted the necessary adjustments through the financial statements.</p>

Executive Summary (cont'd)

Areas of audit focus

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee or the Board.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

Page 20 As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

During the audit, we identified two areas as part of the 2023/24 audit for the Committee's attention relating to the property, plant and equipment valuation and existence. See section 6.

There are no other matters we wish to report.

Independence

Please refer to Section 8 for our update on Independence.



02 Areas of Audit Focus

Areas of Audit Focus

Significant risk- Misstatements due to fraud or error*

△ Fraud Risk

What is the risk, and the key judgements and estimates?

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.

Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- ▶ Identified fraud risks during the planning stage of the audit;
- ▶ inquired of management about risks of fraud and the controls put in place to address those risks;
- ▶ obtained an understanding of the oversight given by those charged with governance of management's processes over fraud;
- ▶ discussed 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);
- ▶ considered the effectiveness of management's controls designed to address the risk of fraud;
- ▶ determined an appropriate strategy to address those identified risks of fraud;
- ▶ performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements;
- ▶ undertook procedures to identify significant unusual transactions; and
- ▶ considered whether management bias was present in the key accounting estimates and judgments in the financial statements.

What is the status of our work?

We have not identified any material evidence of material management override. Specifically:

- ▶ Our review of trends in general ledger data, and detailed consideration of unusual or unexpected journal postings, did not identify any journal entries that suggested the manipulation of accounting records or override or controls by management.
- ▶ Our review of accounting estimates, including estimates with a higher level of inherent risk, identified no evidence of management bias.
- ▶ There were no significant unusual transactions.

Overall, our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicate that there has been any misreporting of the financial position, or that management has overridden controls.

Areas of Audit Focus

Significant risk- Inappropriate capitalisation of revenue expenditure*

△ Fraud Risk

What is the risk, and the key judgements and estimates?

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.

Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- Substantially tested Property, Plant and Equipment (PPE) additions using a low testing threshold to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Assessed whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- Considered whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- Substantially tested Revenue Expenditure Funded from Capital Under Statute (REFCUS) expenditure to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

What is the status of our work?

No significant matters have been identified in the completion of our work. Based on our sample testing:

- Our testing confirmed that items were appropriately capitalised as per IAS 16 through agreement to evidence such as invoices and capital expenditure authorisations.
- We did not identify any instances of capitalised costs which were not capital in nature, i.e. addition costs were directly attributable to the assets.
- REFCUS expenditure was also appropriately classified.

We have not identified any instances of inappropriate journal entry postings in relation to capitalisation of revenue expenditure.

Areas of Audit Focus

Significant risk - Land and building valuation - Property, Plant & Equipment (PPE) and Investment Property (IP)

 Significant Risk

What is the risk, and the key judgements and estimates?

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 is the status of our work?

We noted issues around the key inputs and assumptions used in the valuation of land and buildings valued using Existing Use Value (EUV) and Fair Value (FV). This includes PPE Other Land and Buildings valued at EUV; Surplus Assets valued at FV; and Investment Properties valued at FV.

We recognise that the management and the Council's specialist require a significant further time to re-evaluate the valuations. Further time would also be required for both the audit team and EY valuation specialist to consider revised valuations. Having considered the statutory backstop date of 28 February 2025, we concluded that we have insufficient time to further consider representations from the valuer on key inputs and assumption which we have challenged as being inaccurate as part of the audit. We also have insufficient time to consider whether potential errors are more pervasive across the untested population. Consequently, we did not carry out any additional procedures, and the audit team has ceased testing the remaining audit team samples.

We identified no issues with the valuation of assets carried at depreciated replacement cost.

Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We will also have considered any specific changes to assets that have occurred and whether these have been communicated to the valuers;
- ▶ Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre, or assessing comparative market information);
- ▶ Challenged key assumptions used by the valuers;
- ▶ Reviewed PPE assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered the potential impact of current economic environment on valuation uncertainties while also evaluating the need to involve our internal specialist valuations team;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

Areas of Audit Focus

Area of audit focus: Pension Liability Valuation

What is the risk, and the key judgements and estimates?

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 2024 this totalled £7.775 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 to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- Liaised with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council
- Assessed the work of the pension fund actuary 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
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What is the status of our work?

We have received the results from our internal pensions specialists from their review of the roll-forward of the Local Government Pension Scheme. Their work identified a material misstatement in the gross pensions liability figure as reported as at year end, due to errors in the demographic assumptions and inflation experience figures used by the Actuary. This was not an error by the Council. The impact is a £4.698m overstatement to the net pension liability.

The Council has obtained an updated IAS 19 Report from the Actuary and has posted the necessary adjustments through the financial statements.

We have received the report from the Hampshire Pension Fund audit team in relation to their assurances over the information supplied to the actuary to enable the calculation of the valuation of the gross pension asset and liability at year end. There are no significant matters arising from this report



03 Value for Money

Value for Money

The Authority's responsibilities for value for money (VFM)

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 its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the NAO Code of Audit Practice. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment and status of our work

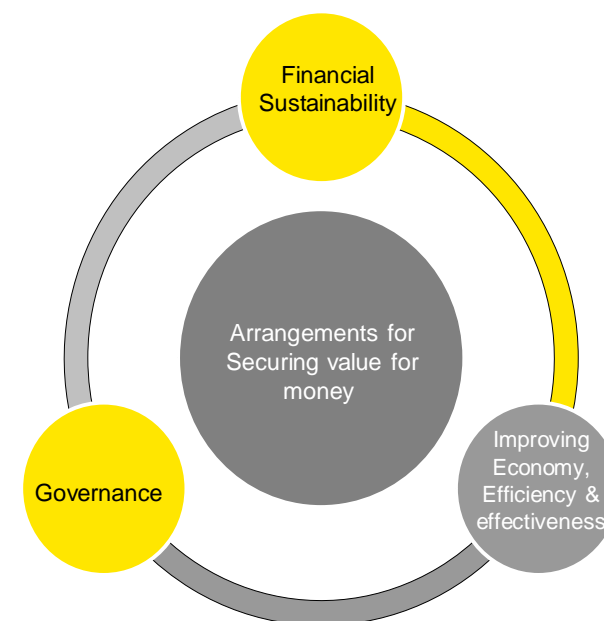
We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our value for money planning 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 draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council 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.

We have completed our detailed VFM work and identified a risk of significant weakness as documented on the next page.



Value for Money (cont'd)

Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?

An external review of the Council's arrangements to assess and ensure compliance with legal and regulatory requirements for all Housing Revenue Account properties owned or managed by the Council resulted in an overall rating of no assurance. The review considered asbestos management, electrical safety, fire safety, gas and heating safety, lift safety and water hygiene. The review concluded that:

- The Council does not have an effective assurance framework or risk management framework to ensure its legal and regulatory obligations in respect of its housing stock is being achieved. Fundamentally, there is a disconnect between strategic and operational levels.
- Data is currently held in multiple systems meaning that the Council does not have a single consolidated record that allows it to distinguish between different property types and tenures. Compliance programmes are managed through a variety of different systems, many of which do not interact with one another and the Council does not have full ownership and control of all data and records, with many records being held on contractor portals.

There is therefore a risk that the Council cannot demonstrate that it is meeting relevant legal and regulatory requirements and ensuring tenant safety.

What arrangements did this impact?

Governance:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls,
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements.

What did we do?

Our approach focused on:

- A consideration of the significance of the findings of the external review.
- Understanding the action being taken by the Council to address the weaknesses identified.

Findings

We will issue our VFM narrative commentary in our 2023/24 Auditor's Annual Report which we expect to issue in May 2025. Based on our work undertaken to date we are likely to conclude that the Council has adequate arrangements for governance except for the arrangements set out in the table above.



04 Audit Report

Audit Report

Expected modification to the audit report

As reported in our 2022/23 Audit Completion Report to Those Charged with Governance (dated 8 November 2024), we issued a disclaimed audit report on the Council's financial statements for 2022/23 under the arrangements to reset and recover Local Government audit.

We anticipate completing our planned programme of work for 2023/24, but because of the gaps in assurance from 2022/23 we have not obtained sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement. We did not plan to rebuild this assurance in our 2023/24 audit.

Taken together with the requirement to conclude our work by the 2023/24 backstop date set by legislation, the lack of evidence over these movements and balances mean we are unable to conclude that the Authority's 2023/24 financial statements are free from material and pervasive misstatements.

We therefore will be issuing a disclaimed 2023/24 audit opinion.

The form and content of the Audit Report will be shared with the Section 151 officer to enable you to formally authorise the 2023/24 financial statements for issue.



05 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £1,635k which have been corrected by management that were identified during the course of our audit :

- A net decrease of £4,968k to Pension Liability due to incorrect change in demographic assumptions and inflation experience used by the Actuaries (Hymans Robertson)
- A decrease in Council Dwellings of £9,923k, impacting CIES by £5,972k

Throughout the course of our audit, we identified small number of disclosure adjustments which have been corrected by the management.

Audit Differences (cont'd)

Summary of adjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We ask that the Audit Committee request of management that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/(Credit)	Assets non-current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
Uncorrected misstatements 31 March 2024 (Currency'000)						
Errors						
Factual differences:						
▶ NIL net book value vehicle, plant and equipment that no longer exists			2,570			
			(2,570)			
▶ Understatement of payable accruals		240		167	(407)	
Reclassification differences:						
▶ Long-term to short-term borrowings					(230)	230
▶ Grants received in advance to short-term creditors					(631)	631
Balance sheet totals			-	167	(1,268)	861
Income effect of uncorrected misstatements		240				
Uncorrected disclosure misstatements						

Note 13 Defined benefit pension schemes: Details of the Virgin Media Case was not disclosed

Note 14 Property, plant and equipment: Extrapolated overstatement of the gross book value of vehicles, plant, and equipment, and accumulated depreciation related to assets with a net book value of £2,446k. This has no net impact on the carrying value of assets on the Council's balance sheet.

Note 28 Accounting policies for Heritage Assets, Operating Leases and Finance Leases are not included in the accounts

A number of immaterial adjustments in the disclosure notes and associated narrative were also requested.



06

Assessment of Control Environment

Assessment of Control Environment




Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal controls. We have not identified any significant deficiencies, but have included a number of recommendations for improvement in the control environment noted during the audit.

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2023/24 audit (including IT controls).

	High	Moderate	Low	Total
New points raised in 2023/24	0	1	1	2

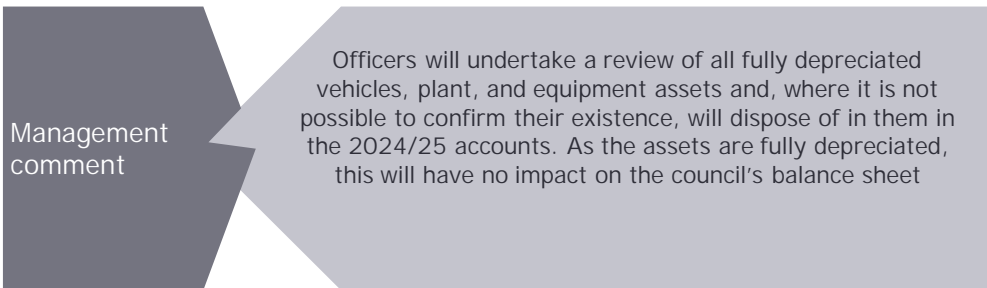
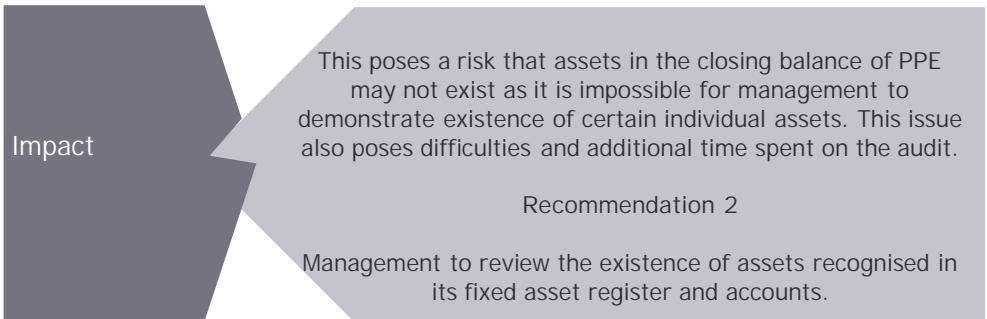
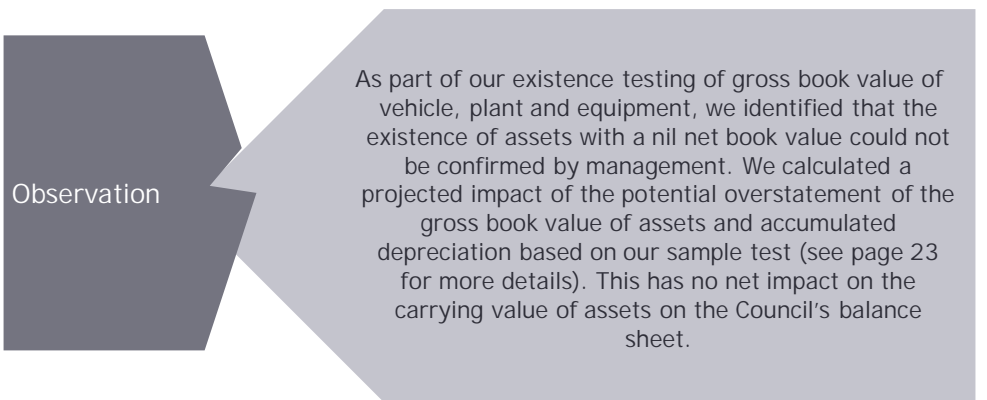
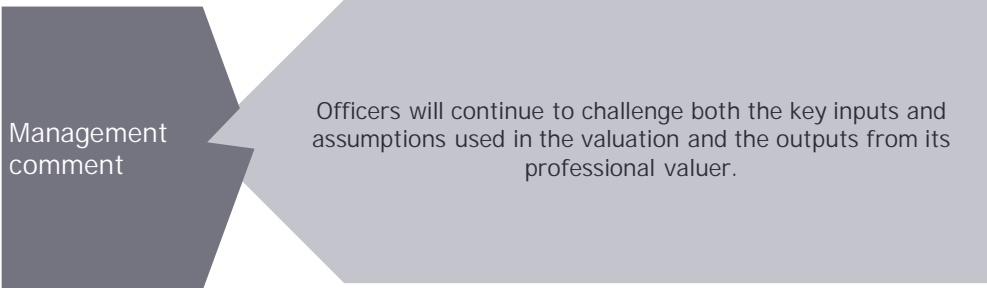
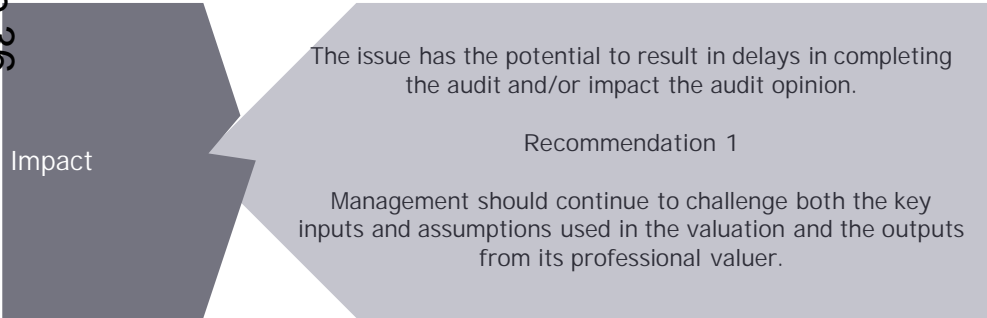
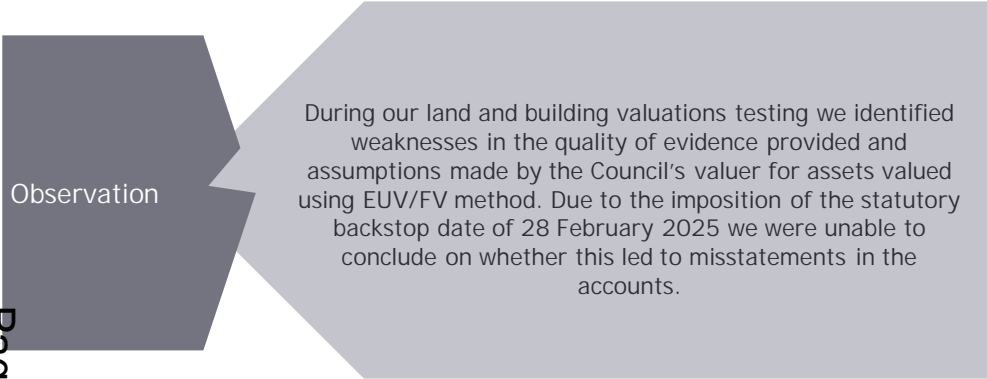
Key:

-  A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
-  Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
-  Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

Assessment of Control Environment (cont'd)

Page 36





07

Other Reporting Issues

Other Reporting Issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Winchester City Council Statement of Accounts 2023/24 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Winchester City Council Statement of Accounts 2023/24 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements, and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We are also able to issue statutory recommendations under Schedule 7 of Section 27 of the Act. Statutory recommendations under Schedule 7 must be considered and responded to publicly and are shared with the Secretary of State,

We did not identify any issues which required us to issue a report in the public interest/issue statutory recommendations under Schedule 7.

Other Reporting Issues (cont'd)

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;

Findings and issues around the opening balance on initial audits (if applicable);

Related parties;

External confirmations;

Going concern;

- ▶ Consideration of laws and regulations; and
- ▶ Group audits

Information was received during the course of the audit that indicated the potential for non-compliance with laws and regulations. Due to the imposed backstop date, we were unable to perform sufficient further audit work to determine whether this matter has any impact on the financial statements.

Other than matters already reported in this Audit Results Report, we have no other matters to report.

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

Other Reporting Issues (cont'd)

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

Given that we have disclaimed the 2022/23 audit of the financial statements we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24. The International Auditing & 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:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
 - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
 - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

Audit Procedures	Audit findings and conclusions
<p data-bbox="94 818 1232 858">We performed the following procedures:</p> <p data-bbox="94 879 1232 963">We obtained an understanding of the IT processes related to the IT applications of the Council. The Council has five relevant IT applications for the purposes of ISA 315 risk assessment (Civica, Access, CIPFA Asset Management, Northgate and Orchard)</p> <p data-bbox="94 984 1232 1038">We performed procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.</p> <p data-bbox="94 1059 1232 1144">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 to assess:</p> <ul data-bbox="94 1165 1232 1331" style="list-style-type: none">▶ Manage vendor supplied changes▶ Manage security settings▶ Manage user access▶ Job scheduling and managing IT	<p data-bbox="1232 818 2096 935">Our work in this area is complete. Based on the procedures performed, no significant issues were identified in our review of the various processes, including the design and implementation effectiveness of relevant controls around the financial statement close process.</p> <p data-bbox="1232 956 2096 979">We have not tested the operation of any controls through this review.</p>



08

Independence

Independence - Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its directors and senior management and its affiliates, including all services provided by us and our network to your Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

Relationships

There are no relationships from 01 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

There are no services provided by EY from 01 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

EY Transparency Report 2024

Ernst & Young (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 year end 28 June 2024: [ey-uk-2024-transparency-report.pdf](https://www.ey.com/en-uk/uk-2024-transparency-report)

Independence - 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.

A breakdown of our fees is shown in the table to the right.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
 - Our financial statements opinion and value for money conclusion being unqualified;
 - Appropriate quality of documentation is provided by the Council; and
 - The Council has an effective control environment
- ▶ 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.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	Current Year	Note ref	Prior Year
	£m		£m
Scale fee	£157,826	(1)	£52,379
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 adoption of IFRS 16 and to consider related disclosures in the financial statements	TBC	(2)	-
Other scale fee variations due to the issues identified through the audit	TBC	(3)	-
Total audit	TBC		TBC

All fees exclude VAT

(1) Note 1 - PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2022/23. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

(2) Following the completion of the 2023-24 work a final proposed fee will be determined. As explained in our Audit Planning Report, for 2023-24 the planned fee represents the base fee, i.e. not including any extended testing. We will estimate the impact of the additional audit procedures performed that were specifically referenced as not being within the scale fee set by PSAA in their fees consultation for 23/24. This will include (i) to respond to the requirements of ISA315 (ii) to respond to the additional audit risks in relation to the IFRS 16, and then any other areas where the audit work required was additional to the scope planned within the scale fee.

All additional scale fee adjustments are subject to PSAA approval



09 Appendices

Appendix A – Summary of assurances

Summary of Assurances

As we have set out in Section 4 and the Executive Summary of this report, we anticipate issuing a disclaimer of opinion on the 2023/24 financial statements. Due to the disclaimer of opinion issued on the 2022/23 financial statements, we do not have assurance over the comparative figures disclosed in the financial statements, the opening balance position on 1 April 2023, the closing reserves balances on 31 March 2024 or the in-year movements recorded in the Comprehensive Income and Expenditure Statement. This is considered material and pervasive to the 2023/24 financial statements. The table below summarises the audit work we have completed on the 2023/24 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit. We do not provide a separate opinion on these matters as the assurance we have gained is in the context of our audit of the financial statements as a whole, and our disclaimer of opinion on those financial statements.

Account area	Assurance rating	Summary of work performed
Property, Plant and Equipment – Land and buildings (EUV/FV)	None	We have completed testing of the 2023/24 additions and disposals to the fixed asset register and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets. However, during our land and building valuations testing we identified weaknesses in the quality of evidence provided and assumptions made by the Council's valuer for assets valued using EUV/FV method. Due to the imposition of the statutory backstop date of 28 February 2025 we were unable to conclude on whether this led to misstatements in the accounts.
Property, Plant and Equipment – Land and buildings (DRC) and Council dwellings	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Property, Plant and Equipment – Non-land and buildings	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Investment Property	None	We have completed testing of the 2023/24 additions and disposals to the fixed asset register and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets. However, during our land and building valuations testing we identified weaknesses in the quality of evidence provided and assumptions made by the Council's valuer for assets valued using EUV/FV method. Due to the imposition of the statutory backstop date of 28 February 2025 we were unable to conclude on whether this led to misstatements in the accounts.
Heritage Assets	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Cash and Cash Equivalents	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Investments (short and long term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.

Appendix A – Summary of assurances

Summary of Assurances

Account area	Assurance rating	Summary of work performed
Short-term Debtors	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short-term Creditors	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Borrowings (short and long term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Grants received in advance	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Pension Scheme Liability	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Other Disclosures	Partial	We expect to gain partial assurance - as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded are accurate.
Cash Flow Statement	Partial	We have tested all Cash Flow movements arising from 2023/24 transactions but, as we do not have assurance over movements across the disclaimed period, and therefore the opening balance for 2023/24, we do not have full assurance over the Cash Flow Statement at 31 March 2024.
Reserves	None	We have completed our work on the movements in reserves in 2023/24 but, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the useable and unusable reserves of the Council reported in the financial statements. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning reports.
Comprehensive Income and Expenditure Statement	Partial	We have completed our planned testing on the Comprehensive Income and Expenditure Statement in 2023/24 but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Collection Fund	Partial	We have completed our planned work in this area for 2023/24 but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded are accurate.
Housing Revenue Account	Partial	We have completed our planned testing on the Housing Revenue Account in 2023/24 but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.

Appendix B - Required communications with the Audit Committee

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit 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"> The planned scope and timing of the audit Any limitations on the planned work to be undertaken The planned use of internal audit The significant risks identified <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- 16 April 2024
Significant findings from the audit	<ul style="list-style-type: none"> Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process 	Audit results report- February 2025

Appendix B - Required communications with the Audit 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"> • Whether the events or conditions constitute a material uncertainty related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements 	Audit results report- February 2025
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	Audit results report- February 2025
Fraud	<ul style="list-style-type: none"> • Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • 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"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • 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 • Any other matters related to fraud, relevant to Audit Committee responsibility. 	Audit results report- February 2025

Appendix B - Required communications with the Audit 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"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Audit results report- February 2025
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> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit Planning Report- 16 April 2024; Final Audit results report- February 2025
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report- February 2025

Appendix B - Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> 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 Enquiry of the audit 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 committee may be aware of 	Audit results report- February 2025
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Audit results report- February 2025
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit results report- February 2025
System of quality management	<ul style="list-style-type: none"> How the system of quality management (SQM) supports the consistent performance of a quality audit 	Audit results report- February 2025
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report- February 2025
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Audit results report- February 2025

Appendix C - Accounting and regulatory update

Accounting and regulatory update

Accounting update

Since the date of our last report to the Audit Committee/Board, a number of new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Winchester City Council
IFRS 16 Leases	<ul style="list-style-type: none">• CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16.• Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.• Lease liabilities and right of use assets will be subject to more frequent remeasurement.• The standard must be adopted by 1 April 2024 at the latest	<ul style="list-style-type: none">• We have assessed the Council's readiness to implement IFRS 16 as part of our 2023/24 programme of work. That assessment considered:<ul style="list-style-type: none">• The Authority's processes to collect the required data.• Whether reasonable accounting policy choices had been made.• Whether relevant finance staff are familiar with the requirements of the CIPFA Code in this area and training has been provided.• The transitional and ongoing accounting arrangements that have been established.• Systems and processes to establish and distinguish between lease remeasurements and modifications.• Based on this assessment we have concluded that the Authority has reasonable arrangements in place to support the adoption of IFRS 16 in 2024/25.

Appendix C – Outstanding matters

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Final reviews by manager and partner	There are a number of area of execution that are subject to manager and partner review and there may be further matters arising from the review process. We have not listed each of the areas in detail here.	EY
Annual Report and accounts	Review of the final version of the financial statements to ensure all adjustments have been made correctly Incorporation of EY review comments on disclosure notes	EY and management
Management representation letter	Receipt of signed management representation letter	EY, Management and audit and governance committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern remain to be finalised and audited.

Appendix E – Management representation letter

Management representation letter

[To be prepared on the entity's letterhead]
[Date]

Ernst & Young

R+ Building
2 Blagrove St
Reading
RG1 1AZ

This letter of representations is provided in connection with your audit of the financial statements of Winchester City Council ("the Council") for the year ended 31 March 2024. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of financial position of Winchester City Council as of 31 March 2024 and of its financial performance and its cash flows for the year then ended in accordance with, for the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20x23/24.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Council, we believe that the Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent Authority financial statements
 - Related to laws and regulations that have an indirect effect on amounts and disclosures in the consolidated and parent Authority financial statements, but compliance with which may be fundamental to the operations of the Group and Authority's business, its ability to continue in business, or to avoid material penalties
 - Involving management, or employees who have significant roles in internal control, or others
 - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

Appendix E – Management representation letter (cont'd)

Management representation letter

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect in the financial statements.

4. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting at the date of this letter.

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

6. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

7. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

8. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statements, in each case or in the aggregate, and (2) ransomware

attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

E. Going Concern

1. Note 6 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than described in Note 5 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

3. We confirm that the Annual Governance Statement for 2023/24 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2023/24 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.

I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment, investment properties, and pension liabilities and have adequately considered the qualifications of the specialists in

Appendix E – Management representation letter (cont'd)

Management representation letter

determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived ~~in an attempt to~~ bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

K. Estimates

Property, plant and equipment, investment properties and net pension liability

1. We confirm that the significant judgments made in making the valuation of property, plant and equipment, investment properties and net pension liability have ~~taken into account~~ all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of property, plant and equipment, investment properties and pension liability.
3. We confirm that the significant assumptions used in making the valuation of property, plant and equipment, investment properties and net pension liability appropriately reflect our intent and ability to carry out valuations on behalf of the Council.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of property, plant and equipment, investment properties and net pension liability estimate.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

L. Retirement benefits

1. ~~On the basis of~~ the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

(Director of Finance/S151 officer)

(Chairman of the Audit Committee)

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.

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Ernst & Young LLP

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ED None

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Simon Mathers
Partner
Ernst & Young LLP
R+ Building
2 Blagrove Street
READING
RG1 1AZ

February 2025

This letter of representations is provided in connection with your audit of the financial statements of Winchester City Council ("the Council") for the year ended 31st March 2024. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Winchester City Council as of 31st March 2024 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the Council financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local

Authority Accounting in the United Kingdom 2023/24 that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the last period presented are immaterial both individually and in the aggregate, to the financial statements taken as a whole.
6. We confirm the Council does not have securities (debt or equity) listed on a recognised exchange.

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council financial statements
 - Related to laws and regulations that have an indirect effect on amounts and disclosures in the Council financial statements, but compliance with which may be fundamental to the operations of the Council's business, its ability to continue in business, or to avoid material penalties
 - Involving management, or employees who have significant roles in internal control, or others
 - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the Council's financial statements.
 3. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence that are reasonable likely to have a direct or indirect material effect in the financial statements.
 4. We have made available to you all minutes of the meetings of the Full Council, the Cabinet and Audit and Governance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting at the date of this letter.
 5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the Council's financial statements.
 6. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24
 7. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the Council's financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
 7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the Council's financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the Council's financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

E. Going Concern

1. Note 6 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than described in Note 5 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises Narrative Statement and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.
3. We confirm that the Annual Governance Statement for 2023/24 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2023/34 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.

I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment, investment properties, and pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are

not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

K. Estimates

Property, plant and equipment, investment properties and net pension liability

1. We confirm that the significant judgments made in making the valuation of property, plant and equipment, investment properties and net pension liability have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of property, plant and equipment, investment properties and net pension liability.
3. We confirm that the significant assumptions used in making the valuation of property, plant and equipment, investment properties and net pension liability appropriately reflect our intent and ability to carry out valuations on behalf of the Council.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of property, plant and equipment, investment properties and net pension liability estimate.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

L. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Signed on behalf of Winchester City Council

(Chief Financial Officer/ S151 Officer)

(Chairperson of the Audit and Governance Committee)

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REPORT TITLE: ANNUAL FINANCIAL REPORT 2023/24

25 FEBRUARY 2025

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

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

WARD(S): ALL WARDS

PURPOSE

This report presents the audited Annual Financial Report 2023/24 which includes:

- a narrative statement (for noting); and
- the audited Statement of Accounts for the year ended 31 March 2024 (for approval).

The Accounts and Audit (Amendment) Regulations 2015 were amended in 2024 for financial years 2015-2027 as part of measures to address the audit backlog. The 2023/24 financial statements must be published by 28th February 2025

The Audit and Governance Committee has delegated powers to review and approve the annual Statement of Accounts. The Committee has specific responsibility to consider the appropriateness and application of accounting policies and whether there are any concerns arising from the financial statements' audit.

Elsewhere on the agenda the External Auditors have presented their Audit Results Report which includes a proposed disclaimer opinion (AG154). It is important that Members have considered the key issues contained in the Accounts. Members have had the opportunity to raise any queries regarding the Financial Statements in the period since the pre-audit accounts were originally issued in May 2024 and are once again requested to raise any matters of detail with the Director (Finance).

RECOMMENDATIONS:

1. That the Committee approves the audited Statement of Accounts 2023/24 as set out in Appendix 1.
2. That the Chair of the Audit & Governance Committee signs the Statement of Responsibilities on page 24 of Appendix 1 to certify the accounts and authorise their issue.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 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

- 2.1 The planned fee for the audit of the 2023/24 accounts is £157,826. EY has issued a disclaimer opinion on the council's 2023/24 Financial Statements as they will not have performed sufficient audit procedures in accordance with International Standards on Auditing (ISAs) by the required 28th February 2025 publication date.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Local authorities in the UK are required to prepare their accounts in accordance with 'proper (accounting) practices' as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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.
- 3.2 The Audit and Accounts Regulations 2015 require an authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and include a statement reporting on the review alongside the Statement of Accounts.
- 3.3 The necessity to conform to these Regulations and the Code is recognised accurately in this report. There are no direct legal implications.

4 WORKFORCE IMPLICATIONS

- 4.1 None.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

6 CONSULTATION AND COMMUNICATION

- 6.1 A public notice is published to inform interested parties of their rights to inspect the statement of accounts and records relating to them. The public notice also details how to access this information and how to ask questions of and make objections to the council's external auditor. This was published the day following publication of the unaudited Annual Financial Report, the 3rd

June 2023. There have been no requests, questions or objections received by the council or the auditors.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 None.

8 PUBLIC SECTOR EQUALITY DUTY

8.1 None.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None.

10 RISK MANAGEMENT

Risk	Mitigation
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 EY and CIPFA. Regular engagement with external audit on potential issues identified.
Achievement of outcome Failure to meet the statutory deadline for publication of the financial statements.	A project plan for the delivery of the accounts closedown is used to ensure the Statement of Accounts and Annual Financial Report are produced by the statutory and audit deadlines. A comprehensive set of working papers was produced in advance of the external audit.

11 SUPPORTING INFORMATION:

11.1 The financial statements have been subject to external audit by Ernst and Young LLP (EY). In accordance with the statutory requirements, it is planned that the audited Statement of Accounts will be published, together with the auditor's opinion, Narrative Statement and Annual Governance Statement, by the 28 February 2025.

External Audit

- 11.2 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 2023/24 financial statements must be published by 28th February 2025. and if local audits are not finalised by this deadline disclaimers of opinion will be issued. The auditor has issued a disclaimer opinion on the council's 2023/24 financial statements as the auditor has not performed sufficient audit procedures in accordance with International Standards on Auditing (ISAs) by this date. There is no indication that the need to issue a disclaimer opinion relates to specific unresolved issues at the council.
- 11.3 Since the preparation of the pre-audit Statement of Accounts and its publication in May 2024, there have been three material amendments to the draft statements following audit review of specialist valuations.

Description	Draft Accounts £000	Audited Accounts £000	Movement £000
Adjustment: Original valuations council share of shared ownership properties were revised applying the social housing factor.			
HRA Property Revaluation - Comprehensive Income and Expenditure Statement (CIES) ¹	-10,789	-4,816	5,973
Surplus on Revaluation of Non-Current Assets (CIES) ¹	-10,946	-6,995	4,005
Property Plant & Equipment - Balance Sheet (BS)	718,212	708,288	-9,924
Adjustment: Revised Assumptions used for the valuation of one investment property.			
Income & Expenditure in Relation to Investment Properties and Changes in their Fair Value (CIES) ¹	-4,213	-2,235	1,978
Investment Property (BS)	71,645	69,667	-1,978
Adjustment: The valuation of pension scheme liabilities was adjusted, and a revised Actuary Report was issued			
Remeasurements on Net Defined Benefit Liability (CIES) ¹	-2,055	-6,811	-4,756
Pension Scheme Liability (BS)	-12,453	-7,775	4,678

¹ The change to the CIES is reversed as an adjustment between accounting basis and funding basis

Approval of the Statement of Accounts

- 11.4 The Statement of Accounts has been prepared in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and any subsequent Local Authority Accounting Panel (LAAP) recommendations.
- 11.5 The council's Statement of Accounts was signed, prior to the Committee meeting, by the Director (Finance), in her capacity as Section 151 Officer, to certify that they give a true and fair view of the financial position of the Council as at 31 March 2024.
- 11.6 In addition, the Chair of the Audit and Governance Committee is required to sign the Statement of Accounts to certify that they have been approved by a resolution of the Audit and Governance Committee and that they are authorised for issue.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 Not applicable

BACKGROUND DOCUMENTS:-

Previous Committee Reports

[AG135 Draft Annual Financial Report 23-24](#)

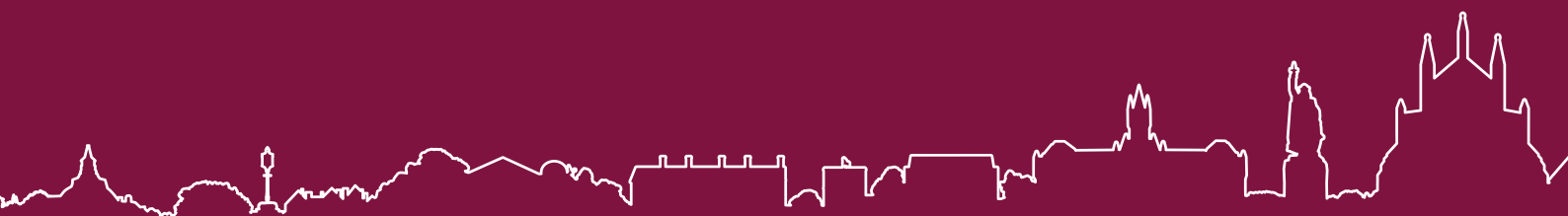
APPENDICES:

Appendix 1 – Annual Financial Report for the Year Ended 31 March 2024



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

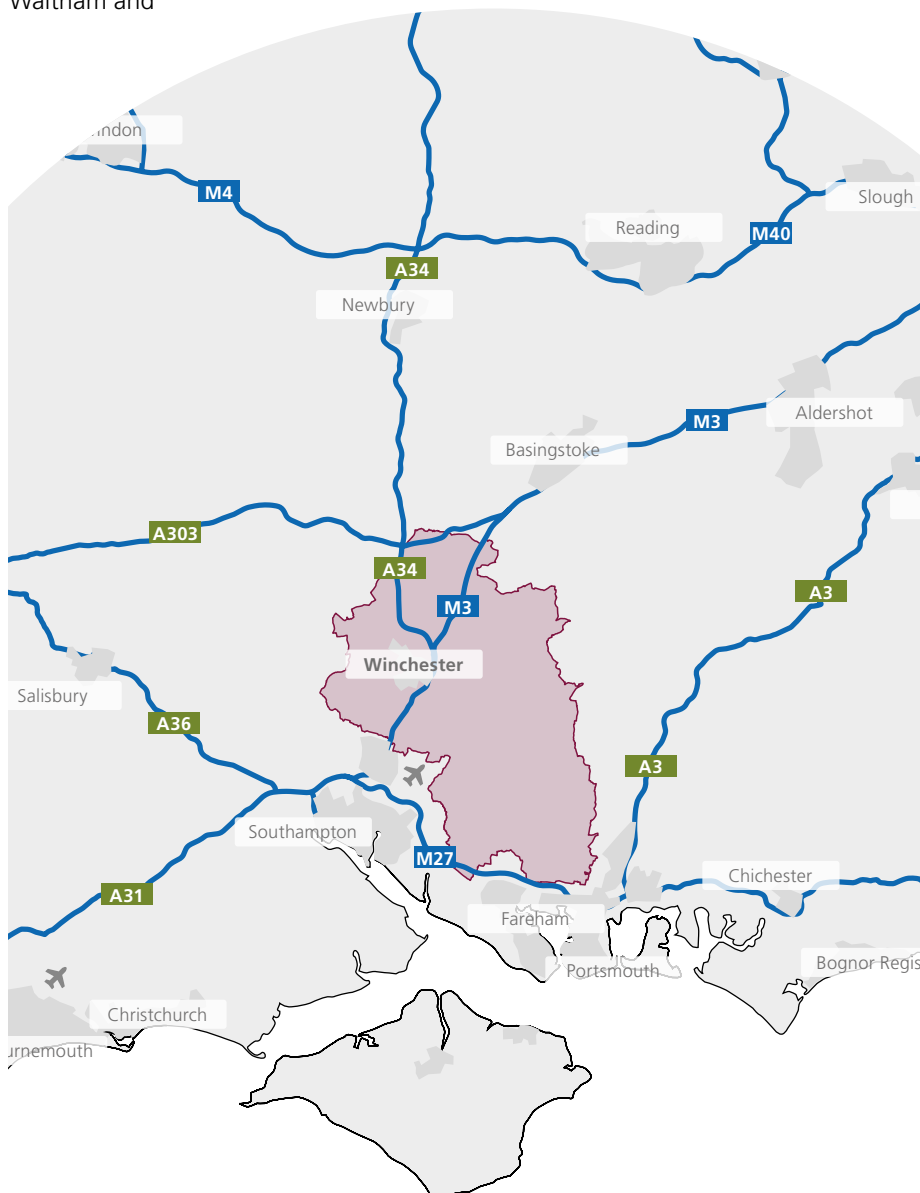
WINCHESTER CITY COUNCIL NARRATIVE STATEMENT 2023/24

THE WINCHESTER DISTRICT

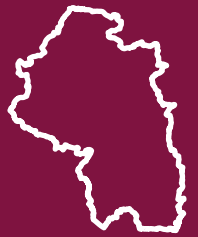
Winchester City Council is one of 11 district and borough councils in Hampshire and serves an estimated population of 136,500 residents.

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.

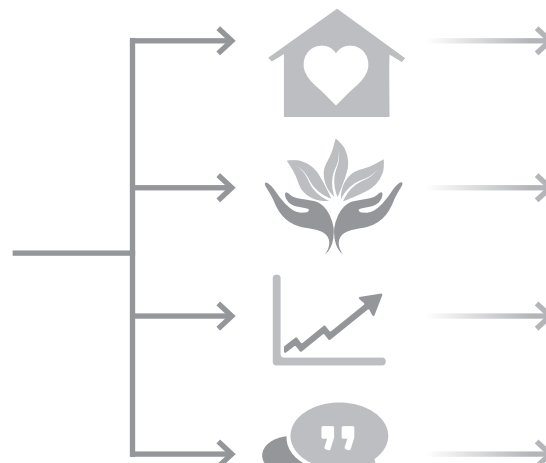
Our latest Residents' Survey shows that these remain the priorities most local people want us to focus on. The Plan was refreshed in December 2022, and there are four areas of enhanced focus for the upcoming year. These are:

- 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

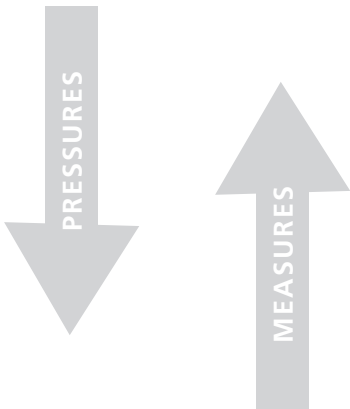
The council was able to produce a balanced budget in 2023/24, whilst supporting the delivery of the key priorities of the Council Plan.

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
Total	£4.3m



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
Total	£4.3m



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)	(2,359)	(1,754)
TRANSFERS TO (FROM) EARMARKED RESERVES	0	97	97
(INCREASE)/DECREASE IN HRA BALANCE	890	1,259	369

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

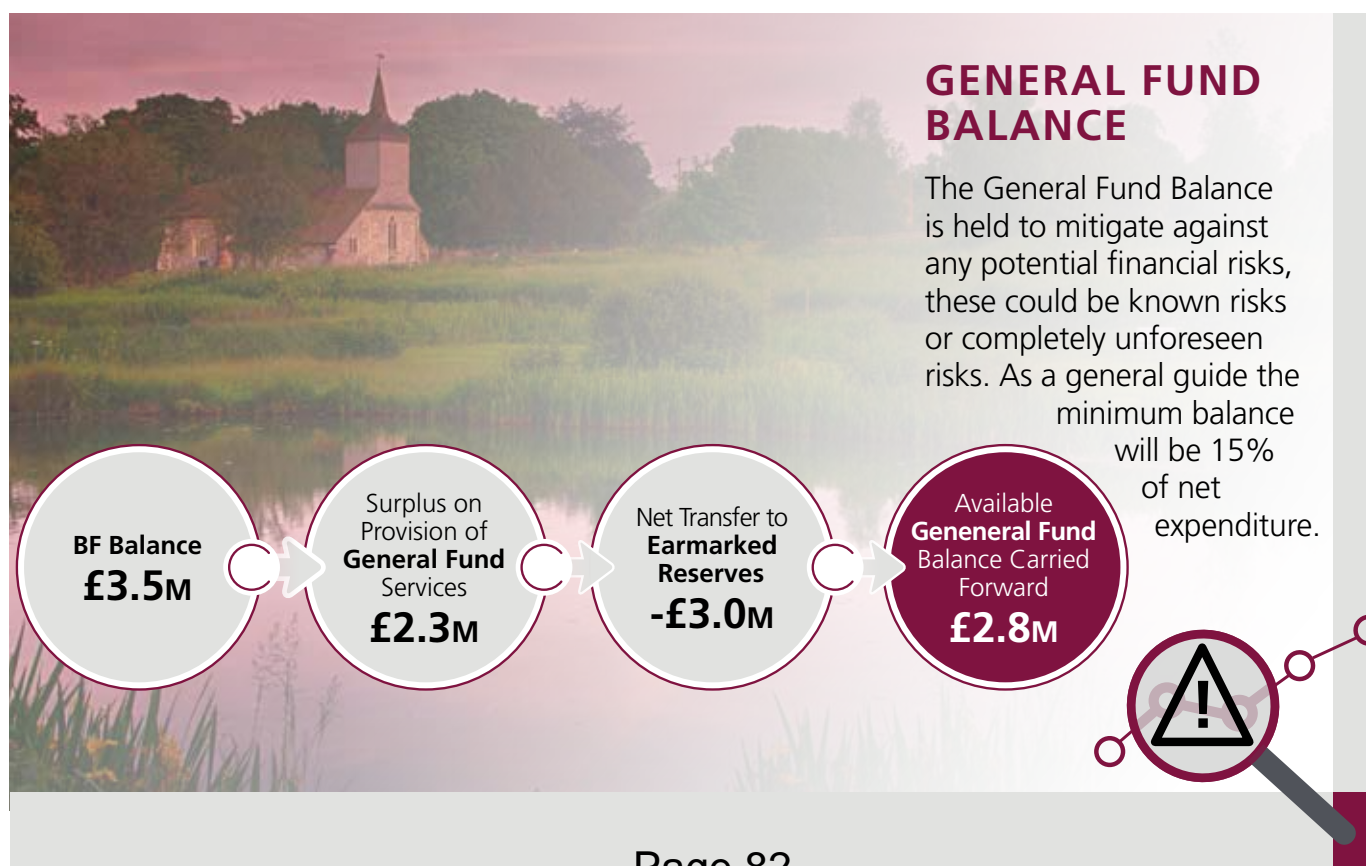
The table shows the in year movements of the General Fund balance. The Surplus on the Provision of Services (within the council's Comprehensive Income & Expenditure Statement) was £13.3m. However, once the surplus on HRA services is adjusted for there is a surplus for General Fund services of £2.3m.

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 unchanged.

A further net transfer of £3.0m has been made to earmarked reserves from the General Fund.

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

	£m	£m	£m
Brought Forward Balance			3.5
Surplus (deficit) on provision of all services	13.3		
Adjust for HRA related (surplus)/deficit	(11)		
		2.3	
Apply Accounting Adjustments		0	
In year surplus on Provision of General Fund Services			2.3
Movements (to)/ from Earmarked Reserves			
Major Investment Reserve	1.3		
Transitional Reserve	(1.9)		
Other unrestricted reserves	(1.4)		
Net movement unrestricted reserves		(2.0)	
Net movement restricted reserves		(1.0)	
Net Earmarked Reserves transfer			(3.0)
Available General Fund Balance			2.8



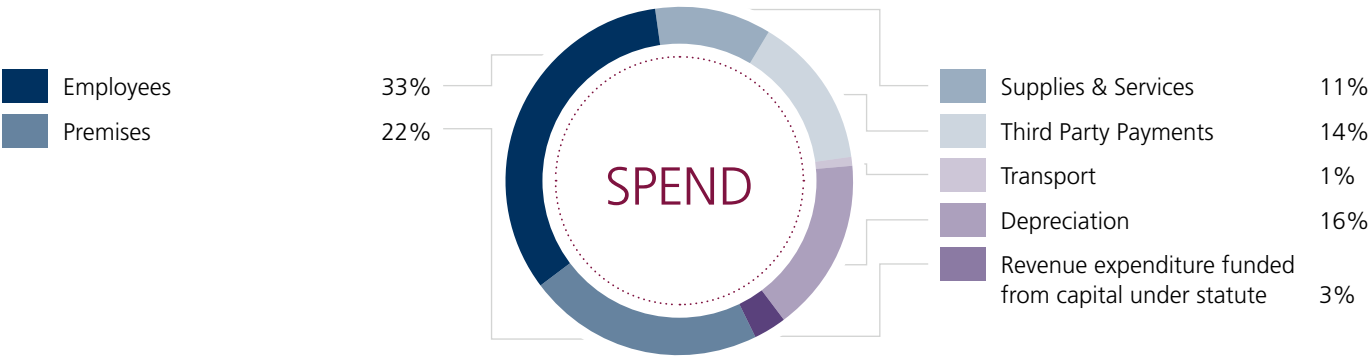
WHERE THE COUNCIL'S FUNDING CAME FROM

(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

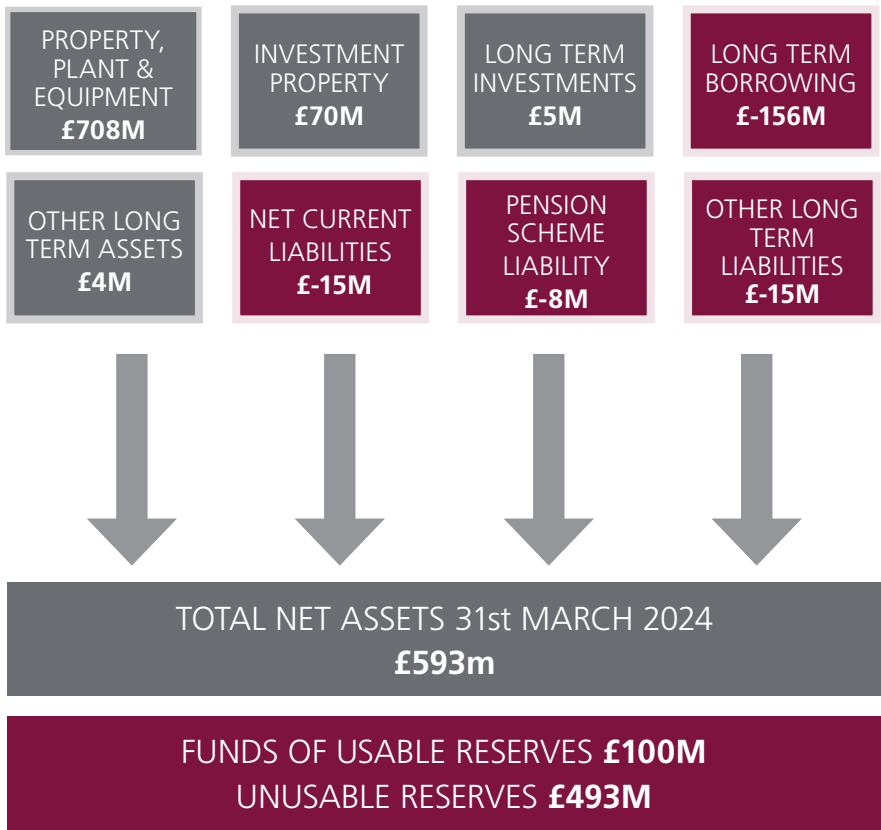
THE COUNCIL'S BALANCE SHEET SHOWS IT HAS A **NET WORTH OF £593M.**

TOTAL LONG TERM **ASSETS** OF **£787M** AT THE BALANCE SHEET DATE INCLUDE:

- Council dwellings £559m
- Other operational land and buildings £107m
- Investment property £70m.

TOTAL LONG TERM **LIABILITIES** OF **£179M** INCLUDE:

- Long term borrowing of £156m
- The pension scheme potential future liability of £8m.



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 £27m 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 £7.8m.

Pension Fund Surplus/(Deficit) £m	
31 March 2022	(60.8)
31 March 2023	(13.8)
31 March 2024	(7.8)

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.

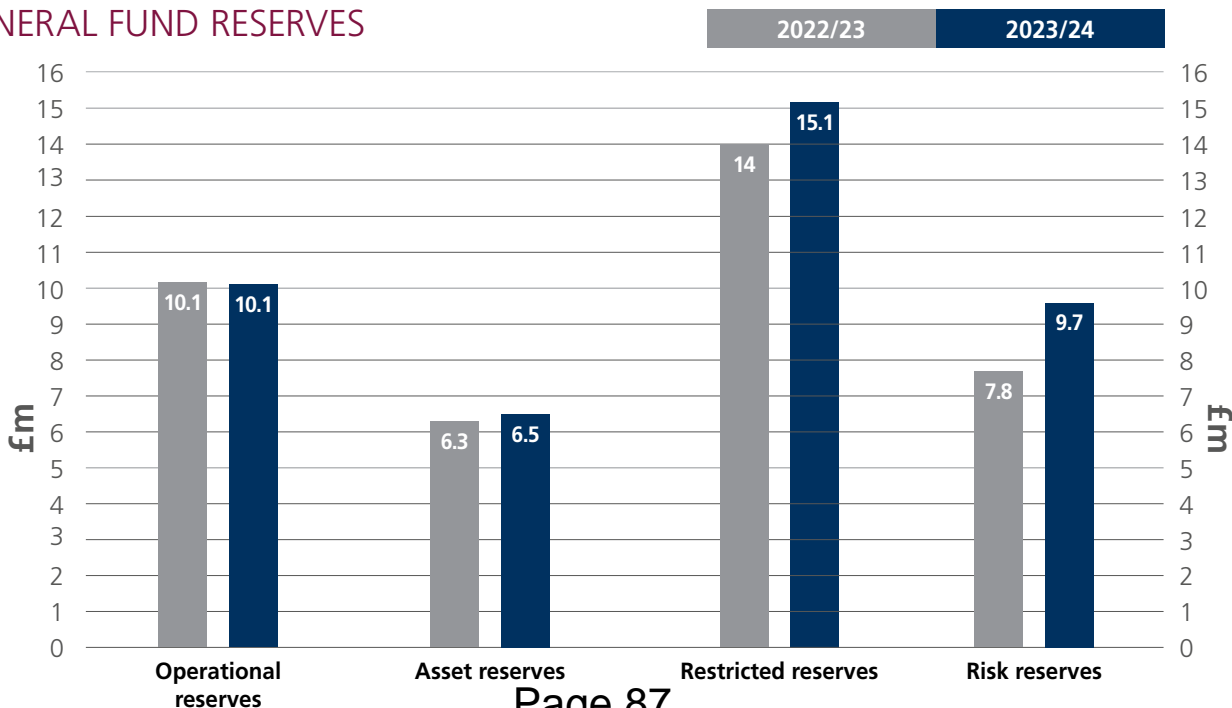
The council currently holds a balance of £2.9m to mitigate the risk of exceptional inflationary pressures.

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

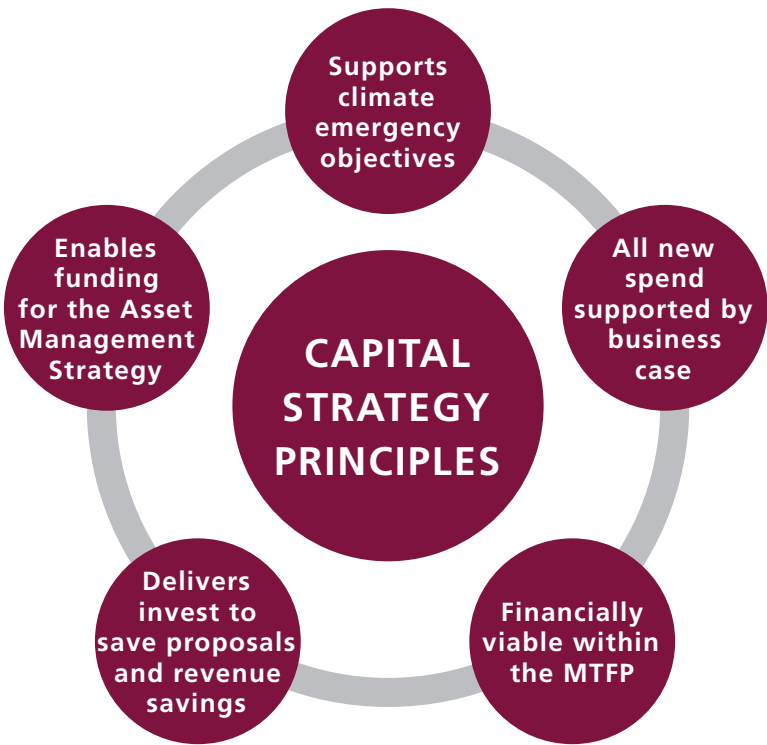
The Council Plan details how the council will deliver its five strategic priorities: Tackling the climate emergency and creating a greener district, Homes for all, Vibrant local economy, Living well, and Your services your voice. Several of these priorities will be delivered through capital spend and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

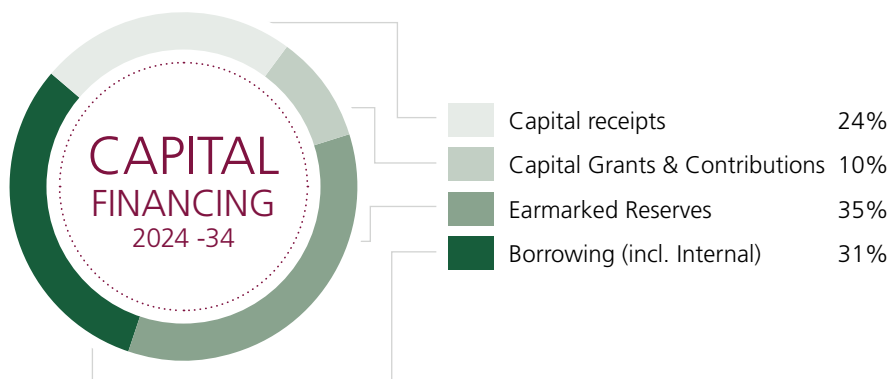


The proposed financing of the 10-year capital expenditure is made up of:

- 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

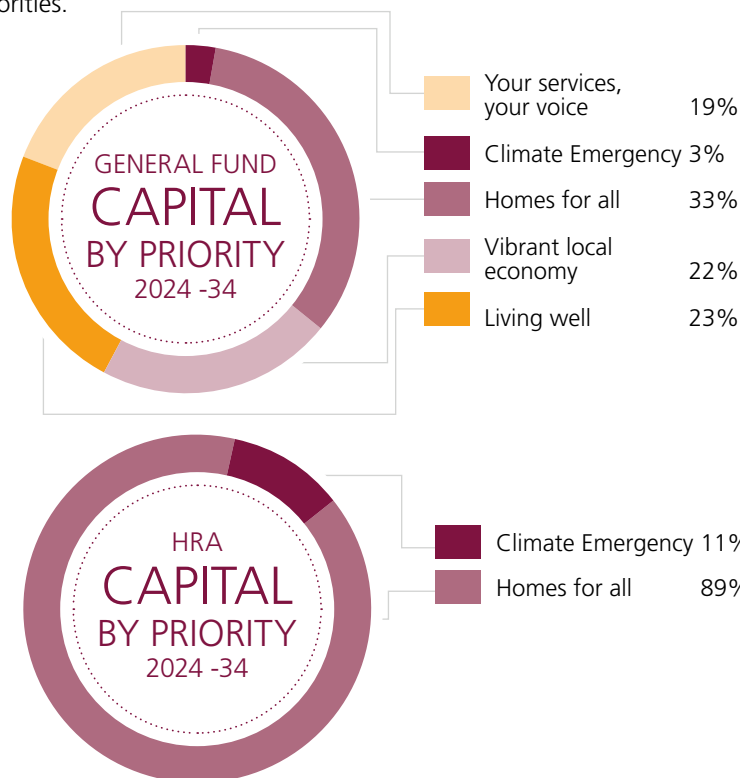
The council has made further progress in 2023/24 in delivering its capital programme. In the General Fund, projects completed or substantially complete this year include:

- 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.

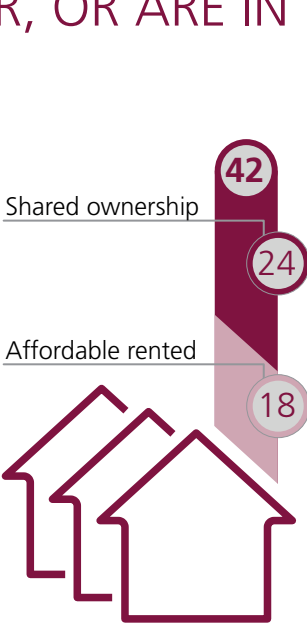
A major feature of the scheme is the upgrading of the public open space around the existing four blocks on the site by changing the previous car-dominated areas to a more people focussed environment – making it more pleasant to walk around the site and also making space for a new pocket park to encourage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

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

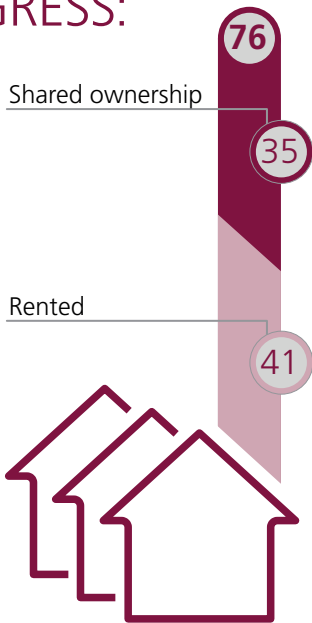
A NUMBER OF HRA NEW BUILD SCHEMES HAVE BEEN COMPLETED IN YEAR, OR ARE IN PROGRESS:



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

I certify that the Statement of Accounts for the year ended 31 March 2024 has been approved by a resolution of the Audit and Governance Committee at its meeting on 25th February 2025, and is authorised for issue.

Signature:

Date:

February 2025

Councillor J. Morris

Chair of the Audit & Governance Committee

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	21,494	(12,273)	9,221
87,901	(64,232)	23,669	92,303	(68,916)	23,387
(26,099)	0	(26,099)	(4,816)	0	(4,816)
61,802	(64,232)	(2,430)	87,487	(68,916)	18,571
			Other Operating Income and Expenditure		
			3,776		4,045
			(2,509)		(926)
			(71)		0
			Financing and Investment Income and Expenditure		
			5,499		5,287
			1,604		508
			(1,248)		(1,671)
			(3,663)		(2,235)
			1,044		182
			Taxation and Non-Specific Grant Income		
			(5,771)		(8,082)
			(4,580)		(5,358)
			(2,569)		(10,034)
			(12,741)		(13,549)
			(23,659)		(13,262)
			Other Comprehensive (Income) and Expenditure		
			(1,169)		(6,995)
			(52,264)		(6,611)
			(77,092)		(26,868)

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	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2023	(3,512)	(38,248)	(15,355)	(174)	(26,140)	(18,029)	(980)	(102,438)	(463,426)	(565,864)
Movement in Reserves during 2023/24										
(Surplus) or Deficit on Provision of Services	(2,310)	0	(10,952)	0	0	0	0	(13,262)	0	(13,262)
Other Comprehensive (Income) and Expenditure	0	0	0	0	0	0	0	0	(13,606)	(13,606)
Total Comprehensive (Income) and Expenditure	(2,310)	0	(10,952)	0	0	0	0	(13,262)	(13,606)	(26,868)
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 8)	(25)	0	12,203	0	(6,183)	9,631	(238)	15,388	(15,388)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(2,335)	0	1,251	0	(6,183)	9,631	(238)	2,126	(28,994)	(26,868)
Transfers to/(from) Earmarked Reserves (Note 23)	3,058	(3,058)	8	(8)	0	0	0	0	0	0
(Increase)/Decrease in Year	723	(3,058)	1,259	(8)	(6,183)	9,631	(238)	2,126	(28,994)	(26,868)
Balance at 31 March 2024 Carried Forward	(2,789)	(41,306)	(14,096)	(182)	(32,323)	(8,398)	(1,218)	(100,312)	(492,420)	(592,732)

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

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 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		Note	31 Mar 24
£000			£000
675,093	Property, Plant and Equipment	14	708,288
2,750	Heritage Assets	15	2,820
71,033	Investment Property	16	69,667
61	Intangible Assets		35
5,441	Long-Term Investments	18	5,236
288	Long-Term Debtors		761
754,666	Long-Term Assets		786,807
6,998	Short-Term Investments	18	4,129
22	Inventories		83
9,530	Short-Term Debtors	20	6,955
11,624	Cash and Cash Equivalents		1,946
28,174	Current Assets		13,113
(5,513)	Short-Term Borrowing	18	(5,522)
(24,991)	Short-Term Creditors	21	(21,504)
(3,504)	Provisions	22	(1,154)
(34,008)	Current Liabilities		(28,180)
(158,919)	Long-Term Borrowing	18	(156,466)
(13,823)	Pension Scheme Liability	13	(7,755)
(10,226)	Grants and Contributions in Advance	9	(14,787)
(182,968)	Long-Term Liabilities		(179,008)
565,864	Net Assets		592,732
102,438	Usable Reserves		100,312
463,426	Unusable Reserves	25	492,420
565,864	Total Reserves		592,732

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	
		<u>Cash Flows from Operating Activities</u>			
	(23,659)	Surplus on the Provision of Services		(13,262)	
		<u>Adjustments for Non-Cash Movements</u>			
(11,676)		Depreciation of Property, Plant and Equipment	(12,579)		
28,155		Revaluation gains on property, plant and equipment and investment property	1,520		
(54)		Amortisation of Intangible Assets	(26)		
(5,250)		Pension Fund Adjustments	(543)		
(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)		
		<u>Accruals adjustments:</u>			
(18)		Increase in Inventories	61		
(6,963)		Decrease/(Increase) in Short-term and Long-term Debtors	(1,993)		
14,720		Increase/(Decrease) in Short-term Creditors	3,487		
(902)	11,248	Decrease/(Increase) in Grants and Contributions	(4,561)	(16,772)	
	(12,411)			(30,034)	
		<u>Adjust for Items that are Investing and Financing Activities</u>			
8,694		Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	5,241		
	8,694			5,241	
	(3,717)	<u>Net Cash Flows from Operating Activities</u>		(24,793)	
		<u>Cash Flows from Investing Activities</u>			
26,482		Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	40,277		
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)		
	3,714	<u>Net Cash Flows from Investing Activities</u>		32,026	
		<u>Cash Flows from Financing Activities</u>			
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	444		
	5,432	<u>Net Cash Flows from Financing Activities</u>		2,445	
	5,429	<u>Net (Increase)/Decrease In Cash and Cash Equivalents</u>		9,678	
	17,053	<u>Cash and cash equivalents at the beginning of the year</u>		11,624	
	11,624	<u>Cash and cash equivalents at the end of the year</u>		1,946	

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 £4.8m.

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

<u>2023/24</u>	Net charge to the General Fund & HRA under statutory funding provisions £000	Adjustments for Capital Purposes £000	Net change for Pensions Adjustments £000	Other £000	Net costs in the Comprehensive Income and Expenditure Statement £000
Environment	6,394	103	42	0	6,539
Living Well	3,711	1,813	10	0	5,534
Homes for All	(11,332)	7,001	9	0	(4,322)
Vibrant Local Economy	1,525	69	5	0	1,599
Your Services, Your Voice	6,620	2,677	(76)	0	9,221
Cost of Services	6,918	11,663	(10)	0	18,571
Other income & expenditure	(32,980)	594	553	0	(31,833)
Other General Fund & HRA items	18,976	(16,465)	0	(2,511)	0
(Surplus)/deficit on the General Fund & HRA	(7,086)	(4,208)	543	(2,511)	(13,262)

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
Closing General Fund & HRA balance 31 March 24	(90,696)

<u>Analysis of Reserve Balance</u>	General Fund £000	HRA £000	Total £000
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)
Total	(44,095)	(46,601)	(90,696)

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

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

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

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

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 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	11,900
(1,425)	Support services	(887)
(64,232)	External income	(68,916)
(2,430)	Cost Of Services	18,571

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	(33,210)
(13,709)	General Fund: fees, charges & other income	(15,930)
<u>(64,232)</u>		<u>(68,916)</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.

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
		An increase in estimated valuations would 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 £7m 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 £27.9m charge to the CIES. The charge to the CIES would be reversed out to the Capital Adjustment Account (CAA) and would not affect the HRA balance.</p> <p>An increase in estimated valuations would result in increases to the revaluation reserve and/ or reversals of previous negative revaluations in the CIES.</p>

5. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was certified by the Chief Financial Officer as true and fair at the time of signing the accounts. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 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).

Page 108

<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
Adjustments to Revenue Resources										
(4,533)	(717)	0	0	0	Pensions (transfers to/ from Pensions Reserve)	(550)	7	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
(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	(5,829)	(2,872)	0	0	(238)
(1,044)	0	0	0	0	Fair value gains/losses of pooled investment funds	(182)	0	0	0	0
587	(587)	0	0	0	Other adjustments	402	(402)	0	0	0
(1,077)	10,798	0	0	196	Total Adjustments to Revenue Resources	(3,648)	(3,267)	0	0	(238)
Adjustments between Revenue & Capital Resources										
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	9,341	0	(9,341)	0	Funding set aside to Major Repairs Reserve	0	10,214	0	(10,213)	0
1,517	0	0	0	0	Statutory provision for the Financing of Capital	1,591	0	0	0	0
0	0	200	0	0	Voluntary provision for the Financing of Capital	0	87	600	0	0
1,992	0	0	0	0	Capital Expenditure financed from revenue	1,931	47	0	0	0
4,707	16,803	(8,460)	(9,341)	0	Total Adjustments between Capital and Revenue Resources	3,623	15,470	(4,623)	(10,213)	0
Adjustments to Capital Resources										
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	Use of Major Repairs Reserve to finance capital	0	0	0	4,030	0
0	0	10717	0	0	Total Adjustments to Capital Resources	0	0	14,254	4,030	0
3,630	27,601	2,257	(9,341)	196	Total Adjustments	(25)	12,203	9,631	(6,183)	(238)

9. GRANT INCOME

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

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

2022/23	Credited to Taxation and Non Specific Grant Income	2023/24
£000		£000
	Non Domestic Rates Income and Expenditure	
(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)
(5,771)		(8,082)
	Capital Grants and Contributions	
(410)	Other Capital Grants and Contributions	(7,456)
(928)	Community Infrastructure Levy	(1,240)
(1,231)	Disabled Facilities Grant	(1,338)
(2,569)		(10,034)
	Non-Ringfenced Government Grants	
(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)
(4,580)		(5,358)
(12,920)	Total	(23,474)

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:

31/3/23	Grants and Contributions in Advance	31/3/24
£000		£000
(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)
(10,226)	Total	(14,787)

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

2022/23		2023/24
£000		£000
52	Fees Payable to External Auditor with Regard to the External Audit Services Carried Out by the Appointed Auditor for the Year ¹	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
100	Total	204

¹ 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.

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

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.

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

2023/24	Salary	Taxable expenses & benefits	Pension payments	Total
	£'000	£'000	£'000	£'000
Chief Executive - Laura Taylor ¹	139	1	25	165
Strategic Director: Place	114	1	20	135
Strategic Director: Resources ²	106	1	18	125
Monitoring Officer ²	12	0	2	14
Strategic Director: Regeneration ³	38	0	0	38
Director: Regeneration ⁴	91	1	16	108
Strategic Director: Services	110	1	20	131
Chief Financial Officer ⁵	91	1	16	108

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

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

³. Payments of £38,250 have been made to an Employment Agency for the services of the Strategic Director (Regeneration role).

⁴. The Director: Regeneration was appointed 26th June 2023.

⁵. The S151 Officer is the Chief Financial Officer.

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

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

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

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

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

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

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				2023/24		
Compulsory Redundancy	Other Termination	Amount Paid (£)	Total Package	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
2	7	103,816		0	5	39,921

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.

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal. As a result, the council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its 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:

2022/23		2023/24
£000		£000
	<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	508
	<u>Included in Other Comprehensive Income and Expenditure</u>	
52,264	Remeasurement of the Net Defined Benefit Liability	6,611
60,295	Total Included in Comprehensive Income and Expenditure	10,228
	<u>Included in the Movement in Reserves</u>	
(8,031)	Removal of Notional Charges Made for Retirement Benefits	(3,617)
2,781	Inclusion of Actual Employer's Contributions Payable	3,074
(5,250)	Total Included in the Movement in Reserves	(543)
	<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
2,781	Total Amount Charged to Council Tax	3,074

Assets and liabilities in relation to post-employment benefits

The movement in scheme liabilities was:

2022/23		2023/24	2023/24	2023/24
£000		Funded	Unfunded	£000
		Liabilities	Liabilities	
		£000	£000	
	Opening Present Value of Liabilities			
(213,663)	Funded	(155,316)		(155,316)
(2,074)	Unfunded	(1,625)		(1,625)
(6,404)	Current Service Cost	(3,109)	0	(3,109)
(5,754)	Interest Expense on Benefit Obligation	(7,197)	0	(7,197)
(1,094)	Contributions by Scheme Participants	(1,146)	0	(1,146)
79,430	Actuarial Gains / (Losses) - Financial Assumptions	(53)	0	(53)
1,032	Actuarial Gains / (Losses) - Demographic Assumptions	3,108	0	3,108
(14,754)	Actuarial Gains / (Losses) - Experience	(2,535)	(88)	(2,623)
6,363	Net Benefits Paid Out	5,680	159	5,839
(23)	Past Service Cost	0	0	0
0	Settlements	0	0	0
(156,941)	Closing Present Value of Liabilities	(162,193)	71	(162,122)
(155,316)	Funded			(160,568)
(1,625)	Unfunded			(1,554)

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:

2022/23		2023/24
£000		£000
154,900	Opening Fair Value of Assets	143,118
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	6,179
(6,208)	Net Benefits Paid Out	(5,839)
0	Settlement	0
143,118	Closing Fair Value of Assets	154,367

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:

2022/23		2023/24
£000		£000
	<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

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

	2023/24		
	Quoted	Unquoted	Total
Equity Securities	38%	0%	38%
Private Equity	0%	8%	8%
UK Property	0%	7%	7%
Corporate Bonds	5%	5%	10%
UK Government Bonds	15%	0%	15%
Other Debt Securities	5%	7%	12%
Cash	1%	0%	1%
Investment Funds/ Unit Trusts	0%	9%	9%
	64%	36%	100%

	2022/23		
	Quoted	Unquoted	Total
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.

Change in Assumptions as at 31 March 2024	Approximate % increase to Defined Benefit Obligation	Approximate Monetary Amount £000
0.1% decrease in Real Discount Rate	2%	2,788
0.1% increase in the Salary Increase Rate	4%	6,485
0.1% increase in the Pensions Increase Rate (CPI)	0%	63
1 year increase in member life expectancy	2%	2,776

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)

Movements in 2023/24	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
<u>Cost or Valuation</u>	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2023	538,012	102,765	16,967	11,080	1,073	5,118	15,792	690,807
Additions	30,076	975	548	431	0	1	8,244	40,275
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	0	5,468	0	0	0	(1)	0	5,467
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(5,163)	(2,002)	0	0	0	0	0	(7,165)
Derecognition - Disposals	(4,025)	(25)	(2,670)	0	0	0	(178)	(6,898)
Reclassifications	12	0	0	0	0	0	(12)	0
At 31 March 2024	558,912	107,181	14,845	11,511	1,073	5,118	23,846	722,486
Accumulated Depreciation and Impairment								
At 1 April 2023	0	0	(11,453)	(4,084)	(177)	0	0	(15,714)
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	2,670	0	0	0	0	2,670
At 31 March 2024	0	0	(9,599)	(4,422)	(177)	0	0	(14,198)
Net Book Value								
At 31 March 2024	558,912	107,181	5,246	7,089	896	5,118	23,846	708,288
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

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

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: -

	£000
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	558,912	0	0	0	0	0	558,912
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
Total	671,211	0	0	0	0	37,077	708,288

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 21ST 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:

2022/23		2023/24
£000		£000
	<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	1,281
<u>(3,663)</u>	Net (Income)/Expenditure on Investment Properties	<u>(2,235)</u>

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

2022/23		2023/24
£000		£000
69,343	Balance at the start of the year	71,033
0	Additions - Acquisitions	0
22	Additions - Enhancements	2
(241)	Disposals	(87)
667	Net Gains/(Losses) from Fair Value Adjustments	(1,281)
	<u>Transfers:</u>	
1,242	(To)/From Property, Plant and Equipment	0
71,033	Balance at the end of the year	69,667

Investment Properties Fair Value (FV) Measurements

	Retail	Offices	Industrial	Residential / Garages	Other	Total
	£000	£000	£000	£000	£000	£000
FV Measurements (Level 2)	28,389	8,920	6,867	24,483	1,008	69,667

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

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:

2022/23		2023/24
£000		£000
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
85,802	Total future minimum lease rentals receivable	86,073

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:

2022/23		2023/24
£000		£000
2,623	Vehicles, Plant and Equipment	2,185

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

2022/23		2023/24
£000		£000
	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	Minimum Lease Payments	2,309

The liabilities are payable according to the following timescale:

Minimum Lease payments 2022/23 £000	Finance Lease Liability 2022/23 £000		Minimum Lease payments 2023/24 £000	Finance Lease Liability 2023/24 £000
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	Total	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
5,729	19,252	Total Financial Assets	5,997	9,327
		<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)
(158,919)	(15,251)	Total Financial Liabilities	(156,466)	(14,471)

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:

	Financial Liabilities: Amortised Cost	Financial Assets: Amortised Cost	Financial Assets: Fair Value through Profit or Loss	Total
	£000	£000	£000	£000
2023/24				
Interest Expense	5,287	0	0	5,287
(Gain)/loss on valuation	0	0	182	182
Interest Income	0	(459)	(1,212)	(1,671)
Net (Gain)/Loss for the Year	5,287	(459)	(1,030)	3,798
2022/23	£000	£000	£000	£000
Interest Expense	5,499	0	0	5,499
(Gain)/ loss on valuation	0	0	1,044	1,044
Interest Income	0	(491)	(757)	(1,248)
Net (Gain)/Loss for the Year	5,499	(491)	287	5,295

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
Financial assets held at fair value:					
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
Financial assets held at amortised cost:					
0	0	Corporate, covered and government bonds	1	0	0
0	0	Long-term investments with local authorities	2	0	0
14,017	14,017	Total		8,370	8,370
10,157		Assets for which fair value is not disclosed		2,941	
24,174		Total financial assets		11,311	
<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	
24,174		Total financial assets		11,311	

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
Financial liabilities at amortised cost:					
(161,792)	(132,041)	Loans from PWLB	2	(159,792)	(133,139)
(2,640)		Liabilities for which fair value not disclosed		(2,196)	
(164,432)		Total Financial Liabilities		(161,988)	
<i>Recorded on balance sheet as:</i>					
(158,919)		Long-term borrowing		(156,466)	
(5,513)		Short-term borrowing		(5,522)	
(164,432)		Total		(161,988)	

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.

31/3/23	Exposure Category	31/3/24
£000		£000
17,779	Treasury Investments	6,680
2,015	Trade Receivables	2,609
19,794	Total Credit Risk Exposure	9,289

The council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy.

Asset Type	Credit Risk Management Practices	Estimation of Impairment Loss Allowance
Government gilts, bonds Loans to other authorities	Investments guaranteed by statute – no credit risk.	No allowance required.
Deposits with banks, building societies and other investments	Deposits are restricted by the council's Treasury Management Strategy to institutions with high credit ratings and will be recalled if these fall below investment grade A-. A limit of £7m of the total portfolio is placed on the amount of money that can be invested with a single counterparty. For unsecured investments in banks, building societies and companies, a smaller limit of £3.5m applies. The Council also sets limits on investments in certain sectors. No more than £20m in total can be invested for a period longer than one year.	12 month expected credit losses have been calculated by applying risk factors provided by the council's treasury management providers.

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
5,253	18,786	Total Investments	5,236	7,494

*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
Total	2,015	560	2,609	512

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) £000	Undiscounted (principal plus interest) £000	Time to maturity (years)	Discounted (principal) £000	Undiscounted (principal plus interest) £000	
(5,000)	(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)	
(161,722)	(266,472)	Total	(159,792)	(260,209)	

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 £000		31/03/2024 £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
(144)	Impact on Surplus or Deficit on the Provision of Services	(51)
13	Decrease in fair value of loans and investments at amortised cost	7
(13,059)	Decrease in fair value of fixed rate borrowing	(12,817)

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: £0.25m) 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		31 Mar 24
£000		£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
9,529	Total	6,955

21. SHORT-TERM CREDITORS

31 Mar 23		31 Mar 24
£000		£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)
(24,991)	Total	(21,504)

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
Balance at 1 April 2022	(74)	(4,043)	(4,117)
Additional Provisions made in 2022/23	0	(2,323)	(2,323)
Amounts Used in 2022/23	0	2,936	2,936
Balance at 1 April 2023	(74)	(3,430)	(3,504)
Additional Provisions made in 2023/24	0	(316)	(316)
Amounts Used in 2023/24	0	2,666	2,666
Balance at 31 March 2024	(74)	(1,080)	(1,154)

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
General Fund						
Operational Reserves						
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)
Asset Reserves						
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)
Restricted Reserves						
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)
Risk Reserves						
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)
Total General Fund	(37,989)	(259)	(38,248)	7,529	(10,587)	(41,306)
HRA Sinking Fund	(172)	(2)	(174)	0	(8)	(182)
Total Earmarked Reserves	(38,161)	(261)	(38,422)	7,529	(10,595)	(41,488)

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
	258,817		271,430
	Opening Capital Financing Requirement		
	<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	
	28,891		42,374
	<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)	
	(14,561)		(28,820)
	14,330		13,554
	Unfinanced capital expenditure in year		
(1,517)	Statutory provision for the financing of capital investment	(1,591)	
(200)	Voluntary provision for the financing of capital investment	(687)	
	271,430		282,706
	Closing Capital Financing Requirement		
	<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	(45,558)
(232)	Pooled Investment Funds Adjustment Account	(51)
(438,871)	Capital Adjustment Account	(452,732)
13,823	Pensions Reserve	7,755
(35)	Deferred Capital Receipts Reserve	(35)
712	Collection Fund Adjustment Account	(1,799)
(463,426)	Total Unusable Reserves	(492,420)

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

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.

2022/23 £000		2023/24 £000
(38,661)	Balance at 1 April	(38,823)
(2,874)	Upward Revaluation of Assets	(7,298)
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	(6,995)
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
(38,823)	Balance at 31 March	(45,558)

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.

2022/23 £000		2023/24 £000
60,837	Balance at 1 April	13,823
(52,264)	Actuarial Gains or Losses on Pensions Assets and Liabilities	(6,611)
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)	3,617
(2,781)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year (Note 13)	(3,074)
13,823	Balance at 31 March	7,755

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.

2022/23 £000		2023/24 £000
(413,753)	Balance at 1 April	(438,871)
	<u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:</u>	
11,677	Charges for Depreciation and Impairment of Non-Current Assets	12,579
(27,488)	Revaluation (Gains)/Losses on Property, Plant and Equipment	(2,801)
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
(7,164)		16,215
(1,008)	Adjusting Amounts Written-Out of the Revaluation Reserve	(260)
(8,172)	Net Written Out Amount of the Cost of Non-Current Assets Consumed in the Year	15,955
	<u>Capital Financing Applied in the Year:</u>	
(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)
(16,279)		(31,097)
(667)	Movements in the Market Value of Investment Properties Debited or Credited to the Comprehensive Income and Expenditure Statement	1,281
(438,871)	Balance at 31 March	(452,732)

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	Balance at 1 April	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>	Balance at 31 March	<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.

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 22nd 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).

2022/23		2023/24
£000	Note	£000
<u>Income</u>		
(28,071) Dwelling Rents		(30,417)
(355) Non-Dwelling Rents		(367)
(2,404) Charges for Services and Facilities		(2,622)
(30,830) Total Income		(33,406)
<u>Expenditure</u>		
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	(4,816)
4 Amortisation of Intangible Assets	H5	1
205 Revenue Expenditure Funded by Capital Under Statute	H4	0
8 Debt Management Costs		10
2,107 Total Expenditure		24,750
(28,723) Net (Income) or Expenditure of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement		(8,656)
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		
7 Services		3
(28,618) Net (Income) or Expenditure of HRA Services		(8,521)
(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		(6,587)
(26,300) (Surplus)/Deficit for the year on HRA Services		(10,952)

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	(10,952)	(10,952)
<u>Adjustments between Accounting Basis and Funding Basis under Statute:</u>				
			Note	
(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		(403)
(716)		Reversal of Items Relating to Retirement Benefits and Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	H1	7
26,073		Reversal of Revaluation Gains or (Losses) on Property, Plant and Equipment and Movements in the Market Value of Investment Properties		4,947
2,825		Net Gain on Sale of Non-Current Assets		948
0		Capital funded by the Housing Revenue Account	H4	47
(205)		Reversal of Revenue Expenditure Funded by Capital Under Statute	H4	0
245		Reversal of Capital Grants and Contributions		6,495
0		Capital Grants Unapplied Credited to the CIES		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	H5	(10,213)
(4)		Amortisation of Intangible Assets	H5	(1)
9,341		Transfer to Major Repairs Reserve	H2	10,213
	27,602			12,114
	1,302	Net decrease in HRA Balance before transfers to or from Reserves		1,162
0		Transfer to Capital Adjustment Account for Debt Repayment		89
2		Transfer to Earmarked Reserves		8
	2			97
	1,304	Decrease in HRA Balance		1,259
(16,659)		Housing Revenue Account Surplus Brought Forward		(15,355)
(15,355)		Housing Revenue Account Surplus Carried Forward		(14,096)

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.

2022/23		2023/24
£000		£000
<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:

31/3/23		31/3/24
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:

31/3/23		31/3/24
£000		£000
	<u>Operational Assets</u>	
538,012	Dwellings	558,912
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>584,456</u>
	<u>Non-Operational Assets</u>	
<u>2,588</u>	Investment Properties	<u>2,719</u>
<u>560,305</u>	Total value	<u>587,175</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 £559 million at 31 March 2024 (£538 million at 31 March 2023) and the vacant possession value was £1,598 million (£1,544 million at 31 March 2023).

H4. CAPITAL EXPENDITURE AND RECEIPTS

	2022/23		2023/24
£000	£000		£000
	186,005	Opening Capital Financing Requirement	199,777
		<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
	24,142	Expenditure in year	36,200
		<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)
	(10,370)		(23,344)
	13,772	Unfinanced Capital Expenditure in Year	12,856
	0	Voluntary Financing of Capital Investment	(87)
	0	Transfer of assets to the General Fund	0
	199,777	Closing Capital Financing Requirement	212,546
		<u>Capital Receipts</u>	
		Operational Assets	
	(7,495)	Dwellings	(5,140)
	0	Other	0
	(7,495)	Total	(5,140)

H5. DEPRECIATION AND IMPAIRMENT

2022/23		2023/24
£000		£000
	<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	(4,802)
<u>(15)</u>	Other Land and Buildings	<u>(14)</u>
<u>(26,099)</u>	Total	<u>(4,816)</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 £4.802m, decreasing the overall reduction to the 2007/08 historic cost as set in April 2007. Any future upward valuation will reverse the charges to the CIES and, when the historic cost values are reached and downward valuations reversed, a revaluation reserve will be created.

H6. RENT ARREARS

31/3/23		31/3/24
£000		£000
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.

2022/23			2023/24		
Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
Income					
0	(101,268)	(101,268)	0	(109,372)	(109,372)
0	(115)	(115)	0	(150)	(150)
0	0	0	0	0	0
(59,264)	0	(59,264)	(58,059)	0	(58,059)
(59,264)	(101,383)	(160,647)	(58,059)	(109,522)	(167,581)
Expenditure					
<u>Precepts and Shares</u>					
29,410	0	29,410	31,675	0	31,675
5,294	71,705	76,999	5,701	76,848	82,549
23,528	12,680	36,208	25,340	13,404	38,744
588	3,889	4,477	633	4,233	4,866
0	12,190	12,190	0	13,234	13,234
<u>Distribution of Previous Year (Deficit)/ Surplus</u>					
(8,088)	0	(8,088)	(573)	0	(573)
(1,456)	144	(1,312)	(103)	228	125
(6,470)	24	(6,446)	(458)	40	(418)
(162)	7	(155)	(11)	13	2
0	25	25	0	40	40
<u>Charges to Collection Fund</u>					
0	0	0	22	0	22
149	27	176	141	123	264
117	402	519	116	512	628
(1,532)	0	(1,532)	(5,877)	0	(5,877)
210	0	210	211	0	211
533	0	533	(4,793)	0	(4,793)
286	0	286	410	0	410
42,407	101,093	143,500	52,434	108,675	161,109
(16,857)	(290)	(17,147)	(5,625)	(847)	(6,472)
18,743	(138)	18,605	1,886	(428)	1,458
1,886	(428)	1,458	(3,739)	(1,275)	(5,014)
(Surplus) / Deficit Arising During the Year					
Opening Fund Balance at 1 April					
Closing Fund Balance at 31 March					

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
	46,432.16		53,207.25
Less adjustment for collection rates			(580.41)
			52,626.84

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:

The Council	Collectively responsible for the governance of the council and Full Council is responsible for agreeing the Constitution, policy framework and budget. Manages risk in making operational and governance decisions together with proposing and implementing the policy framework, budget and key strategies.
The Cabinet	Makes key decisions as defined, formulate the annual budget in accordance with the budget and policy framework, implement the policy framework and receive regular monitoring reports on revenue and capital expenditure and performance.
Audit and Governance Committee	Approves the annual audit plan; monitors the internal control environment through receipt of an annual internal audit reports and opinion and periodic progress reports; approves the annual governance statement; and keeps an overview of arrangements for risk management. It also approves this governance statement and the Statement of Accounts.
External Audit	External audit is provided by Ernst Young. Whilst the external auditors are not required to form an opinion on the effectiveness of the council's risk and control procedures, their work does give a degree of assurance following the annual audit of the council's financial accounts.
Internal Audit	<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	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.	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.

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.

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.

	2023/24
	£000
Chargeable Costs	524
Chargeable Income	<u>(345)</u>
Net (surplus) or deficit	179
Building Control Earmarked Reserve (deficit brought forward)	<u>156</u>
Deficit carried forward	<u>335</u>

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

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

Signature: Date:

Liz Keys
Chief Financial Officer, Section 151 Officer

2. CHARGES FOR PROPERTY SEARCHES

The Local Authorities (England) (Charges for Property Searches) Regulation 8 allows the Council to charge for answering enquiries about a property. These charges are at the council's discretion but must have regard to the costs involved. With respect to these charges the following information is required to be published for every financial year:

	2023/24
	£000
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

REPORT TITLE: PLANNING FOR THE AUDIT OF 2024/25 ACCOUNTS

25 FEBRUARY 2025

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

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

WARD(S): ALL WARDS

PURPOSE

The purpose of this report is to update the committee on the actions taken to ensure that the Statement of Accounts for 2024/25 is fully compliant with statutory requirements and to make the committee aware of changes impacting on the statements.

RECOMMENDATIONS:

1. That the committee notes this report in respect of the council's Statement of Accounts for 2024/25.
2. That the committee approves the changes in accounting policies for the implementation of IFRS 16 Leases.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 Your Services, Your Voice. The preparation of the annual accounts is fundamental to open and transparent accountability for public finances. Ensuring strong financial reporting and transparent stewardship of public funds underpins the council's ability to deliver all its outcomes but in particular the priority to ensure stable council finances.

2 FINANCIAL IMPLICATIONS

- 2.1 The planned fee for the audit of the 2024/25 accounts published by Public Sector Audit Appointments (PSAA) who are the appointing body on behalf of the council is £172,922.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Local authorities in the UK are required to prepare their accounts in accordance with 'proper (accounting) practices' as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code). The Code specifies the principles and practices of accounting, required to prepare financial statements that give a true and fair view of the financial position and transactions of a local authority.
- 3.2 The Audit and Accounts Regulations 2015 require an authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and include a statement reporting on the review alongside the Statement of Accounts.
- 3.3 The necessity to conform to these Regulations and the Code is recognised accurately in this report.

4 WORKFORCE IMPLICATIONS

- 4.1 None.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

6 CONSULTATION AND COMMUNICATION

- 6.1 A public notice is published to inform interested parties of their rights to inspect the statement of accounts and records relating to them. The public notice also details how to access this information and how to ask questions of and make objections to the council's external auditor. This is published the day following publication of the unaudited Annual Financial Report.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 None.

8 PUBLIC SECTOR EQUALITY DUTY

8.1 None.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 Not required.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<p>Reputation</p> <p>The financial statements receive an adverse external audit opinion.</p>	<p>The statements are prepared in accordance with the CIPFA code of practice.</p> <p>Accounts staff attend regular public sector accounting workshops delivered by CIPFA.</p> <p>Early engagement with external audit on potential issues identified.</p>	
<p>Timescales</p> <p>Failure to meet the statutory deadline for publication of the financial statements.</p>	<p>A project plan for the delivery of the accounts closedown is used to ensure the Statement of Accounts and Annual Financial Report are produced by the statutory and audit deadlines.</p> <p>A comprehensive set of working papers was produced in advance of the external audit and an effective plan for the efficient transfer of information and update meetings was agreed with the audit team.</p>	

11 SUPPORTING INFORMATION:

Background

- 11.1 The Statement of Accounts is prepared in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and any subsequent Local Authority Accounting Panel (LAAP) recommendations. The purpose of this report is to inform the committee of significant Code and other changes applicable to the 2024/25 financial year that will impact on the council's financial statements.

Implementation of IFRS 16 Leases

- 11.1 The implementation of IFRS 16 Leases has been deferred from that of the rest of the public sector and is mandatorily implemented in the Code for 2024/25. All transactions taking place in 2024/25 are to be accounted for wholly in accordance with new IFRS 16 accounting policies.
- 11.2 The majority of the work involved in implementing IFRS 16 is related to applying a new accounting treatment to property, plant and equipment held by the council (as a lessee) under operating leases. All leases with more than a year to run will be converted to a finance lease treatment, bringing a liability onto the balance sheet for outstanding rents payable, matched with a right-of-use asset costed at the amount of the liability. The council has a small number of property leases and vehicles leases which are captured by the new lease accounting requirements.
- 11.3 IFRS 16 allows bodies to apply two exemptions from the accounting requirements: The exemptions are for low value leases and short term leases (those with a lease term of less than 12 months). The low value exemption level is not specified in the standard and is for individual entities to determine. The council's accounting policy will set the low value threshold at £10,000 to harmonise the de minimis for both capital expenditure and leases. Using £10,000 as a de minimis will not result in a material amount of right-of-use assets being left off of the balance sheet.
- 11.4 The definition of a lease has been extended to include arrangements where no rents are payable (or nothing more than a peppercorn). Although these arrangements will have no actual lease liabilities, authorities are required to recognise right-of-use assets for them and if material, they will need to be brought onto the balance sheet at a valuation. The council has a small number of peppercorn lease which have a material value.

Housing Company

- 11.5 Venta Living Ltd is the council's wholly owned housing company. The company became operational in 2024, leasing 41 newly built one bedroom apartments from the council and making them available for rent to private tenants. The company has to prepare its own accounts under UK GAAP (Generally Accepted Accounting Practice) and we also have to consider

whether to prepare consolidated group accounts which include the relevant transactions of both Venta Living Ltd together with those of the council. We have considered whether the relevant modifications to the financial statements would make a material difference to the usefulness of the financial statements for users. As a result of this assessment we consider that group accounts are not required.

Other Changes to the Council's financial statements

- 11.4 There are no other accounting changes within the 2024/25 Code that will have a significant impact on the council's 2024/25 Statement of Accounts.

Other Changes to the Council's Accounting Policies

- 11.5 There are no other proposed changes to the council's accounting policies in 2024/25.

Revised Timetable

- 11.6 The Accounts and Audit Regulations 2015 were amended in 2024 to include the local audit backstop dates. The inspection period for the statement of accounts for 2024/25 through to 2027/28 must be commenced by the first working day of July, giving an effective date for the publication of the unaudited accounts (and other documents) by 30 June, the equivalent date for the 2023/24 unaudited accounts was 31 May. The date the council must have approved and published its audited 2024/25 accounts is 27 February 2026.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 None.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

None.

Other Background Documents:-

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

APPENDICES:

None.

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REPORT TITLE: ANNUAL REVIEW OF RISK MANAGEMENT POLICY 2025/26

25 FEBRUARY 2025

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

Contact Officer: Liz Keys, Chief Finance Officer Tel No: 01962 848 226

Email lkeys@winchester.gov.uk

WARD(S): ALL

PURPOSE

1. It is recommended that Audit and Governance Committee review and comment on the attached cabinet report, ref CAB3500 which is to be considered by Cabinet at its meeting on 13 March 2025.

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REPORT TITLE: ANNUAL REVIEW OF RISK MANAGEMENT POLICY 2025/26

13 MARCH 2025

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

Contact Officer: Liz Keys, Chief Finance Officer Tel No: 01962 848226

Email lkeys@winchester.gov.uk

WARD(S): ALL

PURPOSE

This report presents the annual review of the council's Risk Management Policy and Risk Appetite 2025/26.

These define the council's arrangements for identifying and managing risks and its integration with corporate governance and performance management.

There have been updates and amends to the key strategic risks that appear on the Corporate Risk Register over the course of 2024/25, resulting from the quarterly reviews by ELB and Audit and Governance Committee.

This report seeks consideration and approval of the reviewed Risk Management Policy and Risk Appetite Statement for 2025/26.

RECOMMENDATIONS:

1. That Cabinet approve the Risk Management Policy for 2025/26, the Risk Appetite Statement for 2025/26 and the current Corporate Risk Register.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

- 1.1 Effective use of risk management supports the council's management of threats and opportunities to achieve the priorities included in the Council Plan 2025-30.
- 1.2 Included in the Risk Management Policy is the Risk Appetite Statement for the council which supports members and officers in decision making by setting out where the council is comfortable taking different levels of risk by Council Plan Priority, and which levels are not normally acceptable.

2 FINANCIAL IMPLICATIONS

- 2.1 None directly as a result of this report. However, where there is a potential increase in risk likelihood or impact identified, additional spend may be required to manage those risks properly and adequately. Budget approval would be subject to the processes set out in the council's Financial Procedure Rules.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The council's Risk Management Policy is an important element of the overarching governance framework ensuring that the council has a robust process for evaluating and managing risks as part of the decision-making process.
- 3.2 There are no direct legal or procurement issues arising from this report.

4 WORKFORCE IMPLICATIONS

- 4.1 Management of risk is an integral part of service delivery. Corporate Heads of Service are required to review operational risks with their management teams regularly and in addition ensure project risk registers are established, monitored and maintained throughout the project lifecycle.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

6 CONSULTATION AND COMMUNICATION

- 6.1 Consultation on the content of the report has been undertaken with Cabinet and in particular the Cabinet Member for Finance and Performance. Consultation has also taken place with the Executive Leadership Board (ELB).
- 6.2 The council's Audit and Governance Committee reviewed the draft Risk Management Policy 2025/26 at their meeting on 25 February 2025 and their comments were noted by the Cabinet Member for Finance and Performance.
add summary of comments received after A&G meeting

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None directly as a result of this report. However, where there is an expected increase in environmental risk likelihood or impact, additional measures to

manage and mitigate those risks would be identified in the relevant business case before being approved.

8 PUBLIC SECTOR EQUALITY DUTY

8.1 None.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Property</i>	None	None
<i>Community Support</i>	None	None
<i>Timescales</i>	None	None
<i>Project capacity</i>	None	None
<i>Financial / VfM</i>	None	None
<i>Legal – ensuring that the council has robust risk management in place protects the council from Legal challenges</i>	Ensure that the risk management policy is up to date, reviewed regularly and adhered to.	Identify and mitigate against risks which may assist the council with refuting legal challenges.
<i>Innovation – not realised</i>	The Risk Management Appetite allows for decisions taken to incorporate opportunities for innovation within clear parameters.	The Risk Management Appetite is specific to the individual Council Plan priorities.
<i>Reputation – ensuring that the council has in place robust arrangements to manage its risks</i>	This report sets out the principles and arrangements for the council to manage its risks.	A robust Risk Management Policy supports the council to identify, assess and manage its risks in a consistent and effective way which could have a positive effect on the council's reputation.
Other	None	None

11 SUPPORTING INFORMATION:

11.1 This report presents the updated Risk Management Policy for 2025/65 (Appendix 1) which sets out the council's approach to risk management, the Risk Appetite and details the arrangements for managing risk. The Policy forms part of the governance and performance management arrangements at the council.

- 11.2 The Policy sets out the framework for identifying the significant risks (Corporate risks) that are relevant to the achievement of the council's strategic and operational objectives; evaluating their potential consequences; and implementing the most effective way of managing and monitoring them.
- 11.3 In-line with best practice, the council evaluates its risks using a four-point scale for the likelihood or probability of the risk occurring and the impact caused should the risk occur. These are rated between low and significant. A score for each risk is then calculated using a four-by-four matrix with the lowest score being one and the highest sixteen.
- 11.4 Included as an appendix to the Policy is the council's Corporate Risk Register which includes the risks that are of greatest significance to the council in the context of the aims and objectives that are set out in the Council Plan 2025-30. These risks are owned by ELB.
- 11.5 Report AG148 presented on 25 February 2025, contained details of the most recent ELB review and resulting amends made to the Corporate Risk Register. The current Corporate Risks are considered to be:
- Capacity to deliver services
 - Ensuring decisions are made based on a strong evidence base, customer insight and engagement
 - The need to ensure effective business continuity plans
 - The need to maintain effective strategic partnerships
 - The need to ensure financial resilience
 - A focus on strategic planning for housing
 - Protection against digital attacks through effective cyber security
 - Responding to the Climate Emergency
 - Responding to events caused by climate change
 - Responded to the challenges of nutrient neutrality, specifically phosphates
- 11.6 The Risk Management Policy reflects best practice and there have been no major updates, amends or additions as a result of this annual review.

The main changes are summarised below:

Change Description	Reason
Removal of reference to the Performance Panel - Section 5	The quarterly Performance and Governance report is now considered directly by Scrutiny Committee
Council Plan priorities updated - Section 8	To reflect the new Council Plan 2025-30

- 11.8 Regular updates on the Corporate Risk Register and management actions and controls in place to manage and/or mitigate the risks are reported to Audit and Governance Committee throughout the municipal year
- 11.9 The Policy also includes the council's risk appetite statements (Section 8), which sets out the level of risk the council is prepared to take whilst also making the most of opportunities and innovation when they arise. These have been reviewed and the previous risk appetite, defined overall as 'moderate,' is

still considered to be appropriate. The council continues to tend towards exposure to only modest levels of risk in order to achieve acceptable outcomes. The Policy has been updated with the new Council Plan priorities and each has been assigned an individual risk appetite for the coming year. These are comparable with the appetites of the previous Council Plan priorities.

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 None.

BACKGROUND DOCUMENTS:-

None.

Previous Committee Reports:-

AG157

Other Background Documents:-

None.

APPENDICES:

Appendix 1 – Risk Management Policy 2025/26.



Winchester
City Council

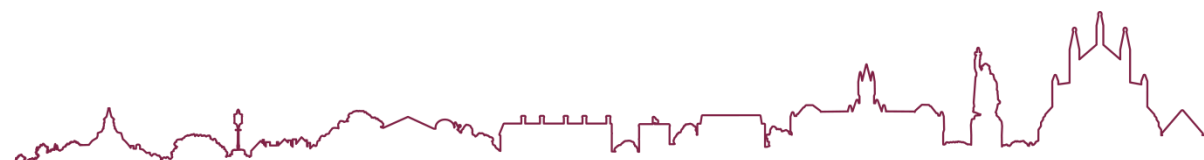
Risk Management Policy

2025/26

Version Control – Risk Management Policy 2025/26			
Version	1.0	Approved by	Cabinet
Date last amended	22/01/2025	Approval date	13/03/2025
Lead officer	Liz Keys S151 Officer	Review date	01/04/2026

Version History			
Date	Version Number	Summary of Changes	Author
29/01/2025	1.0	Annual review and refresh in-line with best practice	Amy Tranah – Head of Programme – Transformation and Digital

Please contact the author of this document if you require it in an alternative format, such as large print or a coloured background.



1. Introduction

As part of Winchester City Council's (the council) arrangements to ensure good governance, the purpose of effective risk management is to provide assurance and demonstrate that the council is 'risk aware.' This entails being able to identify risks, evaluate their potential consequences and determine the most effective methods of controlling or responding to them.

The council believes that risk needs to be managed rather than avoided and that consideration of risk should not stifle innovation and creativity.

This policy outlines the approach the council takes with regard to its responsibility to manage risks and opportunities using a structured, focused and proportionate methodology. Risk management is integral to all policy and project planning and operational management throughout the council and integrates with our corporate governance and performance management.

This approach to risk management actively supports the achievement of the agreed actions, projects and programmes included as set out in the Council Plan 2025-30.

Risk can be defined as 'the effect of uncertainty on objectives' ('ISO 31000:2018, clause 3.1).

Good risk management is about identifying what might go wrong, assessing our level of tolerance towards that and then putting in place measures to prevent the worst from happening, or to manage the situation if something does go wrong. It is also about assessing what must be done to support achievement of the council's objectives and acting in a way that makes this more likely to happen.

2. Our corporate approach to risk management

Risk management is about providing assurance by being 'risk aware.' Risk is ever present in everything that we do and some risk taking is inevitable if the council is to achieve its objectives. Risk management is about making the most of opportunities when they arise and achieving objectives once those decisions are made. By being 'risk aware' the council is better placed to avoid threats and take advantage of opportunities.

The aim of our Risk Management Policy is to be fit for purpose, reflect our size and the nature of our various operations, and use our resources, skills and capabilities to the full. Risk management is most effective as an enabling tool, so we need a consistent, communicated and formalised process across the council.

¹ISO 31000:2018 - Risk management Guidelines

The council is a corporate member of ALARM, a not-for-profit professional membership association that has supported risk and insurance professionals in Public Service Organisations in the UK for over 30 years and this policy has been developed in-line with best practice.

Robust project management processes and principles will enable identification of potential risks early in the process and set out how these can be managed. Staff training in project management and risk management principles is essential to embed good practices.

By embedding a culture of risk management into the council, members and officers are able to make effective decisions about services and the use of financial resources to ensure that the council's objectives are met.

An effective corporate approach to risk management will:

- Make it more likely that the council's priorities will be achieved
- Safeguard the organisation and provide assurance to members and officers
- Become part of every manager's competency framework, job description and performance appraisal
- Provide support to the overall governance of the organisation
- Improve decision making
- Identify issues early on
- Provide a greater risk awareness and reduce surprises or unexpected events
- Develop a framework for structured thinking
- Ensure best use of finances and resources as risks are identified and managed and exposure to risk is minimised
- Facilitate achievement of long-term objectives
- Ensure a consistent understanding of and approach to risks

3. Our risk management framework

Risk management is the process of identifying significant risks relevant to the achievement of the council's strategic and operational objectives, evaluating their potential consequences and implementing the most effective way of managing and monitoring them.

The framework and process arrangements supporting risk management at the council involve:

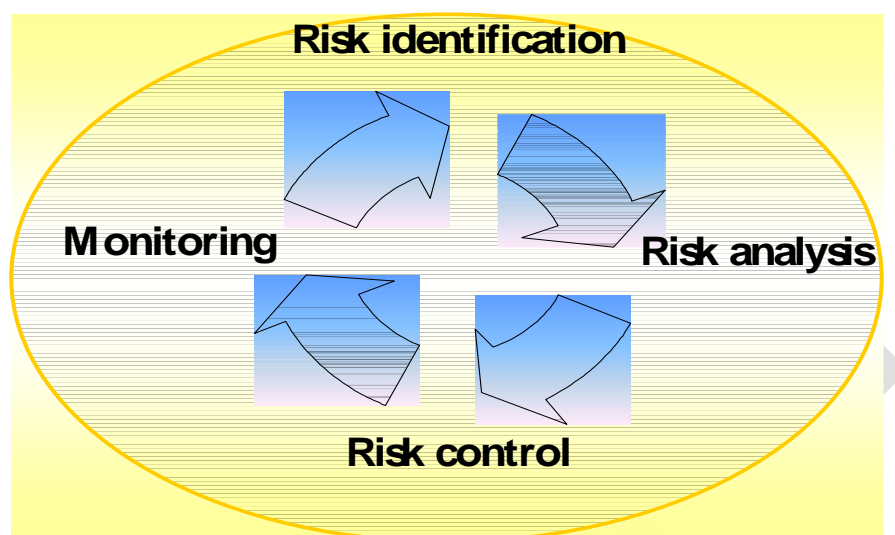
- A Risk Assessment Tool (section 4)
- Details of how risk management supports corporate planning and operational management (section 5)
- Risk appetite statement (section 8)
- Monitoring and review arrangements (section 10)
- A timetable linked to the corporate governance programme (section 11)

4. Risk Assessment Tool

The Principles

The council generally manages risk effectively within the course of its normal operations through its management structure and governance arrangements.

Risk Assessment Tool



When identifying risks, it can be helpful to use the following sources of risk as prompts to ensure that all areas of risk are considered:

Sources of Risk	Risk Examples
Property, Infrastructure and Assets:	Functioning of transport, communications and utilities infrastructure. The impact of storms, floods and pollution. Security and safety of property, plant equipment and infrastructure
Political, Legal and Regulatory:	Effects of change of government policy, UK legislation (where applicable), national or local political or control, meeting the Council Plan outcomes. Issues of timing. Following the organisation's stated/agreed policy. Legality of operations
Professional judgement & activities	Risks inherent in professional work such as assessing clients' welfare or planning or response to the Equalities Act.
Reputation	Affecting the public standing or perception of the council, partnerships, or individuals (affecting the council). Management of issues that may be contentious with the public or the media.

Sources of Risk	Risk Examples
Technological	Capacity to deal with obsolescence and innovation, product reliability, development and adaptability or ability to use technology to address changing demands. Business continuity – ability to continue operations / service delivery if unable to access systems, property or with limited staff (e.g. pandemic).
Commercial: Competition & markets Contracts & partnerships	Affecting the competitiveness (cost and quality) of the service and/or ability to deliver value for money and general market effectiveness. Dependency on or failure of contractors to deliver services or products to the agreed cost and specification. Procurement contract and relationship management. Overall partnership arrangements, e.g. for pooled budgets or community safety. PFI, and regeneration.
People: Customer & Stakeholder – related People management & human resources	Satisfaction of citizens, users, central and regional government and other stakeholders. Managing expectations – consulting & communication on difficult issues. Managing changes to services that may affect staff and/or ways of working. Resourcing the implementation of the option. Employment issues (TUPE etc.), Maintaining effective health & safety of staff and users.
Financial:	Risk of loss of capital or investment; or of committing the organisation to budgeted increased future costs. Risk of fraud or non-compliance with tax regulations.
Sustainability: Environmental Social Factors Financial (Economic)	Environmental consequences arising from option (e.g. in terms of energy efficiency, pollution, recycling emissions etc.) Effects of changes in demographic, residential and social trends on ability to deliver objectives. Costs, long term financial sustainability/ reliance on finite or vulnerable funding streams. Financial control, fraud and corruption.

Note: Failure to manage risks in any of the above categories may lead to financial, reputational, legal, regulatory, safety, security, environmental, employee, citizen and operational consequences.

It is important to maintain a sense of proportionality with day-to-day risk and the following principles will be applied:

- Managers have a good understanding of their services and service developments and are able to adequately identify the risks involved.
- Managers understand the limits that the organisation places on the action that can be taken by any individual officer. There is a general awareness of what management action is appropriate and where further consultation and approvals are required with colleagues and more senior managers. The organisation therefore recognises its risk appetite in relation to the decisions it takes.
- There is a good level of understanding of what risk it is acceptable to take during the normal course of work and the organisation recognises its risk appetite in relation to its ongoing activities.
- Unnecessary bureaucracy should be avoided, in particular by preparing documentation solely to demonstrate (rather than support or enhance) effective management. The cost (in terms of the time involved) relative to the benefit gained by defining every possible risk in detail and assigning impact and likelihood scores to each risk associated with every planned or current activity is deemed too great to be generally worthwhile. However, where there are known concentrations of risk, such as in new service developments or relating to our programme of tier 1 projects, managers understand that they must document, monitor and manage these risks using the council's scoring framework. Similarly, the senior leadership team (or whoever is appropriate) should seek to identify, assess and manage those risks that seem likely to cause problems or bring benefits at a corporate level.
- The internal audit team at the Southern Internal Audit Partnership (SIAP) work with the responsible Strategic Director and Executive Leadership Board (ELB) to consider the council's assurance needs and makes its own assessment of the internal audit work required to provide this assurance.
- Managers are encouraged and supported to consider the potential threats and opportunities involved in any new service developments and improvements, and to monitor ongoing performance. Documentation of risks, related controls and mitigating action plans should be considered where this is helpful and appropriate and, where this is the case, risk registers should be prepared. This is likely to be appropriate for specific service development projects when project risk registers must be monitored closely by the lead project manager and sponsor.
- It is the responsibility of all staff to assess risks associated with their work and projects and to escalate any potential existing or emerging risks which they feel cannot be managed within sensible parameters to ELB.

- The Programme Management and Capital Strategy (PAC) Board regularly review the risks of all major projects (Tier 1 and 2) and capital programme schemes.

Identification of risks

ELB regularly reviews the Corporate Risk Register and decides if any risks need to be escalated, if there are any emerging risks to be added or any risks that should be removed. Risk owners for corporate risks are generally a member of ELB. The Risk Register records a Risk Description, Risk Owner and details of potential causes, consequences and controls. The inherent risk should be assessed and recorded (the original level of risk before treatment measures have been taken into consideration) and also the residual risk (the remaining level of risk after risk mitigation and control measures have been taken into consideration.) ELB also review the current controls and decide if any further are needed or whether the residual risk is accepted.

The Corporate Risk Register is included as an appendix to the Risk Management Policy and formally agreed each year by cabinet. Audit and Governance Committee reviews the risks and policy to make comments to cabinet on the efficacy of the arrangements for managing risk at the council.

Service or operational risks are reviewed by the relevant Corporate Head of Service (CHOS) on an ongoing basis and significant risks added to the relevant statement of assurance during the spring of each year.

Increases to the ratings of Operational Risks are reported to ELB who review the current controls and assess whether further mitigation measures are required.

ELB also review the high-risk Operational Risks to identify if any are linked to current Strategic Risks so that impact can be assessed and considered in the whole.

The council's project management methodology follows best practice frameworks including PRINCE2 and the Association of Project Management (APM). Incorporated within this methodology is a robust process for the management and reporting of project risks. Project managers are responsible for assessing risks and creating a risk register for each new project they lead and regularly reviewing the risks and updating the risk register throughout the project lifecycle.

Overarching project risks (for example, failure to deliver on a specific project) may be escalated to the corporate risk register if they are of sufficient importance at this level and/or the risks would have a significant impact on delivery of one or more Council Plan priorities. Tier 1 and Tier 2 projects are reviewed regularly by the PAC Board.

The Annual Governance Statement is also a key part of risk management and plays an important role in the identification, assessment and escalation of risks. The statement is produced annually following a review of the council's governance arrangements including how the council delivers good governance. Underpinning the statement are the individual statements of assurance which are completed by

each Service Lead and include details of significant risks for their service area and actions to be undertaken to mitigate the risks. Risks which have additional corporate significance are escalated into the Annual Governance Statement which reads across into the Corporate Risk Register.

It is important for Service Leads to refer to this Policy when completing their statement of assurance and providing details of risks affecting the pursuit of team objectives and delivery of the priorities included in the Council Plan (although this is not the only time risks will be considered).

5. How risk management feeds into corporate planning and operational management

By embedding risk management into existing policy and business planning processes, members and officers are able to make informed decisions about the appropriateness of adopting a policy or service delivery option.

The information resulting from the risk management approach acts as one of the key pieces of information incorporated into the development of corporate, business and service plans. Risk management is an essential element in establishing policy, developing plans and enhancing operational management.

In order to formalise and structure risk management at the council, it is recognised that there are obvious and clear links between risk management and strategic objectives; financial planning; policy making & review and performance management. The linkages are as follows:

a) The Council Plan reflects the desired outcomes for the district, informed by consultation with the public and stakeholders and sets out the priority outcomes for the council and identifies the important issues that will be addressed over the life of the Plan through the work of the council and its partners. During the lifetime of the Plan there will be direct and indirect threats to the achievement of the outcomes, and these are risks that must be effectively managed.

b) As part of the annual planning process each team considers the key actions to be taken and targets for performance and Corporate Heads of Service prepare strategic business plans for their areas. An assessment of the risks forms part of this planning which is an identification and prioritisation of the most significant risks faced in delivering the key priorities for the year, with actions identified to mitigate and manage these. These actions are then managed as part of the normal business of the team.

c) All staff have an annual appraisal which monitors progress being made and sets objectives for the coming year required to deliver service plan actions and achieve. As part of this, risk management is cascaded down to risk owners as an objective which aims to gain their support and awareness to ensure effective management of

risk within the council. Risk Owners are required to review and update their risks quarterly. This process is managed via the council's Risk Management software with Risk Owners being prompted to update risks in accordance with the policy. This ensures corporate visibility of new, escalated and de-escalated risks for reporting as appropriate.

d) Measurement of performance against the Council Plan outcomes, performance indicators and key tasks is achieved in a number of ways:

- In addition to day-to-day management, teams carry out a regular review of progress in their area, which includes assessment of progress against Council Plan actions, performance trends and risks. Where appropriate, exceptions are reported to ELB for consideration and agreement of corrective action, if required.
- ELB also keep an overview of financial plans, with service performance and emerging risks with corporate risks being reviewed quarterly. If a risk materialises and becomes a live 'issue' the response to this and owner of the issue is agreed by ELB.
- The Scrutiny Committee receives quarterly reports that provides an update on the progress achieved against Key Performance Indicators (KPI's) which reflect actions included in the Council Plan and any significant issues are raised with cabinet.
- PAC Board consider risks for major projects and capital programme schemes.

6. How do we evaluate risks?

The council evaluates its identified risks on a four-point scale on the likelihood or probability of the risk occurring and the impact caused should the risk occur being rated between low and significant.

RAG (Red-Amber-Green) ratings, also commonly known as 'traffic lighting,' are used to summarise risks (original and residual). At a basic level Green means low-risk or likelihood and that any risk is being well managed; while Amber and Red indicate progressively more significant or likely risks that require more action to manage down to a tolerable level.

The council has chosen to divide the rating into RAG bands as shown on the risk map below:

		I M P A C T			
		Low (1)	Moderate (2)	Major (3)	Significant (4)
L I K E L I H O O D	Highly Likely (4)				
	Likely (3)				
	Unlikely (2)				
	Highly Unlikely (1)				

Impact Rating

The following table provides the definitions which should be used when determining whether a risk would have a Low, Moderate, Major or Significant impact.

Impact is defined as the impact to the organisation should the risk materialise.

Each potential risk area should be considered, and the highest impact scored should be the score (1-4) that is used to define the overall impact score.

	Low (1)	Moderate (2)	Major (3)	Significant (4)
Financial	Less than £20k	£20k or over and less than £250k	£250k or over and less than-£2m	£2m plus
Service Provision	No effect	Slightly Reduced	Service Suspended Short Term / reduced	Service Suspended Long Term Statutory duties not delivered
Health & Safety	Sticking Plaster / first aider	Broken bones/illness Lost time, accident or occupational ill health	Loss of Life/Major illness – Major injury incl broken limbs/hospital admittance. Major ill health	Major loss of life/Large scale major illness
Morale	No effect	Some hostile relationship and minor non cooperation	Industrial action	Mass staff leaving/Unable to attract staff
Reputation	No media attention / minor letters	Adverse Local media	Adverse National publicity	Remembered for years
Govt relations	One off single complaint	Poor Assessment(s)	Service taken over temporarily	Service taken over permanently

Likelihood Rating

Likelihood is the chance of a risk materialising.

It is unlikely that in many cases the probability of a risk occurring can be calculated in a statistically robust fashion as we do not have the data to do so. However, as an indicator, the likelihood is defined by the following probability of a risk occurring:

Likelihood	Probability
Highly Unlikely (1)	1% to 25% chance in 5 years
Unlikely (2)	26% to 50% chance in 5 years
Likely (3)	51% to 75% chance in 5 years
Highly Likely (4)	76% to 100% chance in 5 years

7 How we respond to risks

Once a risk has been identified, the council need to decide and agree what it is going to do about it. The recognised approaches to controlling risks are described as the five key elements or 5 T's; Tolerate, Treat, Transfer, Terminate and Take the opportunity. These are described in more detail below. It is generally accepted that where a risk can be reduced through some form of treatment or mitigation in a cost-effective fashion then it is good to do so.

As a general principal once a risk has been identified, consideration needs to be given to the five T's and that the chosen approach is seen as being cost-effective so that the control of the risk is not disproportionate to the expected benefits.

The five T's are:

Treatment By far the greatest number of risks will be addressed in this way by using appropriate control counter measures to constrain the risk or reduce the impact or likelihood to acceptable levels. Examples include strategy, process, people or systems improvement.

Transfer For some risks the best response may be to transfer them and this might be done by transferring the risk to another party to bear or share the risk, e.g. through insurance, contracting or entering into a partnership. Reputation risk can never be transferred.

Tolerate Where it is not possible to transfer or treat the risk, consideration needs to be given to how the consequences are managed should they occur. This may require having contingency plans in place, for example, Business Continuity Plan which creates capacity to tolerate risk to a certain degree.

Terminate Some risks will only be treatable, or containable to acceptable levels by terminating the activity that created them. It should be noted that the

option of termination of activities may be severely limited in government when compared to the private sector; a number of activities are conducted in the government sector because the associated risks are so great that there is no other way in which the output or outcome, which is required for the public benefit, can be achieved. This option can be particularly important in project management if it becomes clear that the projected cost / benefit relationship is in jeopardy.

Take the

Opportunity This option is not an alternative to those above; rather it is an option which should be considered whenever tolerating, transferring or treating a risk. There are two aspects to this. The first is whether or not at the same time as mitigating threats; an opportunity arises to exploit positive impact. For example, if a large sum of capital funding is to be put at risk in a major project, are the relevant controls judged to be good enough to justify increasing the sum of money at stake to gain even greater advantages? The second is whether or not circumstances arise which, whilst not generating threats, offer positive opportunities. For example, a drop in the cost of goods or services frees up resources which can be re-deployed.

8. Risk Appetite

ALARM defines risk appetite as *“The amount of risk to the organisation, or subset of it, it is willing to accept.”* (Source: ALARM Risk Management Toolkit 2021).

A clearly understood and articulated risk appetite statement assists with the risk awareness for the council and supports decision making in pursuit of its priority outcomes and objectives.

The council's Risk Appetite Statement is an integral part of its Risk Management Policy and ensures that the opportunities the council is willing to take to achieve its strategic outcomes and objectives are measured, consistent and compatible with the capacity to accept and manage risk and do not expose the council to unknown, unmanaged or unacceptable risks.

This statement will be reviewed and approved by cabinet annually. The approved statement will be included as an appendix to the Risk Management Policy. The council may decide to move the appetite up or down based on a number of influencing factors including financial and capacity, and the council may have a higher 'aspirational' risk appetite once sufficient assurance is gained and processes put in place to manage the higher levels of risk.

Risk management is about being 'risk aware.' Risk is ever present in everything that we do and some risk taking is inevitable if the council is to achieve its objectives. Risk management is about making the most of opportunities when they arise and achieving objectives once those decisions are made. By being 'risk aware' the

council is better placed to avoid unforeseen problems and take advantage of opportunities that arise.

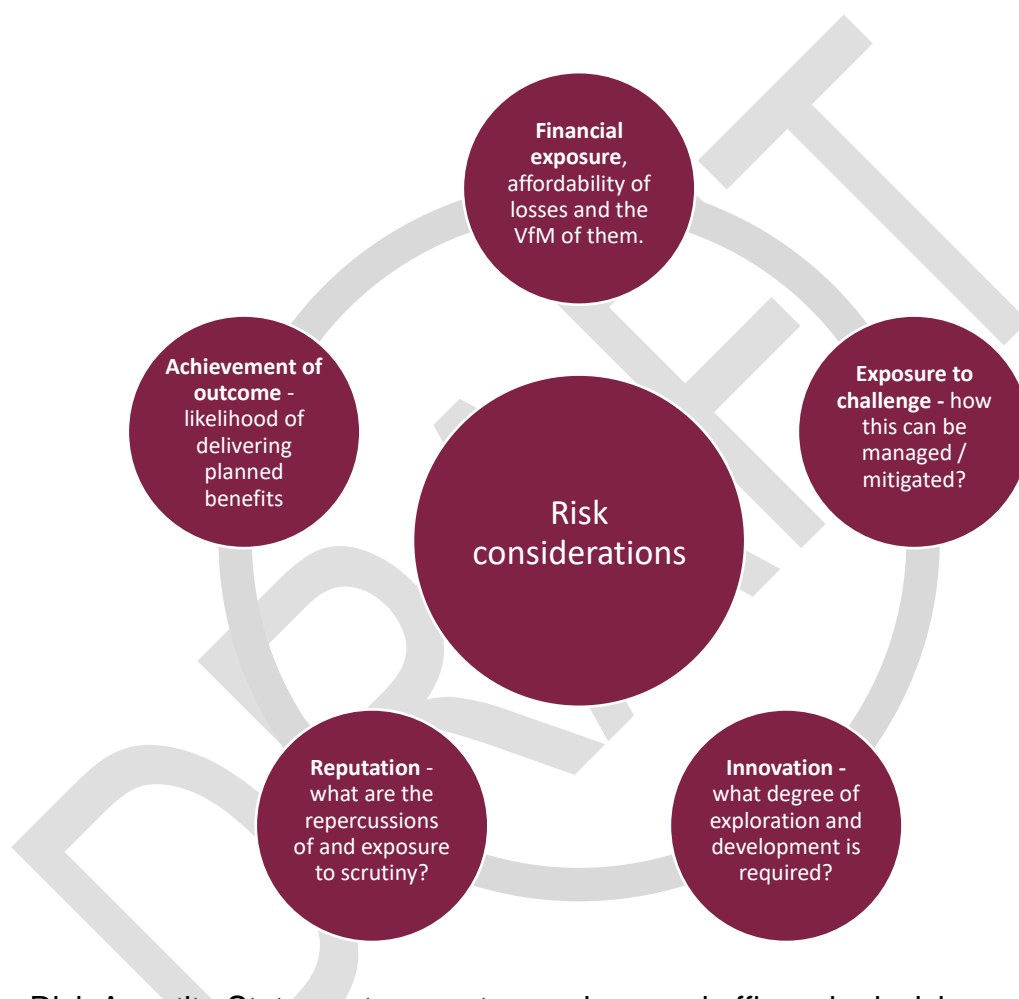
We recognise risk management as a vital activity that underpins and forms part of our vision, values and strategic objectives, (including operating effectively and efficiently), as well as providing confidence to our community.

DRAFT

The council's Risk Appetite 2025/26

The council will take fair, measured and targeted levels of risk to achieve the priority objectives included in the Council Plan. There will be opportunities for the council to be innovative or work differently and any identified risks will need to be considered against the anticipated cost and efficiency benefits.

When analysing the risk associated with decisions, the council considers the parameters around five key areas of risk, illustrated in the following diagram.



The Risk Appetite Statement supports members and officers in decision making by setting out where Cabinet is comfortable accepting different levels of risk, and which levels of risk are potentially unacceptable. The council's risk appetite should be considered in conjunction with the risk section of all committee reports when decisions are made.

The council's current overall risk appetite is defined as MODERATE (see table below for definitions). This means the council remains open to innovative ways of working and to pursue options that offer potentially substantial rewards, despite also having greater level of risks. However, the council's preference is for safe delivery options which have a lower degree of risk, especially for those services required by statute.

Risk Appetite Definitions	
Avoid	No appetite. Not prepared to take risk.
Averse	Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return.
Cautious	Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.
Moderate	Tending always towards exposure to only modest levels of risk in order to achieve acceptable outcomes.
Open	Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk.
Hungry	Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.

Risk appetite is not a single, fixed concept and there will be a range of appetites for different risks which may vary over time. The council's risk appetite by corporate priority and guiding principles are set out below:

Council Plan Priority	Risk Appetite	
Greener Faster	Open	Reflecting the urgency of the climate crisis we will consider options with elevated levels of risk if they deliver required outcomes faster.
Good homes for all	Open	We will choose innovative solutions which may bring elevated levels of risk in order to provide homes that are: <ul style="list-style-type: none"> • Affordable • safe • sustainable • with low energy usage and low bills • built in the right areas for our changing communities.
Healthy Communities	Moderate	We will continue to facilitate and deliver solutions, often working with partners, that produce positive outcomes for all our residents. We will usually take moderate to low-risk options.
Thriving Places	Moderate	We will tend towards exposure to modest levels of risk in order to deliver positive outcomes for our local economy and communities in these challenging times.
Efficient and Effective	Moderate	We will, in order to ensure resilience, enhance our services and make the best use of our resources and explore alternative delivery models and digital solutions. We will tend towards moderate risk exposure to deliver good levels of service.

Listening and Learning	Moderate	We will tend towards exposure to modest levels of risk in order to improve engagement and satisfaction with our services.
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Assessing Risk against Risk Appetite

Effective risk management should support informed decision-making. A key consideration in balancing risks and opportunities to support informed decision-making and preparing tailored responses is the conscious and dynamic application of the organisation's risk appetite.

To give guidance to Officers in terms of assessing project and decision risk against the council's risk appetite, the below table maps the risk appetite definitions above to the impact and likelihood set out in Section 6:

		I M P A C T			
		Low (1)	Moderate (2)	Major (3)	Significant (4)
L I K E L I H O O D	Highly Likely (4)	Cautious	Open	Hungry	Hungry
	Likely (3)	Cautious	Open	Hungry	Hungry
	Unlikely (2)	Averse	Moderate	Open	Open
	Highly Unlikely (1)	Averse	Cautious	Moderate	Open

9. Risk Registers

Individuals view risk in different ways, based on past experiences, personal beliefs and outlook, which impact risk perception. Having a structure and process improves consistency and alignment, ensuring a clear consensus on the prioritised risks facing an organisation, recorded in a risk register.

Risk registers are reference documents that summarise the different risks that might occur and record the potential impact to the council. Just because a risk is included on the risk register does not mean that the council thinks it will happen, but it does mean that the council thinks it is worth seeking to manage. The risk score is, therefore, based on a 'reasonable worst-case scenario.' The methodology for the scoring of risks is included in section 6 above.

The council maintains several risk registers, and these are:

- Corporate Risk Register – this register records the most significant risks for the council or those risks which may prevent the council from achieving its strategic objectives as set out in the Council Plan. Corporate Risks are managed by ELB.
- Operational Risk Register – includes risks that might affect the delivery of individual services but would not in isolation threaten the council's overall objectives. Operational risks are managed by the Corporate Heads of Service.
- Project and Programme Risk Registers – provides a register of the risks that if they occur have a positive or negative effect on the achievement of the project's and programme objectives. Project or Programme Managers manage project and programme risks.

10. How we monitor and report risk

Risk management must be embedded into decision making, business planning and performance management arrangements so that it is central to the way the council works. It contributes to the concept of 'no surprises,' 'Getting it right first time' and 'Having a Plan' which will be useful should the unexpected happen.

The framework of monitoring and reporting has been developed using the council's performance management software; Pentana, which is able to record the risks onto the system with the relevant risk owner having access so that monitoring and updating can take place.

This requires:

- ELB monitors and reviews progress against corporate risks as part of its quarterly monitoring meeting, making a judgement on any risks referred for escalation and identifying any risks that can be moved to operational risk registers. Results of these reviews will form part of the regular monitoring report submitted to the Audit and Governance Committee and reported to Cabinet if decisions on any procedure or policy changes are needed.
- The Audit and Governance Committee receives regular monitoring reports that provide assurance that the risks identified on the Corporate Risk Register are being adequately managed. The Audit and Governance Committee may decide to receive in-depth reports for the most significant risks on the register or risks that are causing concern.

If at any time a risk other than those on the Corporate Risk Register (for example an operational risk) is scored 'red' full details should be presented to the quarterly ELB meeting for further consideration and approval of appropriate mitigation action and controls if required. This may include escalation to the Corporate Risk Register. ELB also receive notification of any other escalated or new Operational Risks for review quarterly.

All council committee reports include a section titled “Risk Management.” The purpose of this section is for the author to demonstrate and provide evidence that the risks associated with the content of the report have been properly identified, assessed and evaluated. The table in this section is split into categories of potential risk sources. Consideration should also be given to the council’s Risk Appetite to support decision making. This sets out the amount and type of risk that the council is prepared to seek, accept or tolerate.

11. Timetable

Risk management is an integral part of corporate governance, and in particular is closely linked with performance management. Therefore, the cyclical timetable for risk management follows that of the performance management framework:

When	Who?	What?
Winter / Spring	Executive Leadership Board	<ul style="list-style-type: none"> Quarterly review of Corporate Risk Register Budget and Business Plan risks considered Reviews and comments on the draft Risk Management Policy and Risk Appetite Statement and for the coming year
	Audit and Governance Committee	<ul style="list-style-type: none"> Review the Corporate Risk Register and monitoring report Reviews and comments on the draft Risk Management Policy and Risk Management Appetite for the coming year
	Cabinet	<ul style="list-style-type: none"> Approval of updated Risk Policy for the forthcoming year Approval of Risk Appetite for forthcoming year Approval of Corporate Risk Register
Summer	Executive Leadership Board	<ul style="list-style-type: none"> Quarterly review of Corporate Risk Register and any escalated or new Operational Risks
	Audit and Governance Committee	<ul style="list-style-type: none"> Review the Corporate Risk Register and monitoring report In-depth update for significant corporate risks as requested
Autumn	Executive Leadership Board	<ul style="list-style-type: none"> Quarterly review of Corporate Risk Register and any escalated or new Operational Risks

When	Who?	What?
	Audit and Governance Committee	<ul style="list-style-type: none"> Review the Corporate Risk Register and monitoring report In-depth update for significant corporate risks as requested

12. Risk Management roles and responsibilities

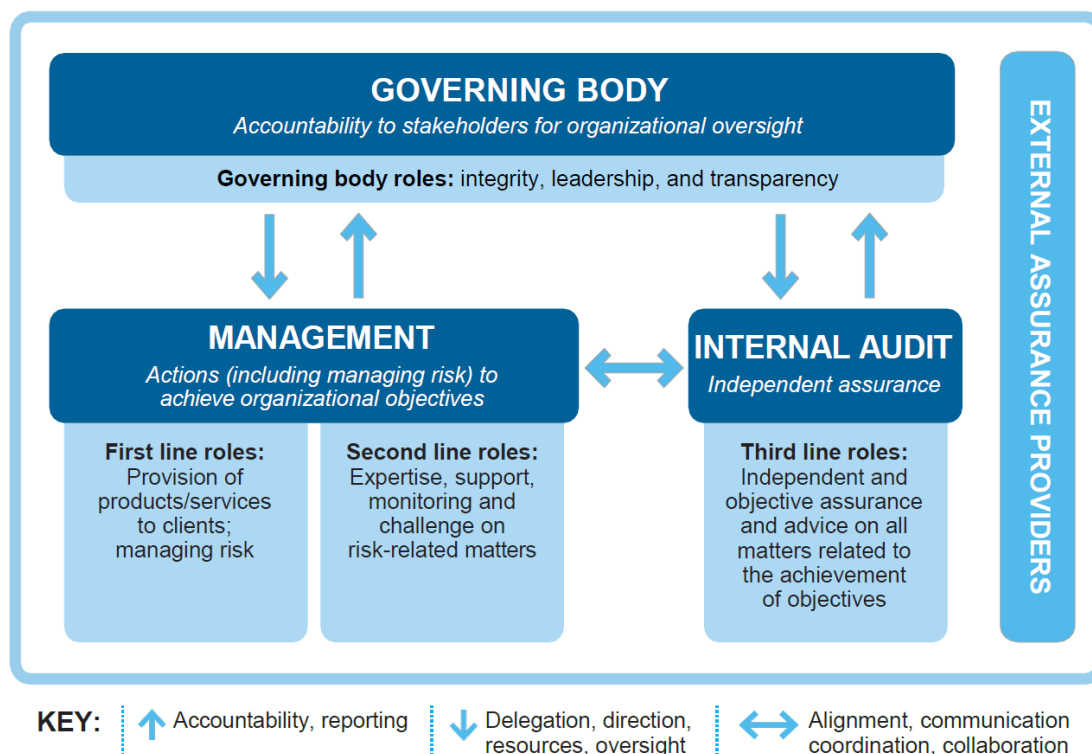
Assurance can come from many sources within an organisation. A concept for helping to identify and understand the different contributions the various sources can provide is the Three Lines of Defence model. By defining the sources of assurance in three broad categories, it helps to understand how each contributes to the overall level of assurance provided and how best they can be integrated and mutually supportive

This concept is widely known among the insurance, audit and banking sectors as a risk governance framework. The concept can be used as the primary means to demonstrate and structure roles, responsibilities and accountabilities for decision making, risk and control to achieve effective risk management, governance and assurance.

The following table is an example of the three lines of defence concept.

Example: Three line of defence model from the Institute of Internal Auditors (IIA)

The IIA's Three Lines Model



First line of defence:

As the first line of defence, Service Leads or Service Managers own and manage risks within their service area. They are also responsible for implementing appropriate corrective action to address, process and control weaknesses.

Service Leads are also responsible for maintaining effective internal controls and managing risk on a day-to-day basis. They identify, assess, control and manage risks ensuring that their services are delivered in accordance with the council's aims and objectives.

Second line of defence:

The second line of defence relates to the strategic direction managed by ELB and the council's oversight functions (e.g. Finance, Legal Services, Procurement and HR) which are responsible for defining policies, setting direction, ensuring compliance and providing assurance.

Included within the Anti-Fraud and Corruption Policy is the council's Whistleblowing Policy which encourages staff to report concerns which may expose the council to risk.

Third line of defence:

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the organisations operations. It helps the council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The aim of internal audit's work programme is to provide assurance to management, in relation to the business activities, systems or processes under review that the framework of internal control, risk management and governance is appropriate and operating effectively; and risks to the achievement of the council's objectives are identified, assessed and managed to a defined acceptable level.

Such risks are identified through senior management liaison and internal audits own assessment of risk. External audit, inspectors and regulators also provide assurance on the management of risk and delivery of objectives.

S151 Officer:

In addition to the three main lines of defence, there is the role of the S151 Officer. CIPFA outlines one element of the role as, "demonstrates integrity by being based on robust systems for identifying, profiling, controlling and monitoring all significant strategic and operational risks"

Other Specific Responsibilities

Who	What
Members	Elected members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic objectives and risks that the council faces and will be made aware of how these risks are being managed.
Cabinet	<ul style="list-style-type: none"> • To ensure that effective arrangements are in place throughout the council, and these are kept up to date, • Approving the council's Risk Management Policy and Risk Appetite, • Monitoring the council's risk management and internal control arrangements via an exception reporting process, • Ensuring that Cabinet decisions made are cognisant of the council's Risk Appetite.
Audit and Governance Committee	The Audit and Governance Committee's role is to provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance, and to monitor the effective development and operation of risk management and corporate governance in the council.
Executive Leadership Board (ELB)	<p>ELB is pivotal in promoting effective risk management and ensuring that it is embedded in the culture of the council.</p> <p>The key responsibilities for the Chief Executive, S151 officer and ELB are:</p> <ul style="list-style-type: none"> • Promoting the implementation of the council's risk management arrangements on a corporate basis • Supporting and promoting the benefits of effective risk management throughout the council • Supporting the identification and assessment of risk on an ongoing basis • Annually review the Corporate Risks to be presented to Cabinet • Managing the Corporate Risks
Programme and Capital (PAC) Board	Regularly review the progress of the council's major projects and capital programme schemes. Includes review of risk registers, oversight of programme management and budget management
Corporate Heads of Service, Heads of Programme, Service	Senior managers have responsibility for minimising and managing risk within their teams. They will demonstrate their commitment to risk management through:

Who	What
Leads and Senior Managers	<ul style="list-style-type: none"> • Being actively involved in the identification and assessment of risks • Developing relevant action plans for the key risks and establishing relevant performance indicators to measure their performance through the performance management framework • Incorporating the risk management process into business/service planning processes • Monitoring the Teams' risks regularly and on no less than a quarterly basis • Encouraging staff to be open and honest in identifying risks or potential opportunities • Ensuring that the risk management process is part of all major projects and change management initiatives • Ensuring that the risk management process is part of all major procurements and contract management activity • Monitoring and reviewing action plans regularly to effectively treat risks
Risk and Insurance Support	<ul style="list-style-type: none"> • Facilitate and support the procurement of the council's insurance programme and the management of claims. • Support managers in understanding where risk can be transferred by the use of insurance mechanisms
Head of Programme - Transformation	<ul style="list-style-type: none"> • Provide risk management leadership and support across the council, • Provide assistance with and prepare management reports. • Support the Executive Leadership Board and senior managers on risk related issues.
All staff	<p>All staff have the responsibility for council risks and must understand their role in the council's risk management arrangements including the Anti-Fraud and Corruption Policy which includes the Whistleblowing Policy. Training and support is provided at the staff induction and periodically.</p> <p>All staff are expected to know how to recognise, assess and evaluate risk, when to accept risk and to recognise that risks can create opportunities for the council.</p>
Southern Internal Audit Partnership	<p>The role of the Southern Internal Audit Partnership who act as the council's Internal Auditors is that of an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps an organisation accomplish its</p>

Who	What
	objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It will be responsible for undertaking an assessment of the council's risk management and internal control mechanisms as part of the review of corporate governance arrangements.

Everyone involved in risk management has a responsibility to identify learning from risks and their management.

Corporate Risk Register

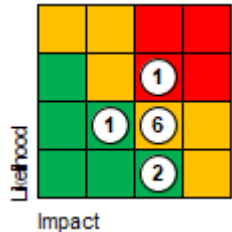
Significant strategic risks have been reviewed by ELB and below is the current Corporate Risk Register 2025/26.

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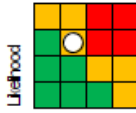
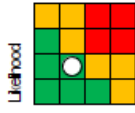
Corporate Risk Register 2025/26

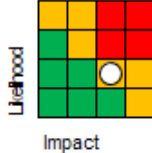
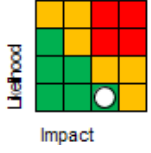
As of 15 January 2025

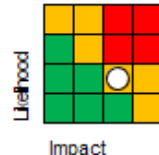
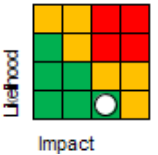
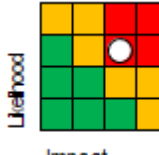
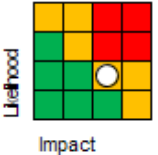
Residual Risk Summary:

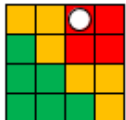
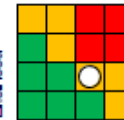


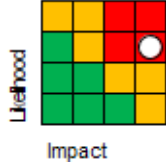
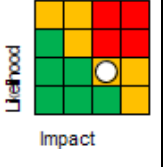
Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
CR001	Given competing demands and multiple complex priorities, the risk is that the council does not maintain capacity to deliver services	Chief Executive	<ul style="list-style-type: none">• Ambitious council plan with multiple strands of activity• Staff resources are lean and teams are working at capacity to deliver services at current levels of demand• Outbreak of a pandemic that increases the pressure to continue to provide critical services as well as respond to the needs of residents and businesses affected by the pandemic• Competition from the private sector for key	<ul style="list-style-type: none">• If decision making is slow, delays occur and potentially available resources are redeployed or become unavailable if they are externally sourced• Implementation of business continuity plan to target work in critical areas in cases of staff shortage• If staff lack political awareness, middle managers will be slow to redeploy resource to current priorities• If staff are diverted then can't deliver on other	<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div>	<ul style="list-style-type: none">• Council Plan is distilled into key priorities by service. If capacity becomes an issue, prioritisation of activity is in place• Critical activities are reviewed with Cabinet alongside a refreshed Council Plan approved in January'25• Proactive approach to communications internal and external• 50/50 hybrid working policy agreed• Maintaining communication• Annual business planning, with actions and projects aligned to Council Plan priorities• Regular meetings with relevant cabinet members	<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div>

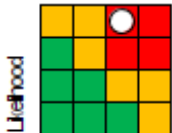
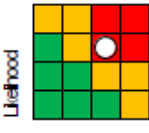

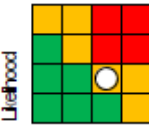
Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
			staff roles e.g. planning, project management • Decision making can be slow • Tension between day-to-day and strategic priorities • Key skills not in the right place • Budget uncertainty	lower-level priorities or day-to-day work • Reputation is damaged as the council is not seen to be able to deliver projects • Local members are not always kept informed of activity in their area • Unable to deliver key council services		• Positive use of fixed term contracts to aid flexible resourcing • Targeted use of external resource • Reallocation of human and financial resources across and within the organisation as required • PAC Board reviews resources to deliver projects on a regular basis	
CR003	Decisions made by the council are challenged due to a lack of a strong evidence base, customer insight and engagement with change or procedural errors	Director of Legal G John	• Lack of skill and/or time to identify evidence to support decision making • Lack of consultation with ward members and/ or parish council's over local issues • Procedural error in statutory process • Inconsistent and traditional approach to customer engagement across the council • Lack of awareness of the questions to ask • Lack of awareness of the 'right time' to engage • Lack of public awareness of the opportunity to engage	• Lack of a robust and evidence based approach to customer engagement can lead to: - Reputational damage - Views that the council is too Winchester-centric - Decisions made are Inequitable - A perception that people's views are ignored • Ward members and/or parish council's not being informed • Legal/ judicial review or challenge against a decision made		• Engagement with ward and parish councillors (on matters within their ward or parish) encouraged • 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 • Legal and Monitoring Officer consultation on decisions made • 2024 Residents' survey undertaken in the summer and results are being used to inform and evidence decision making • A proactive open and transparent approach to communication based on Gunning Principles • Use of external specialist advice when appropriate	

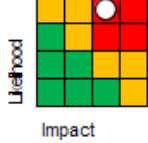
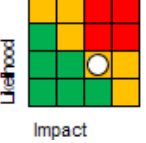
Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
			<ul style="list-style-type: none"> • Council is not aware of the full range of interested stakeholders • Council may only hear the loudest voices and not the silent majority or those that do not readily engage 			<ul style="list-style-type: none"> • Commitment made in the new Council Plan in terms of 'Listening and Learning' priority • Equality, Diversity, and Inclusion Action Plan is being embedded across the organisation • Updated Constitution adopted at Council on 30 November 2023 • Where possible and appropriate, digitalisation will be utilised to mitigate against procedural errors 	
CR004	Failure to have plans and processes in place to recover and maintain services after a major incident (including pandemic) that has a significant impact on the ability of the Council to provide its services	Chief Executive	<ul style="list-style-type: none"> • Not maintaining an effective corporate wide Business Continuity Plan • Not regularly testing the plan and following-up learning • Key staff unavailable • Communication systems ineffective • Lack of awareness of Business Continuity Plan • Failure to assess business critical functions and have plans in place 	<ul style="list-style-type: none"> • Unacceptable delay and uncertainty in returning to normal working after an emergency • Adverse publicity and criticism • Reputation damage • Adverse social and/or economic impact 		<ul style="list-style-type: none"> • Business Continuity Plans are being reviewed in-light of recent cyber exercise and loss of IT following an incident in Dec'24. • IT Disaster Recovery Plan exercise held March'24 • Business critical services identified with individual business continuity plans created, tested, and approved • All staff able to seamlessly work from home, where job allows • 2023 internal audit review of business continuity offered substantial opinion and no identified weaknesses. • Work programme in place for 2024 	

Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
CR006	Breakdown of effective partnership working	Strategic Director D Adey	<ul style="list-style-type: none"> Partnerships can falter due to lack of shared vision within partnerships Money spent on Partnership working doesn't add value Strategic partnerships may falter due to conflicting demands within individual partners Incorrect application of the procurement regulations due to a misunderstanding as to how and when they apply to partnership working Partnerships may be unsuccessfully commissioned due to lack of skills and poor scoping Significant local, regional, or national partners may close down, affecting the council 	<ul style="list-style-type: none"> Significant project delivery such as the major projects and the new homes building programme could fail due to failure of strategic partnerships Local delivery could fail if local strategic partners are not aligned Reputational damage to all partners Lack of value for money (VfM) 		<ul style="list-style-type: none"> Annual review by each CHoS of all partnerships undertaken to identify key strategic partners Partnership register established and endorsed by ELB on 6 March. Guidance documents available from Knowledge Hub Partnership Governance and Management Framework adopted. Partnership scoring tool available to assess project tier Management checklist available from Knowledge Hub 	
CR007	Lack of sufficient funding and/or escalating costs over the medium term reducing financial viability and inability to	Director of Finance L Keys	<ul style="list-style-type: none"> Reduced Government funding Reliance on strategic partners to deliver services and projects 	<ul style="list-style-type: none"> Unable to balance the budget Increased Council Tax Public's ability to pay for services Reduce services provided 		<ul style="list-style-type: none"> One year funding settlement in place MTFS approach setting out medium and longer term options 	

Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
	achieve a balanced budget (General Fund and HRA)		<ul style="list-style-type: none"> Macro economy, including effects of Brexit, reduces locally generated Business Rates and parking income Failure to achieve income targets Inflation rises Penalties are imposed on the Council due to falling standards in services Impact of a Pandemic 	<ul style="list-style-type: none"> Demand/cost of services Increased construction costs and impact on delivery and viability of key projects Over borrowing and avoidable cost 		<ul style="list-style-type: none"> Quarterly finance reporting and monitoring of key income sources Regular policy review and monitoring Scenario planning and sensitivity analysis of key risks Transformation Challenge 2025 (TC25) is now in the process of being implemented. Maintain General Fund Balance of at least £2m Regular review of reserves Annual review of fees and charges Monthly budget monitoring and regular HRA business plan updates 	
CR008	Availability of new homes to meet the strategic need via a variety of means (build or buy).	Strategic Director S Hendey	<ul style="list-style-type: none"> Increasing demand for new houses High cost of housing, including private rented sector Unable to identify new sites for new houses Increasing infrastructure demands on new sites Higher build costs Increasing inflation and interest rates affecting supply 	<ul style="list-style-type: none"> Increased housing waiting list numbers Increasing homelessness Difficulty accessing housing markets Outward migration of younger residents Adverse publicity Government intervention Ability to meet the business plan target which will have a negative effect on income 	 Likelihood Impact	<ul style="list-style-type: none"> A variety of plans in place to deliver new homes Regular monitoring of projects Revised Housing Strategy and HRA Business Plan Cost benchmarking 	 Likelihood Impact

Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
CR009	Failure in cyber security leaving the council exposed to phishing and other attacks leading to compromised IT systems and data loss	Director of Finance L Keys	<ul style="list-style-type: none"> Malicious attack by Hackers for financial gain Malicious attack by Hackers to disrupt business and ability to deliver services Viral code attack in order to data mine information and identities 	<ul style="list-style-type: none"> Possible complete shutdown of Council IT Systems and Infrastructure Business\service delivery disruption Significant Financial loss Credibility and confidence lost in engaging with digital services and e-payments 		<ul style="list-style-type: none"> Mandatory Cyber Security awareness training held for all staff and members in Dec 2024. IT Systems and processes administered to PSN (Public Services Network) standards and protocols ITILv3 Methodology adoption for ITSM Comprehensive and regular reviews of ISP (Information Security Policies) and IT Network Access Policies Operational daily checks and proactive monitoring of Firewalls and pattern updates Staff qualified in Cyber Scheme Professional standards and within GOV UK CESSG guidelines Regular system health checks and vulnerability scans System and software maintained to supported levels. Email security managed by accredited 3rd party Insurance for potential losses of a cyber attack Third party review jointly with TVBC undertaken resulting in an action plan the councils can pro-actively take to mitigate this risk further 	

Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
CR010	Failure to effectively respond to the Climate Change Emergency and reduce the council and district carbon emissions	Strategic Director D Adey	<ul style="list-style-type: none"> • Failure to achieve target for the council to be carbon neutral by 2024 and the district by 2030 • Carbon emissions increase • Air quality drops • Insufficient project capacity in-house 	<ul style="list-style-type: none"> • Reputational damage for failing to meet targets • Increased risk of flooding - damage to property, disruption to business, health, and wellbeing of displaced residents • Increased risk of droughts - pressure on river system health, depleted aquifer/reservoir volumes, negative impact upon agriculture, fire risk • Extreme heat and cold - health risk for vulnerable people, pressure on emergency and health services • Protests by lobby groups • House price volatility 		<ul style="list-style-type: none"> • Revised CNAP plan put in place 13/09/2023 • Actions leading towards carbon reduction are clearer in theme and size of reduction needed. • Climate Emergency declared • Asset Management Strategy • £45mil HRA 	
CR011	Lack of preparedness and incapability to respond to events caused by climate change	Strategic Director D Adey	<ul style="list-style-type: none"> • Failure to prepare for an adverse weather event, for example long period of rain, heavy snow, or heatwave • Failure to manage sluice gates and maintain rivers • Failure to respond to an adverse weather event 	<ul style="list-style-type: none"> • Flooding causing damage to property and assets • Loss of income to the council e.g. closed car parks due to snow • Adverse publicity • Damage to reputation 		<ul style="list-style-type: none"> • Multiagency Emergency Response Plan in place, reviewed and updated annually • Emergency Planning exercise to test the Plan held annually with partners participating • Completion of flood alleviation schemes • Temporary flood defence barrier purchased and available to be used where there is a need • The Emerging Local Plan has clear objectives to support the council priority of Tackling the 	

Code	Risk Description	Risk Owner	What might go wrong? (cause)	What will happen? (consequence)	Original Risk Rating	Current Controls	Residual Risk
						climate emergency and creating a greener district <ul style="list-style-type: none"> • Annual review of Flood Action Plan which includes contact details of parish flood coordinators last undertaken in September'24 • Gold and Silver commander training attended or to be by relevant officers at that level. • Cold Weather Plan • HOIW LRF Multi-agency Flood Plan in place 	
CR012	Nutrient neutrality - Phosphates	Strategic Director - D Adey and Corporate Head J Pinnock	<ul style="list-style-type: none"> • Inability for developers to achieve nutrient neutrality specifically related to phosphates will delay housing and delivery of other forms of residential development within the affected area 	<ul style="list-style-type: none"> • Adverse impact on economy • Reduction in supply of new homes • Inability to maintain a 5 year housing land supply leading to unplanned development being permitted • Reputational damage 		<ul style="list-style-type: none"> • The Council is working in partnership with PfSH and currently involved in works to sign the Inter Authority Agency (IAA) which would enable all parties to benefit from nutrient mitigation projects. The IAA will have controls and sets out how future projects will be governed and managed • HRA Funding in place for four projects 	

DRAFT

AG159
AUDIT & GOVERNANCE COMMITTEE

REPORT TITLE: APPROVAL OF THE INTERNAL AUDIT PLAN AND INTERNAL AUDIT CHARTER 2025-26

25 FEBRUARY 2025

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

Contact Officer: Antony Harvey Tel No: 07784 265289

Email antony.harvey@hants.gov.uk

WARD(S): ALL WARDS

PURPOSE

The purpose of this report is to provide an update to Members on the preparations of the Internal Audit Plan 2025-26 and Internal Audit Charter 2025-26.

RECOMMENDATIONS:

1. That delegated authority be granted to the Director (Finance) in consultation with the Chair of the Audit and Governance Committee to endorse the Internal Audit Plan 2025-26 and the Internal Audit Charter 2025-26 prior to formal approval by the Audit and Governance Committee at the next available Committee meeting.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 Internal audit plays a vital role in supporting the Council 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.

2 FINANCIAL IMPLICATIONS

- 2.1 Internal audit is provided through the Southern Internal Audit Partnership. Subject to completing the full planning process, it is anticipated that the audit plan will comprise a total of 295 audit days and the associated cost for 2025-26, excluding any inflationary adjustment for nationally agreed pay awards (if applicable), will be £106,790. The plan will remain fluid throughout the year to meet the changing needs of the Council.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Accounts and Audit Regulations 2015 require local authorities to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

4 WORKFORCE IMPLICATIONS

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

5 PROPERTY AND ASSET IMPLICATIONS

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

6 CONSULTATION AND COMMUNICATION

- 6.1 The contents of this report were discussed with both the Director (Legal) and Director (Finance) prior to publication.

7 ENVIRONMENTAL CONSIDERATIONS

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

8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 None.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
Financial Exposure	Internal Audit supports the Council to ensure proper financial management, effective and transparent governance, risk management and control 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 The Global Internal Audit Standards in the UK Public Sector will come into effect from 1 April 2025. In accordance with those Standards the Chief Internal Auditor is required to produce an Internal Audit Plan 2025-26 (Standards 9.4) and Internal Audit Charter 2025-26 (Standards 6.2) for agreement by the Executive Board and approval by the Audit and Governance Committee.

Internal Audit Plan 2025/26

- 11.2 The Internal Audit Plan is a document developed by the Chief Internal Auditor that defines the engagements and other internal audit services anticipated to be provided during the forthcoming year.
- 11.3 The Chief Internal Auditor is currently in the process of meeting with the Council's management teams and undertaking it's audit needs assessment to

develop an appropriately focused and risk based Internal Audit Plan for 2025-26.

- 11.4 On conclusion of our planning meetings and wider audit needs assessment it is intended that the plan will be submitted to the Council's Executive Board for agreement later this month.
- 11.5 In accordance with the Global Internal Audit Standards in the UK Public Sector and the Audit and Governance Committee's own Terms of Reference there is a requirement for the Audit and Governance Committee to 'approve the risk-based internal audit plan'.

Internal Audit Charter

- 11.6 The Internal Audit Charter is a formal document that includes the internal audit functions mandate, organisational position, reporting relationships, scope of work, types of service and other key specifications.
- 11.7 The Chief Internal Auditor is in the process of adapting the existing Internal Audit Charter to align with the new requirements of the Global Internal Audit Standards in the UK Public Sector.
- 11.8 Whilst the existing Internal Audit Charter has predominantly been prepared it would be of greatest value to review alongside the Internal Audit Plan.
- 11.9 In accordance with the Global Internal Audit Standards in the UK Public Sector the Audit and Governance Committee are required to 'approve the Internal Audit Charter'

Timings

- 11.10 The scheduling of the Audit and Governance Committee has necessarily been tailored to enable sign off of the Statement of Accounts 2023-24.
- 11.11 Due to the Chief Internal Auditor's desire to develop an Internal Audit Plan that is relevant, of maximum value and aligned to the Council's current risks exposures, regrettably, the timing of the February Audit and Governance Committee is not optimal to have completed the internal audit planning process.
- 11.12 To ensure a robust internal audit planning process can be completed and review of the Internal Audit Charter can be appropriately aligned, it is proposed in the recommendation to this report that following agreement of the Internal Audit Plan 2025-26 and Internal Audit Charter 2025-26 by the Executive Board in February / March the documents are passed to the Chairman of the Audit and Governance Committee to endorse, enabling internal audit to commence delivery of the Internal Audit Plan from 1 April 2025. The Internal Audit Plan 2025-26 and Internal Audit Charter 2025-26

would then be presented to the Audit and Governance Committee's next available meeting for formal review and approval.

- 11.13 It is important to note that the plan is a fluid document and remains open to change over the course of the year to ensure internal audit are reactive to the changing needs and risks of the organisation, as such observations from the Audit and Governance Committee can be fully considered and incorporated at that time.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 None.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG127 Internal Audit Plan 2024-25

AG128 Internal Audit Charter 2024-25

AG151 Implementation of the Global Internal Audit Standards

Other Background Documents:-

None.

APPENDICES:

None.

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REPORT TITLE: EQUALITY, DIVERSITY & INCLUSION POLICY FRAMEWORK

25 FEBRUARY 2025

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

WARD(S): ALL

PURPOSE

This report presents the council's updated Equality, Diversity and Inclusion Policy and Strategy. The council's current Public Sector Equality Duty Policy was adopted in January 2022.

The Public Sector Equality Duty (PSED), at Section 149 of the Equality Act 2010, requires public bodies, including the council to have due regard to the aims of the general duty when making decisions and setting policies.

The council is also required to agree and publish their PSED objectives and regularly review how they meet these aims.

RECOMMENDATIONS:

That the Audit and Governance Committee:

1. Approves the Equality, Diversity and Inclusion Policy, Strategy and Action Plan 2025-28 as set out in the appendices to the report.
2. Approves the Equality objectives as set out in paragraph 2 of the Equality, Diversity and Inclusion Strategy 2025-28 (Appendix 2)

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

The council's equality duties will be delivered within existing budgets for each service area, including training. There are no additional financial implications for the council.

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 PSED is a duty on public bodies and others carrying out public functions.

Public bodies, officers and councillors who are subject to the PSED must in the exercise of their functions have due regard to the need to:

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

These three aims are sometimes referred to as the three aims of the general equality duty.

Having due regard means consciously thinking about the three aims of the PSED as part of the process of decision-making. This means that consideration of equality issues must influence the decisions reached by public bodies – such as in how they act as employers; how they develop, evaluate and review policy; how policy is implemented, how they design, deliver and evaluate services, and how they commission and procure from others.

Having due regard to the need to advance equality of opportunity involves considering the need to:

- remove or minimise disadvantages suffered by people due to their protected characteristics,

- meet the needs of people with protected characteristics; and
- encourage people with protected characteristics to participate in public life or in other activities where their participation is low.

Fostering good relations involves tackling prejudice and promoting understanding between people who share a protected characteristic and others.

The PSED also explicitly recognises that disabled people's needs may be different from those of non-disabled people. Public bodies should therefore take account of disabled people's impairments when making decisions about policies or services. This might mean making reasonable adjustments or positively discriminating disabled people in order to meet their needs.

The PSED covers the following protected characteristics age, disability, gender reassignment, pregnancy, maternity/ paternity, race, religion or belief (including non-belief), sex and sexual orientation.

The duty includes a requirement to review, refresh and publish up to date equality objectives and a policy stating how the objectives will be met for the city council to remain legally compliant with the PSED.

There are no procurement implications as a direct result of this report.

4. WORKFORCE IMPLICATIONS

The council's commitment to integrating the principles of equality, diversity and inclusion into everything it does should be foremost in the minds of all officers and councillors conduct. The council's Workplace Policy includes a complaint policy which considers the PSED. The PSED is at the heart of the council's decisions. Embedding the policy and actions in corporate culture will occur through training together with regular updates.

There are no additional resources required arising from this report.

5. PROPERTY AND ASSET IMPLICATIONS

None arising from the content of this report, however when making any decision that relates to property and assets, such as whether or not to dispose and acquire, which mechanism and the property and/or project development, the council must have due regard to the Equality, Diversity and Inclusion objectives. A further consideration will be whether public property and assets are able to comply with the PSED objectives on matters 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 Communities and Engagement.

Members who are appointed to the Equality, Diversity and Inclusion Forum reviewed and support the Policy, Strategy and Action Plan.

Comments from the Equality, Diversity and Inclusion Officer group, which includes officers from across all services of the council have also been taken into consideration.

7. ENVIRONMENTAL CONSIDERATIONS

There are no environmental implications directly from the content of this report.

8. PUBLIC SECTOR EQUALITY DUTY

This report sets out the refreshed Equality, Diversity and Inclusion Policy and Strategy to enable the council to fulfil its requirements under the Public Sector Equality Duty.

9. DATA PROTECTION IMPACT ASSESSMENT

None required because there is no processing of personal data.

10. RISK MANAGEMENT

Risk	Mitigation	Opportunities
Financial Exposure: 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	None
Exposure to challenge: 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.

Innovation	understand and work with our communities.	Innovative ideas and design required to ensure compliance. Increased innovation leads to a more inclusive community which is at the heart of the PSED
Reputation: Failure to comply with the Public Sector Equality Duty could result in legal challenge through Judicial Review which could cause reputational damage and adverse publicity for the council.		Compliance results in consideration of all sectors of the community and enhances the council's reputation.
Achievement of outcome: 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
Property	Consideration of the PSED at the initial stages of project design and again prior to implementation	Early consideration ensures that full community support is provided for by the council.
Community Support	Consideration of the vulnerable groups at each decision-making stage with continual reviews.	Community is better supported through correct implementation of the duty.
Timescales	The duty is a constant requirement upon public sector.	Ensures that all sectors of the community are supported.
Project capacity	Consideration of the PSED at the initial stages of project design and again prior to implementation.	Early consideration ensures that full community support is provided for by the council.
Other	None	None

11. SUPPORTING INFORMATION:

Background

- 11.1 Cabinet in January 2022 adopted the council's updated Public Sector Equality Duty Policy and agreed that a review of the Policy would occur prior to December 2025.
- 11.2 The PSED applies to all public bodies in carrying out their functions. This requires public bodies to "have due regard" to the elimination of discrimination, advancement of equality and fostering good relations in connection with the listed protected characteristics. The duty must be carried out with rigour but is not a duty to achieve results. The PSED need not be explicitly referred to, but there must be some evidence that it has been considered (if relevant).
- 11.3 The PSED is intended to support robust decision making and ensure that public bodies consider and understand how different people will be affected by their activities and decisions so that policies and services are appropriate and accessible to all and meet the needs of different people. By understanding the impact of their activities on different people, and how inclusive public services can support and provide opportunities, public bodies are better placed to deliver policies and services that are efficient and effective.
- 11.4 All decisions, and not just Cabinet decisions are subject to the requirement to, where relevant, consider the PSED. To support this and provide evidence, each committee report includes under the "Public Sector Equality Duty" paragraph heading details of how the "due regard" has been considered.
- 11.5 Further detailed evidence is provided in the form of a completed Equality Impact Assessment (EqIA), where if relevant is appended to the committee report.
- 11.6 In its report, the Local Government Association Corporate Peer Challenge Team acknowledged that the council recognises it is at the beginning of its journey regarding equality, diversity and inclusion and that there is an opportunity to develop a revised EDI strategy that reflects ongoing efforts and prioritises this crucial area.
- 11.7 Since the report was received, an EDI officer group has been established to have strategic oversight of EDI across the council's activities both internally and externally, complementing the work of the existing members forum. The group also takes responsibility for leading on the delivery of the activities included in the Action Plan attached as Appendix 3.
- 11.8 Further progress has seen a new Tenant Partnership Team being formed with the council committing to working more closely with tenants to co-create and improve our housing services. Current projects include facilitating the Social Inclusion Partnership and community-based research training for officers.

Equality Diversity and Inclusion Policy

- 11.8 The council's Equality, Diversity and Inclusion Policy, sets out our overall approach to equality as both an employer and a provider of services. The Policy was last adopted by Cabinet in January 2022 (Report CAB3331, 25 January 2022).
- 11.9 The refreshed policy at Appendix 1 is applicable to all who represent Winchester City Council in any capacity, including councillors, officers, contractors, volunteers, partner organisations, visitors and customers.
- 11.10 Equality, Diversity and Inclusion training via an online training portal is mandatory for all councillors and officers and ensures that the council's commitment is understood.

Equality, Diversity and Inclusion Strategy 2025-28

- 11.11 Attached at Appendix 2 is the new Equality, Diversity and Inclusion Strategy that demonstrates our continued commitment to tackling inequality and promoting diversity to ensure the council meets the equality duty under the Equality Act and Public Sector Equality Duty (PSED).
- 11.12 The Strategy covers the three-year period 2025 to 2028 and outlines our clear vision for an inclusive council including the work of councillors in their communities, the provision of services, collaboration with partners and within our own workforce.
- 11.13 Public authorities are legally required to set out at least one equality objective every four years to help focus attention on priority equality issues. For 2025 to 2028, the council is proposing four equality objectives that align to the LGA Equality Framework and help drive equality and inclusion across all areas of the council's work, as well as demonstrate compliance with the Public Sector Equality Duty.
- 11.14 The proposed equality objectives set out below and our Action Plan attached at Appendix 3 has been developed from these:
 - (1) **Understanding and working with our communities.**
We will embed diversity in decision making processes, ensuring representation from all sections of our communities and making sure our decisions are based on good quality data. We will improve and develop our consultation and engagement processes and seek to inform and involve all sections of the community, but particularly disadvantaged and excluded groups, in the development of our policies and the services we provide.
 - (2) **Leadership, partnership and organisational commitment.**
We are committed to delivering effective leadership at every level and developing partnerships which prioritise equality, diversity and inclusion.

(3) **Responsive services and customer care**

We are committed to ensuring everyone can access our services and that any barriers are promptly identified and eliminated. Resources are directed to where residents need them most.

(4) **Diverse and engaged workforce**

We recognise the value and significance of a diverse and inclusive workforce. We will take positive steps to promote equality in employment by developing a flexible, professional and skilled workforce that is representative of the communities that we serve.

Equality, Diversity and Inclusion Action Plan

11.15 The Equality, Diversity and Inclusion Action Plan (Appendix 3) is a key document for setting out and recording how the council across all service areas will work to deliver the council's Equality Objectives.

11.16 The action plan comprises activities aligned to the four Equality Objectives set out in the Policy and support the council to evidence compliance with the LGA Equality Framework. Completion of the actions in the Action Plan in Appendix 3 will enable the council to self-certify that it has achieved the Achieving Standard of the Framework.

11.17 To deliver this action plan effectively, it is important for all staff to understand clearly their role in the delivery of equality and diversity related activity and feel confident in embedding equality considerations in all they do. The newly formed Equality, Diversity and Inclusion officer group, which includes representation from across the council, including Policy, Housing, HR and Communities will lead on delivery of the actions in the plan and collectively take responsibility for monitoring and reviewing progress of the actions at their regular meetings, ensuring targets are on track and delivered.

11.18 The Equality Act 2010 requires public authorities to publish information to demonstrate their compliance with the Public Sector Equality Duty and its own equality objectives. An annual Equality Monitoring report will be presented to this committee at its July meeting and evidence progress against the actions in the Action Plan. The previous monitoring report was reported to this Committee in July 2024 (report AG115, 18 July 2024).

11.19 Members of the EDI will also receive regular updates on the progress being made against the activities in the Action Plan.

12. OTHER OPTIONS CONSIDERED AND REJECTED

There are no alternative options to this report as the recommendations support the council's statutory duty to comply with the Equality Act 2010 and Public Sector Equality Duty and to monitor such compliance.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB3331 Public Sector Equality Duty dated 25 January 2022

AG115 Equality, Diversity & Inclusion – Annual Equality Report 23/24, dated 18 July 2024

Other Background Documents:-

Local Government Association Equality Framework for Local Government.

APPENDICES:

Appendix 1 Equality, Diversity and Inclusion Policy

Appendix 2 Equality, Diversity and Inclusion Strategy 2025-2028

Appendix 3 Equality, Diversity and Inclusion Action Plan

Appendix 4 Equality Impact Assessment

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Winchester City Council

Equality, Diversity and Inclusion (EDI) Policy

1. Introduction

The council and anyone acting on their behalf has a legal responsibility under the Equality Act 2010 to comply with the Public Sector Equality Duty (PSED). This policy outlines how the council will meet these legal duties.

2. Policy Statement

Winchester City Council is committed to integrating the principles of equality, diversity and inclusion into everything it does. Our ambition is to develop a district where no-one faces discrimination, and everyone can reach their potential regardless of race, disability, gender, age, sexuality, religion or belief, gender reassignment, marital status or pregnancy and maternity.

We recognise and value all people in our community and believe that diversity is central to the provision of effective, modern, quality services.

3. Who this Policy applies to

This policy is applicable to all who represent Winchester City Council in any capacity, including councillors, officers, contractors, volunteers, partner organisations, visitors and customers.

It applies to everyone:

- In day to day service delivery and interactions with customers.
- When considering changes to service we provide or creating or reviewing a policy.

4. Our legal duty

This policy demonstrates how the council meets its legal duties under the Equality Act 2010 and the Public Sector Equality Duty (PSED).

Protection from unlawful discrimination is provided by the Equality Act in relation to the following protected characteristics:

- Age
- Disability
- Gender reassignment
- Marriage and Civil Partnership

- Pregnancy and maternity
- Race
- Religion and belief
- Sex
- Sexual orientation

Under the PSED, we are required to have due regard to the need to:

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

The practical effect of this legislation is that public bodies must consider how their policies, programmes and service delivery will affect people with protected characteristics.

The Equality Act 2010 allows an employer or service provider or other organisation to take positive action to alleviate and prevent any disadvantage experienced by people with protected characteristics. For example, in relation to recruitment and the provision of certain services.

The Human Rights Act 1998 confers a range of rights including, for example, the right to family life, which have implications for the way that we as a council deliver services and manage our workforce.

5. The Policy

We integrate equality into everything we do starting from the highest level – the Council Plan - and working through the organisation into service and business plans. We have reviewed our corporate priorities to ensure that our commitment to equality is adequately reflected and also developed a set of core values that clearly establish equality as a key priority of the council.

Our established equality impact assessment process ensures equality is "mainstreamed" into the service and business planning processes and integrated with the performance management system and decision-making process.

Making this policy work is ultimately dependent on developing an organisational culture where difference is respected and valued, and everyone is treated fairly and equally, and everyone feels that they are being treated fairly and equally. Achieving this requires commitment and involvement from members, management and all employees. Appropriate information, training and support

is provided to ensure that members and employees have the awareness, knowledge and skills to fulfil their responsibilities in this field.

6. Roles and responsibilities

The Cabinet Member for Community and Engagement is the council's champion for equality, diversity and inclusion. They also chair the EDI Forum.

Elected members have a strategic responsibility to ensure that equality is built into policies and procedures. They also have an important role of using their links within the community to develop relationships and to encourage dialogue with the council. As decision makers, elected members have a key role to ensure that the PSED duty is met when decisions are taken; such duty is unable to be delegated as is relevant when the decision is taken.

All employees and others working on behalf of the council are responsible for working together to promote equality and inclusion in the way that they treat service users and colleagues and through the services they provide to the public. We have identified a "Lead Officer", currently the Senior Policy and Programme Manager, to lead and co-ordinate corporate working on this issue

Corporate Heads of Service are responsible for ensuring the equality objectives (as laid out in our EDI Strategy) are implemented and embedded within their own service areas. They must exercise due diligence to equalities in any decision made regarding a service, policy or practice.

All managers are responsible for ensuring that employees are aware of this policy and act in accordance with it at all times. They also have a role to play in demonstrating sound equality practice in their leadership.

All employees and others working on behalf of the council are responsible for adhering to this policy and integrating equality, diversity and inclusion in everything they do.

7. Compliance

The priorities included in our Equality, Diversity and Inclusion Strategy are our equalities objectives and demonstrate compliance with the Public Sector Equality Duty.

All performance relating to equality will be reported regularly to the Executive Leadership Board (ELB) and the Cabinet.

We will publish Equality Impact Assessments as part of committee reports to show how we have considered our equalities issues when making decisions.

The council will report annually on its compliance with the Public Sector Equality Duty to the Audit and Governance Committee and include the details

of the actions that the council has undertaken towards achieving its EDI priorities and objectives.

We will publish an annual report to Audit & Governance Committee that includes a workforce profile. We will publish annually in accordance with the Act our gender pay gap on our website.

Progress against the EDI Action Plan will be regularly monitored and progress reported to Executive Leadership Board and the council's equality, diversity and inclusion officer group.

8. Complaints

We are committed to providing a high standard of service to all our service users, and we work to continuously improve our service. Continuous improvement can only be achieved when we seek and consider service user feedback.

Every effort is made to deal with complaints promptly and put matters right quickly, fairly and consistently.

9. Links to Council Strategies and Policies

This policy should be read in conjunction with:

- Equality, Diversity and Inclusion Strategy
- Equality, Diversity and Inclusion action plan 2025-2028
- Equality, Diversity and Inclusion in employment policy
- Bullying and Harassment Policy
- Employee Code of Conduct
- Safeguarding Policy
- Complaints Policy



Equality, Diversity and Inclusion Strategy 2025 - 2028

1. Introduction

This Equality, Diversity and Inclusion Strategy demonstrates our continued commitment to tackling inequality and promoting diversity and inclusion over the following three-year period (2025-2028) and to ensure we meet our equality duty under the Equality Act and Public Sector Equality Duty (PSED).

It outlines our clear vision for an inclusive council including the work of our councillors in their communities, the provision of services, work with partners and within our workforce.

This strategy should be read and understood alongside:

- EDI Policy
- EDI Action Plan 2025-2028
- Armed Forces Covenant
- Modern Slavery Statement
- Accessibility Statement
- EDI in Employment Policy
- Housing Accessibility Statement
- Employee Code of Conduct
- Bullying and Harassment Policy
- Equality Impact Assessment Policy and Guidance
- Safeguarding Policy
- Complaints Policy

2. Equality Objectives

This strategy is based around four equality objectives that the council has chosen to priorities. These priorities have been developed to reflect the four improvement modules of the Equality Framework for Local Government (EFLG) from the Local Government Association.

Our objectives are as follows:

- (1) **Understanding and working with our communities.**
We will embed diversity in decision making processes, ensuring representation from all sections of our communities and making sure our decisions are based on good quality data. We will improve and develop our consultation and engagement processes and seek to inform and involve all sections of the community, but particularly disadvantaged and excluded groups, in the development of our policies and the services we provide.
- (2) **Leadership, partnership and organisational commitment.**
We are committed to delivering effective leadership at every level and developing partnerships which prioritise equality, diversity and inclusion.

(3) Responsive services and customer care

We are committed to ensuring everyone can access our services and that any barriers are promptly identified and eliminated. Resources are directed to where residents need them most.

(4) Diverse and engaged workforce

We recognise the value and significance of a diverse and inclusive workforce. We will take positive steps to promote equality in employment by developing a flexible, professional and skilled workforce that is representative of the communities that we serve.

Our Equality Action Plan has been developed from these four objectives.

Progress against these objectives will be monitored by Executive Leadership Board (ELB) the Equality, Diversity and Inclusion Forum and EDI Officer Group. These equality objectives pay equal regard to each of the protected characteristics.

3. Definitions

Equality, diversity and inclusion are interrelated yet separate concepts.

Equality	Equality ensures that individuals and communities are not treated less favourably than others because of the characteristics they possess.
Diversity	Diversity means we recognise the value of different perspectives, backgrounds and characteristics of people that make our district a vibrant place to live and work.
Inclusion	Inclusion is the commitment that everyone in the district feels welcomed and valued for who they are.

4. Legislative Context

The council is legally required to ensure its employees and those who use its services are treated fairly and equally, including but not limited to the following laws:

The Equality Act 2010

The Equality Act has two main purposes – to harmonise discrimination law, and to strengthen the law to support progress on equality.

Protection from unlawful discrimination is provided by the Equality Act in relation to the following characteristics, which are defined as ‘protected characteristics’:

- Age
- Disability
- Gender reassignment

- Pregnancy and maternity (which includes breastfeeding)
- Race
- Religion and belief
- Sex
- Sexual orientation
- Marriage or civil partnership

Every person has one or more of the protected characteristics, which means that the Act protects everyone against unfair treatment. When considering the impacts on service users of our policies and procedures, the council also takes into account other axis of disadvantage including social or economic disadvantage and rural living.

Under the PSED, public sector bodies must, in the exercise of their functions, have due regard to the need to:

1. Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act.
2. Advance equality of opportunity between people who share a relevant protected characteristic and those who do not.
3. Foster good relations between people who share a relevant protected characteristic and those who do not.

Having due regard for advancing equality involves removing or minimising disadvantages suffered by people due to their 'protected characteristics'; taking steps to meet the needs of people with protected characteristics where these are different from the needs of other people; and, encouraging people with protected characteristics to participate in public life or in other activities where their participation is disproportionately low. The practical effect is that public bodies must consider how their policies, programmes and service delivery will affect people with protected characteristics.

The Equality Act 2010 allows an employer or service provider or other organisation to take positive action in order to alleviate and prevent any disadvantage experienced by people with protected characteristics. For example, in relation to recruitment and the provision of certain services.

The Human Rights Act 1998

This confers a range of rights including, for example, the right to family life, which have implications for the way that we as a council deliver services and manage our workforce.

5. Equality Statement

Winchester City Council is committed to integrating the principles of equality, diversity and inclusion into everything it does. Our ambition is to develop a district where no-one faces discrimination, and everyone can reach their potential regardless of race, disability, gender, age, sexuality, religion or belief, gender reassignment, marital status or pregnancy and maternity.

We recognise and value all people in our community and believe that diversity is central to the provision of effective, modern, quality services.

This strategy is for residents, visitors to our district, partners and stakeholders, council employees and elected councillors and all others acting on behalf of the council, including contractors and volunteers.

6. Policies & Services

We will ensure our policies and services meet the needs of all our service users and are delivered in a fair, flexible, efficient and accessible way. We will achieve this by:

- Assessing all policies and services in order to identify any direct or indirect discrimination, un-met needs and opportunities to improve the delivery of services to specific groups of service users.
- Developing specific and measurable outcome-based equality objectives, including equality actions in service and business plans and monitoring progress using the performance management system.
- Ensuring that, where appropriate, all voluntary sector organisations with which the council has contracts with, or which are in receipt of significant funding from the council actively promote their project/service to all sections of the community and can demonstrate that they do so.
- Using a range of media to communicate with our service users.
- Making our services accessible to all by improving physical access to buildings and developing inclusive digital channels. Auxiliary aids (for example hearing loops) will be provided wherever a need is identified or anticipated.
- Establishing appropriate policies, structures, procedures, monitoring systems, and reporting requirements to deal promptly and effectively with any complaints of discrimination, harassment, and victimisation or bullying by service users, members or employees.

7. Employment

We will 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. We will achieve these aims by:

- Ensuring that recruitment and selection methods are fair, systematic, unbiased and based solely on merit using only rational, objective and job-related criteria.
- Providing appropriate equality training and support for managers who are responsible for recruitment, induction and training.
- Providing appropriate equality training for all employees in respect of their conduct and behaviour to other employees and service users.
- Ensuring that all employees have equal opportunity to access training and development activities, regardless of their job role, working hours or any special needs or circumstances.
- Applying national and local conditions of service fairly.
- Adopting and implementing appropriate policies and procedures in respect to harassment, bullying and unlawful discrimination that are consistent with Codes of Practice and guidance.
- Taking appropriate action where harassment, bullying or unlawful discrimination is alleged to have occurred including but not limited to disciplinary action, where appropriate
- Supporting employees from minority or disadvantaged groups by raising awareness of local support groups and through the development of appropriate internal support mechanisms.
- Liaising with the recognised trade unions as part of our monitoring processes for achieving equal opportunity in employment.
- Working with our partners to encourage job applications from underrepresented and disadvantaged groups.
- Promotion and prioritisation of work life balance and allowing flexible working where possible.

8. Information & Engagement

The council already consults with the local community, local voluntary groups, partner agencies and businesses as part of the process of developing its policies and services. We will always look to develop and improve our consultation processes and seek to inform and involve all sections of the community, but particularly disadvantaged and excluded groups, in the development of our policies and the services we provide. We will achieve these aims by:

- Working with our partners to obtain and share information in order to improve our collective knowledge and understanding of the composition and needs of the local population
- Developing a variety of ways to inform and engage with local people in making decisions that affect them.
- Publishing and regularly updating equality information and showing how this is informing council decision-making

9. Partnership Working

The council works in partnership with a range of public, private and voluntary organisations to promote equality and share our shared vision for an inclusive district by:

- Sharing good practice
- Pooling information and data to reduce duplication
- Supporting joint-working and co-delivery where possible
- Sharing budgets and resources to achieve common aims

We will continue this work through established and emerging partnerships such as the Social Inclusion Partnership and characteristic-specific networks such as the Older Persons Partnership.

Equality, Diversity and Inclusion Action Plan 2025 – 2028

Objective 1: Understanding and working with our communities

We will embed diversity in decision making processes, ensuring representation from all sections of our communities and making sure our decisions are based on good quality data. We will improve and develop our consultation process and seek to inform and involve all sections of the community, but particularly disadvantaged and excluded groups, in the development of our policies and the services we provide.

No.	Action	Outcome	Lead Officer	Target Date
1.1	Develop and publish updated Housing Consultation and Engagement Plan	Council tenants are empowered to participate in public life and shape the development of services that impact them.	Tenant Partnership Manager	March 2025
1.2	Finalise and launch Listening Better Officer Toolkit	Underrepresented groups are increasingly involved in the council's engagement work while not being over-consulted in any area.	Senior Policy & Programme Officer	March 2025
1.3	Work in partnership with the police and other partners to tackle serious violence, anti-social behaviour domestic abuse and hate crime.	The council works with partners to ensure that all those presenting vulnerable are supported and feel safe where they live and work.	Neighbourhood Services & Community Safety	Ongoing
1.4	Put in place processes to collect more data on the protected characteristics of our service users, including on complaints data where possible.	Service use and satisfaction is monitored by protected characteristics. Availability of new data sets that can be used to improve services	Senior Policy & Programme Manager, Service Lead: Communities and Wellbeing	June 2025
1.5	Development of Community Action Programmes for our most deprived areas and communities, co-produced with local people and including a review of the social determinants of health (SDH).	Signposting and support for residents living in our most deprived areas.	Service Lead: Communities and Wellbeing	March 2026

Objective 2: Leadership, partnership and organisational commitment

We are committed to delivering effective leadership and developing partnerships which prioritise equality, diversity and inclusion.

No.	Action	Outcome	Lead Officer	Target Date
2.1	Develop an internal EDI officer group to agree and deliver this action plan and provide a forum for raising any cross-service issues.	EDI is managed consistently across the organisation.	Senior Policy & Programme Officer	December 2024
2.2	Develop guidance for officers on using inclusive language, including training opportunities.	Officers have the cultural competence and confidence to talk about EDI concepts and have difficult EDI conversations. Our website is accessible to all and written with inclusive language.	Service Lead for Corporate Communications	March 2025
2.3	Continue to work with the Winchester Social Inclusion Partnership	The local area is working towards a coherent shared vision of equality	Tenant Partnership Manager	Ongoing
2.4	Equality training opportunities for members	Members feel confident to challenge equality impact assessments when making decisions.	Senior Policy & Programme Officer/ Democratic Services Manager	December 2025

Objective 3: Responsive services and customer care

We are committed to ensuring everyone can access our services and any barriers are promptly identified and eliminated. Resources are directed to where residents need them most.

No.	Action	Outcome	Lead Officer	Target Date
3.1	Develop and deliver internal training on understanding and completing equality impact assessments.	Our services meet the needs of communities and equality is embedded into the decision-making process.	Policy & Performance Officer	January 2025
3.2	Review our Procurement Policy and processes to ensure equality standards are embedded.	Mechanisms are in place to ensure that equality standards are embedded throughout the procurement process	Procurement Manager	September 2025
3.3	Provide guidance and advice to Corporate Heads of Service on integrating equality objectives into their 2025/26 service plans	Equality objectives are integrated into service plans across the organisation, with progress towards them performance managed by key decision makers	Senior Policy & Programme Manager	January 2025
3.4	Implement a set of equality questions into our grant application process	There is evidence that services are meeting the needs of a diverse community, that take up of services is representative of the wider community, and that funding is targeted to reduce inequalities.	Funding & Development Officer	Spring 2025
3.5	Continued support for the City of Sanctuary movement and for refugees to our district	Instances of harassment and hate crime are effectively managed within the community and all members of our community have access to the safe spaces and further support they require.	Town Centre and Community Manager	Ongoing
3.6	Provide opportunities for disadvantaged groups to be involved with physical activities and sports. This includes priority work with young people in areas of high deprivation, adults with learning and physical disabilities, and older people.	Reduction in health inequalities	Health improvement manager	Ongoing
3.7	To develop a Live Longer Better Programme within sheltered housing schemes to provide opportunities for tenants 65+ to be more active.	Improved health and wellbeing amongst all tenants.	Health Improvement Manager	August 2026

No.	Action	Outcome	Lead Officer	Target Date
3.8	Targeted support and assistance for Ukrainian guests living in the district under the Homes for Ukraine programme.	Successful integration of Ukrainian guests into Winchester's communities.	Town Centre and Community Manager	March 2026
3.9	Continuation of a targeted cost of living support programme both directly and via the voluntary sector and local charities, including Council Tax hardship grants	Signposting and support for our residents most impacted by the increases in cost of living	Senior Policy & Programme Manager	Ongoing

Objective 4: Diverse and engaged workforce

We recognise the significance of a diverse and inclusive workforce. We will take positive steps to promote equality in employment by developing a flexible, professional and skilled workforce that is representative of the communities that we serve.

No.	Action	Outcome	Lead Officer	Target Date
4.1	Refresh our Learning and Development Policy to improve consistency in access to training for all employees.	Under-represented groups are supported to progress in the organisation.	HR Manager: People	March 2026
4.2	Review Disability Confident status for the organisation.		HR Manager: People	March 2026
4.3	Trial numerical, clerical and literacy aptitude tests for recruitment to lower graded posts (adjusted for neurodiverse applicants).	A wider pool of applicants, including retired people who may wish to return to work, are able to demonstrate their skills and succeed in the recruitment process. Support our accreditation as an Age Friendly Employer.	HR Manager	March 2026
4.4	To promote the council as a Dementia Friendly employer using training and communication campaigns.	The organisation is an inclusive space for people experiencing Dementia.	Various	Ongoing
4.5	To provide appropriate mental health training for frontline employees and managers, organise refresher training for mental health first aiders, and provide a range of wellbeing focussed initiatives including short workshops around national events.	Reduced rates of sickness absence associated with mental health issues.	Safeguarding Lead	March 2026
4.6	To consider establishing staff-led equality networks for employees.	Staff with protected characteristics report a positive and inclusive working environment.	HR Manager: People	September 2025

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Equality, Diversity and Inclusion Policy, Strategy and Action Plan Equality Impact Assessment

Section 1 - Data Checklist

		Yes/No	Please provide details
1	Have there been any complaints data related to the policy or project you are looking to implement?	No	
2	Have all officers who will be responsible for implementing the policy or project been consulted, and given the opportunity to raise concerns about the way the policy or function has or will be implemented?	Yes	The policy documents were co-produced by the EDI Officer Group which has representation from council teams including housing, HR, communities and communications. The final draft also incorporates comments from the Cabinet Member for Communities and Engagement, the EDI Members Forum and ELB.
3	Have previous consultations highlighted any concerns about the policy or project from an equality impact perspective?	No	
4	Do you have any concerns regarding the implementation of this policy or project? <i>(i.e. Have you completed a self-assessment and action plan for the implementation of your policy or project?)</i>	No	
5	Does any accessible data regarding the area which your work will address identify any areas of concern or potential problems which may impact on your policy or project?	No	
6	Do you have any past experience delivering similar policies or projects which may inform the implementation of your scheme from an equality impact point of view?	Yes	This policy and strategy builds upon our existing work to self-certify at "Developing" on the Equality Framework for Local Government. It updates and replaces our existing Public Sector Equality Duty Policy.
7	Are there any other issues that you think will be relevant?	No	

Section 2 - Your EqIA form

Directorate: Council-wide	Service Area: Policy	Team: Equality, Diversity and Inclusion	Officer responsible for this assessment: Anna Bodman Simon Howson EDI Officer Group	Date of assessment: January 2025
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	Question	Please provide details
1	What is the name of the policy or project that is being assessed?	Equality, Diversity and Inclusion Policy, Strategy and Action Plan 2025-2028
2	Is this a new or existing policy?	These documents update and replace our previous Public Sector Equality Duty Policy and Action Plan.
3	Briefly describe the aim and purpose of this work.	The aim of these documents is to demonstrate our continual commitment to tackling inequality and promoting diversity and inclusion and to ensure we meet the Public Sector Equality Duty.
4	What are the associated objectives of this work?	As set out in the strategy document, our four equality objectives are as follows: (1) Understanding and working with our communities. (2) Leadership, partnership and organisational commitment (3) Responsive services and customer care (4) Diverse and engaged workforce More detail on these objectives is available in section 2 of the EDI strategy and the Equality Framework for Local Government.
5	Who is intended to benefit from this work and in what way?	The nature of this project means that positive impacts will be felt by all residents, staff and visitors to the district, not just those with a protected characteristic.
6	What are the outcomes sought from this work?	<ul style="list-style-type: none"> • Compliance with Equality Act and Public Sector Equality Duty • Integration of the principles of equality, diversity and inclusion into everything the council does. • A district where no-one faces discrimination, and everyone can reach their potential regardless of race, disability, gender, age, sexuality, religion or belief, gender reassignment, marital status or pregnancy and maternity.
7	What factors/forces could contribute or detract from the outcomes?	<ul style="list-style-type: none"> • Changes in legislation (especially around mandatory pay gap reporting) • Local government reorganisation and devolution • Changes in priorities • Any significant changes to the Equality Framework for Local Government
8	Who are the key individuals and organisations responsible for the implementation of this work?	Implementation of equality, diversity and inclusion in accordance with this policy and strategy is the responsibility of everyone who represents Winchester City Council in any capacity, including councillors, officers,

		contractors, volunteers, partner organisations, visitors and customers.
9	Who implements the policy or project and who or what is responsible for it?	<p>The policy outlines specific responsibilities for:</p> <ul style="list-style-type: none"> • Cabinet Member for Community and Engagement • Elected members • Policy Team (EDI lead officer) • Corporate Heads of Service <p>There is also a scrutiny and monitoring role for the EDI Officer Group and EDI Members Forum.</p>

		Please select your answer in bold . Please provide detail here.		
10a	Could the policy or project have the potential to affect individuals or communities on the basis of race differently in a negative way?	Y	N	Positive impact on the basis of race.
10b	What existing evidence (either presumed or otherwise) do you have for this?	<p>The action plan will have a positive impact on individuals and communities on the basis of race through the following specific actions:</p> <ul style="list-style-type: none"> • 3.8: Targeted support and assistance for Ukrainian guests through our housing scheme. 		
11a	Could the policy or project have the potential to affect individuals or communities on the basis of sex differently in a negative way?	Y	N	Positive impact on the basis of sex.
11b	What existing evidence (either presumed or otherwise) do you have for this?	<p>The action plan will have a positive impact on individuals on the basis of sex/gender through the following specific actions:</p> <ul style="list-style-type: none"> • 1.3 establishes partnership working on reducing domestic abuse and violence against women and girls. • 4.2 is a continuation of our work on the gender pay gap reporting and monitoring 		
12a	Could the policy or project have the potential to affect individuals or communities on the basis of disability differently in a negative way?	Y	N	Positive impact on the basis of disability.
12b	What existing evidence (either presumed or otherwise) do you have for this?	<p>People with certain disabilities may find the policy and strategy document inaccessible in its standard form. Alternative formats (large print etc.) can be made available upon request as standard with all council documentation. An Easy Read version of the policy and the key commitments from the action plan will be developed by the Policy Team and uploaded to the website in due course.</p> <p>The action plan will have a positive impact on individuals with disabilities through the following specific actions:</p> <ul style="list-style-type: none"> • 4.2 outlines the potential for introducing disability pay gap reporting and monitoring. 		

		<ul style="list-style-type: none"> 3.6 establishes a programme of sports/physical activity opportunities for people with learning and/or physical disabilities. 		
13a	Could the policy or project have the potential to affect individuals or communities on the basis of sexual orientation differently in a negative way?	Y	N	Positive impact on the basis of sexuality.
13b	What existing evidence (either presumed or otherwise) do you have for this?			
14a	Could the policy or project have the potential to affect individuals on the basis of age differently in a negative way?	Y	N	Positive impact on the basis of age.
14b	What existing evidence (either presumed or otherwise) do you have for this?	The action plan will have a positive impact on individuals with regard to age through the following specific actions: <ul style="list-style-type: none"> 3.6: opportunities for young people in areas of high deprivation to be involved with physical activity and sports. 3.7: Live Longer Better Programme targeted at sheltered housing tenants aged 65+. 		
15a	Could the policy or project have the potential to affect individuals or communities on the basis of religious belief differently in a negative way?	Y	N	Positive impact on the basis of religion or belief.
15b	What existing evidence (either presumed or otherwise) do you have for this?			
16a	Could this policy or project have the potential to affect individuals on the basis of gender reassignment differently in a negative way?	Y	N	Positive impact on the basis of gender reassignment.
16b	What existing evidence (either presumed or otherwise) do you have for this?			
17a	Could this policy or project have the potential to affect individuals on the basis of marriage and civil partnership differently in a negative way?	Y	N	
17b	What existing evidence (either presumed or otherwise) do you have for this?			
18a	Could this policy or project have the potential to affect individuals on the basis of pregnancy and maternity differently in a negative way?	Y	N	
18b	What existing evidence (either presumed or otherwise) do you have for this?			

19	Could any negative impacts that you identified in questions 10a to 15b create the potential for the policy to discriminate against certain groups on the basis of protected characteristics?	Y	N	No – the policy, strategy and action plan will have a positive impact on people with all protected characteristics. As highlighted above, the action plan contains actions which are specifically targeted at certain protected groups. This is an example of positive action which is allowed under the Equality Act. The Equality Act allows service providers such as the council to take action that may involve treating one group more favourably where this is a proportionate way to help members of that group overcome a disadvantage, participate more fully, or to meet their different needs. More information on positive action is available here - Equality Act 2010: A quick start guide to positive action in service provision for voluntary and community organisations
20	Can this negative impact be justified on the grounds of promoting equality of opportunity for certain groups on the basis of protected characteristics? Please provide your answer opposite against the relevant protected characteristic. NA – no negative impact found.	Y	N	Race: Sex: Disability: Sexual orientation: Age: Gender reassignment: Pregnancy and maternity: Marriage and civil partnership: Religious belief:
21	How will you mitigate any potential discrimination that may be brought about by your policy or project that you have identified above?	<ul style="list-style-type: none"> Alternative formats and translations of policy, strategy and action plan document available upon request as standard. Easy read version of key EDI commitments to be developed and uploaded to website. Each project will be subject to its own EQIA as part of the project management process. 		
22	Do any negative impacts that you have identified above impact on your service plan?	Y	N	The policy, strategy and action plan can continue as planned. Individual projects within the action plan will need to be considered and analysed separately with their own EQIAs to ensure any more nuanced issues are picked up and mitigated before commencing.

Signed by completing officer	Anna Bodman
Signed by Service Lead	Simon Howson

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REPORT TITLE: Q3 GOVERNANCE MONITORING

25 FEBRUARY 2025

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

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 third quarter of the 2024/25 financial year.

RECOMMENDATIONS

That the Audit and Governance Committee notes the content of the report including the progress against the internal audit management actions and raises any issues with the cabinet member.

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 auditor which evidence where there are weaknesses in the council's governance arrangements are highlighted in this report and the actions being taken to address them.

Members should note the related agenda item at this meeting report AG157 – Annual Review of Risk Management

11 SUPPORTING INFORMATION

- 11.1 This report sets out the summary information in respect of the third quarter of the 2024/25 financial year concerning governance.

Annual Governance Statement

- 11.2 Progress against the actions included in the 2023/24 Annual Governance Statement is included in appendix 1 to this report.

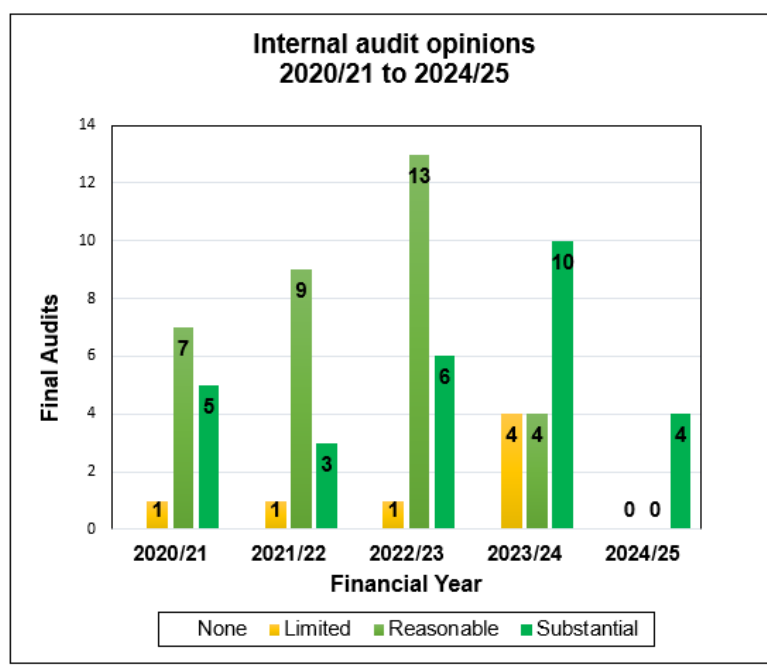
Declarations of gifts and hospitality

- 11.3 During the period 1 October 2024 to 31 December 2024 there were eight declarations of gifts and hospitality made by officers in accordance with the Employee Code of Conduct. These gifts consisted of various items of confectionary all valued at less than £5.
- 11.4 Members regularly update their register of interest forms and during the period 1 October 2024 to 31 December 2024 there were two declarations of gifts or hospitality over the value of £50 made by members in accordance with the Members Code of Conduct.

Internal Audit

- 11.5 The council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.
- 11.6 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 2024/25 was approved by this committee on 29 February 2024, report [AG127](#) refers.
- 11.7 The formal internal audit reviews result in published reports and an opinion on the assurance that can be placed on the framework of risk management, internal controls and governance designed to support the achievement of management objectives of the service area under review.

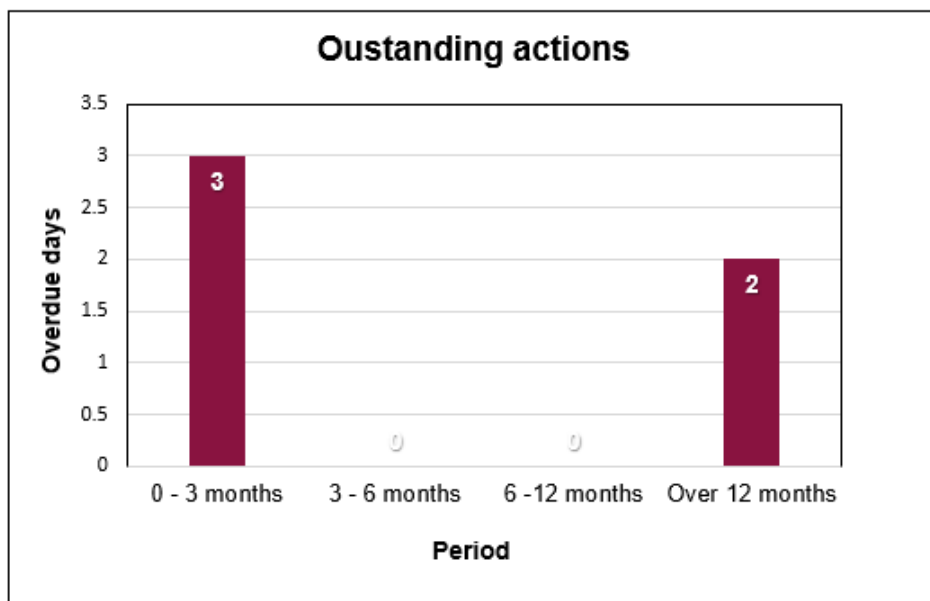
- 11.8 The chart below shows the assurance opinions of the completed internal audits that were included in the audit plans in the years 2020/21 to the current year 2024/25.



- 11.9 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.
- 11.10 To support members in monitoring the progress of actions in place, where opinions are either limited or no assurance, additional commentary summarising the weaknesses observed, and the progress being made to address these can be found in section 12 of this report.
- 11.11 Since the Q2 2024/25 Governance Monitoring report was presented to Audit and Governance Committee on 28 November 2024 there has been six internal audit reports finalised and issued before the end of December 2024, two concluded with substantial assurance, one with reasonable assurance and three with limited assurance.
- IT Cyber Security Response Planning 22/23 (Limited)
 - Tree Management 23/24 (Limited)
 - Mobile Devices Management 23/24 (Limited)
 - Virtualisation 23/24 (Reasonable)
 - Treasury Management (Substantial)
 - Land Charges (Substantial)

Internal Audit Management Actions Tracking

- 11.12 Corporate heads of service (CHoS), service leads, and Executive Leadership Board (ELB) regularly review the progress of the actions included in the internal audit reports.
- 11.13 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.
- 11.14 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.
- 11.15 There are currently 5 overdue actions, none of which are high priority. This is three more than reported to the last meeting of the committee on 28 November 2024.
- 11.16 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 showing as overdue for more than one year. One relates to the Records Retention and Disposal audit and the other to HR Policies. Good progress is being made on the two actions, with an update on progress provided in the table below.



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	DL	Limited	14 (4)	0	1	12 (4)	1		1	
<p>Progress update: There is one overdue action and one pending action.</p> <p>The overdue action to '<i>implement and apply the Retention Schedule to systems continues</i>' with the archiving and deletion of electronic documents; however, this was paused during the quarter while IT resources were diverted to support the urgent recovery of IT systems and council's Wi-Fi connections following the incident in the server room (see para 15 for additional information). Good progress is now being made again and this work is scheduled to be completed by 31 March 2025.</p> <p>The review of paper records held off site, which will see documents shredded that are no longer required is on target to be completed by end of March.</p>											
Human Resources - Policies	10/07/2023	CX	Reasonable	4(2)	0	0	3(2)	1		1	
<p>Progress update: There is one medium priority overdue action remaining which is to update the Learning and Development Policy.</p> <p>The Council has a learning and development policy which is due for review but due to a high level of staff absence within the HR team over the last quarter, it was agreed by the Chief Executive that resources were to be directed at other high priority areas of work.</p> <p>The Chief Executive has also asked that consideration be given to the Corporate Peer Challenge feedback and now the English Devolution White Paper, therefore the updated policy is not yet complete.</p>											

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Reported	Not Accepted	Management Actions			LOW	MEDIUM	HIGH
						Pending	Cleared	Overdue			
Human Resources - Recruitment	13/06/2024	CX	Reasonable	7	0	1	4	2		2	
<p>Progress update: The two overdue actions relate to sourcing suitable training for recruiting managers and the appropriate e-learning for managers on safer recruitment principles.</p> <p>A high level of staff absence within the HR over the team quarter has delayed this work.</p>											
Green Economic Development Strategy and Action Plan	22/07/2024	SDP	Substantial	4	0	0	3	1	1		
<p>Progress update: The one remaining action to be completed relates to the introduction of project key performance indicators being included in the Green Economic Development Strategy dashboard that is being developed and will be reported quarterly and annually.</p> <p>The Economic Officer (Green Growth) has begun collating economic performance data and project KPIs on a revised Green Economic Development Strategy (GEDS) Dashboard. These will be reviewed at the April 2025 GEDS board meeting.</p>											

12 ***Internal Audits with Limited Assurance opinion***

12.1 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.

12.2 ***Tree Management***

Included in the approved plan of internal audit reviews for 2023/24, a review was undertaken of the controls in place to ensure the effective delivery of the Tree Management function. The final report was issued on 24 October 2024 and offered limited assurance.

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:

- Scheduled works for council owned trees are carried out in line with the Tree Strategy.
- The contracts with third parties are managed and monitored in line with the tree management framework.
- Reactive work is identified and prioritised correctly and, where necessary, communities kept informed of work being carried out.

There were a number of areas assessed where the current controls were found to be effective and working well. There is a Tree Management Strategy which includes the guiding principles and policies in place. The procurement framework between the council and the six contractors is up to date.

However, the audit review identified areas of governance, risk management and control that required attention and ten management actions were agreed and included in the report. At the time of this report, seven of these actions have been completed.

- Monthly reports providing the numbers of tree inspections completed in high, medium, and low use areas are regularly discussed between the tree officers and the responsible Service Lead.
- Verifying the status of inspection will be completed by reviewing the outstanding inspection reports and updating the system information / tree record, as necessary. The contractor will close-down inspections on the system as part of the process and monthly monitoring that this has happened will be undertaken – with follow up as required. WCC Tree Admin Officer monitors this and then closes off the order fully if appropriate.
- The closing off of tree works occurring only after the work has been assessed via photographic evidence being submitted and uploaded to be kept on record.

- Certification has been submitted at the commencement of each year satisfying the safety requirements set in the Tree Management Framework.
- A procedure document outlining steps for sign-off and completion of a job has been completed and is kept on record.
- Monthly meetings with contractors have been booked.
- Monthly tree team meetings now take place when all aspects identified in the audit are discussed. A software upgrade has been purchased which enables a better understanding of the tree inspection schedule as well as the tree works schedule. This upgrade to the tree management system enables tree officers and the Service Lead to identify and prioritise work schedules and understand an up-to-date reporting process.

There are three outstanding actions which are on target to be completed in the specified timeframe.

- Historic records have been updated with over 50% completed so far on a December 2025 deadline.
- Site visits to ensure compliance with contractors have been scheduled.
- When pre-start meetings are undertaken with a contractor, they now are followed up with a confirmation email.

12.3 **Cyber Security (IT Response Planning)**

As reported to this committee back in February 2024, the internal audit of the council's Cyber Incident Response Plan identified areas where this new response plan had, at the time of the audit, not been fully tested and adopted by both councils in the shared IT service. This was no reflection on the cyber security of the organisations but rather a review of how prepared the council was to deal with a cyber-attack should our defences fail.

A full review of the Cyber Incidence response plan has been completed by the IT service which has included independent verification by a third-party cyber security consultant. As part of the consultancy an emergency planning tabletop exercise was undertaken by officers from the council's GOLD command. This exercise was based on a ransomware attack and the Cyber Incident Response Plan was used to walk through the hours and days of response and into recovery.

The fully adopted Cyber Incident Response Plan is being further refined with action points following the testing but has been deemed as fit-for-purpose. As with all emergency response plans, it will be regularly reviewed and updated.

All management actions resulting from this audit have now been completed and SIAP have confirmed these measures are adequate to mitigate the risks previously identified.

12.4 ***Mobile Device Management***

A full review of the asset management process has now been completed by the IT Section with project closure complete and signed off.

All IT assets are now recorded into one centralised asset management solution with processes reviewed and documented with regular spot checks under way.

All actions in the audit report have been completed and closed down.

12.5 ***Information Governance – Records Management***

The Policy Team continues to work closely with service leads and IT colleagues to implement the Retention and Disposal schedule. Progress has been made across the council to securely delete and archive electronic documents and will complete this piece of work before the target date of 31 March.

There was a short pause in the progress of this work owing to the incident in the IT server room in December when all IT resources were diverted to support the urgent recovery of the council's IT systems.

Work on this has now resumed with an aim to securely delete all electronic documents that should no longer need to be retained by 31 March 2025. Electronic documents that need to be retained will be archived and remain available to officers.

Work continued on the disposal of paper documents and the first phase to ensure only documents that are in line with the Retention schedule are being retained has now been completed.

13 ***Risk Management***

- 13.1 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 most up-to-date Corporate Risk Register is appended to report AG157 elsewhere on this committee's agenda. The latest formal quarterly review of the Corporate Risk Register by the Executive Leadership Board (ELB) was carried out on 15 January 2025. All risks and their current controls were reviewed.
- 13.2 ELB considered the rapidly emerging risks (and opportunities) of the impact of the devolution agenda and potential Local Government reorganisation (LGR). It was agreed that, at this time, it would be prudent not to introduce a new risk but to instead review the existing Corporate Risks in light of the limited information currently available, while acknowledging the potential significant implications for the Council. In response to the evolving nature of these issues, the Council will closely monitor developments, ensuring that any

emerging risks or opportunities are promptly identified. A comprehensive risk management strategy specifically addressing devolution and LGR will be developed in due course, ensuring that the Council remains well-prepared to manage any potential changes and their impact on governance, service delivery, and resources.

13.3 As a result of the ELB review there were the following updates:

- CR001 – Capacity to deliver services -the controls were updated to reflect that the new Council Plan was approved in January 2025.
- CR003 - Challenge of decisions – the controls were updated to reflect that a Residents Survey was undertaken in summer 2024 and that the new Council Plan has a focussed priority on ‘Listening and Learning’.
- CR004 – Business Continuity - the controls were updated to reflect that Business Continuity plans are being reviewed.
- CR009 – Cyber Security - the controls were updated to reflect the recent round of mandatory awareness training and that action plan that has been developed.

13.4 Other than those updates set out above, 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.

13.5 ELB will continue to monitor the potential impacts to existing risks and any new or emerging risks.

13.6 Of the 69 operational risks managed by Corporate Heads of Service, three of these were presented to ELB for review as the residual risk was rated as ‘red’. 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. Corporate Heads of Service have been asked to review their Operational Risks in-light of devolution and LGR.

14 ***Code of Conduct Complaints***

14.1 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.

14.2 Appendix 3 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.

15 **Disaster Recovery Incident, 21 November 2024**

- 15.1 Following a water leak from tanks in the roof space of one of the council's buildings on the night of the 20/21st November, it was necessary to turn off all power and electrical connections within that building. The building affected houses the council's secure server room, and the power loss meant no servers were operational (hosting some of the council's 'on premises' IT systems) and the council's main internet connection was lost.
- 15.2 By 07:00 on the day of the incident it became clear that the council's disaster recovery protocol may have needed to be invoked. While on-site teams assessed the water-damage to the building and its electrics, the IT team began to put in place the necessary arrangements for disaster recovery. All office-based staff worked remotely and were able to access all cloud-hosted systems, including emails.
- 15.3 The shared IT service with neighbouring Test Valley Borough Council (TVBC) puts the council in the strong position that, should a site (either theirs or ours) be taken out of use, services can be restored using back-ups and hardware at the unaffected council.
- 15.4 The table below shows the successful restoration of services and facilities across the recovery period. By the end of the day of the incident:
- 95% of council services were operating as usual.
 - the 'disaster recovery site' at Hyde Lodge was fully operational.
 - incoming phone calls to the customer service centre (using TVBC's lines) were being answered; and
 - all office-based staff were working remotely.

	Thu 21 Nov	Fri 22 Nov	Mon 25 Nov	Tue 26 Nov	Wed 27 Nov	Thu 28 Nov	Fri 29 Nov	Sun 15 Dec
Service systems	Incident occurs	95% services available	All services available (excl. GIS)	All services available (excl. GIS)	All services available (excl. GIS)	All services available (excl. GIS)	All Services available	All systems restored to WCC site
Telephones: Incoming		Limited lines	Limited lines	Limited lines	All lines	All lines	All lines	
Outgoing		Unavailable	Unavailable	Unavailable	All lines	All lines	All lines	
Printing (reliant on local network)		In DR hub	In DR hub	In DR hub	In DR hub	In DR hub	City Offices printers online	
Offices (Wi-Fi)		Unavailable - remote working	Unavailable - remote working	Unavailable - remote working	Unavailable - remote working	Unavailable - remote working	Wi-Fi restored to City Offices	

- 15.5 By the third working day, all services (with the exception of GIS mapping) were back online, and staff continued to work remotely. Although outgoing calls were still not possible, corporate mobile phones were prioritised to staff who may have needed to make important outgoing calls to customers.
- 15.6 Our thanks go to TVBC who supported us by prioritising the shared IT team resources for Winchester's disaster handling and for also for sharing their phone lines with us, reducing their own capacity for call handling.

- 15.7 It is good to report that business as usual was restored by Friday 29th November. Though still reliant on hardware in TVBC at this stage, recovery to 100% normal IT operation was restored by Sunday 15th December.

16 OTHER OPTIONS CONSIDERED AND REJECTED

- 16.1 None

BACKGROUND DOCUMENTS: -

Previous Committee Reports: -

AG139 Governance Monitoring Quarterly update Q2 2024/25, 28 November 2024.

Other Background Documents:

None.

APPENDICES:

Appendix 1 - Annual Governance Statement 2023/24 – Action plan update

Appendix 2 - Internal Audit Progress Report

Appendix 3 - Code of Conduct complaints

Annual Governance Statement 2023/24 – Action Plan update – December 2024

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
1.	Records Retention and Disposal Ensuring that the Records Retention and Disposal Policy and Schedule are refreshed and embedded into the organisation so that records are stored in accordance with the agreed schedule.	Adoption of updated Retention & Disposal Schedule by Executive Leadership Board (ELB)	The updated Retention and Disposal schedule was approved by ELB on 12 June 2024.	Senior Policy & Programme Manager/ Corporate Heads of Service	June 2024	Complete
		Map & align retention schedule to content /indexing and values in system(s)	The retention schedule has been mapped to systems in preparation for the implementation across business applications and systems.	Senior Policy & Programme/ Service Lead for IT	June 2024	Complete
		Create implementation plan for roll out Policy & Schedule for adoption at ELB	The implementation plan to roll out the policy and schedule has been initiated and agreed by ELB. The Policy and Schedule have been rolled out across the council.	Senior Policy & Programme Manager	June 2024	Complete
		Implementation of Retention & Disposal schedule across business applications and systems	The Policy team are working with Service Leads and the IT department on the deletion of records and documents that do not need to be retained in accordance with the document retention schedule.	Senior Policy & Programme Manager/ Corporate Heads of Service	Mar 2025	Policy Team is being supported by the IT Team to archive and delete documents by the end of Q4.

Internal Audit Progress Report 2024/25

December 2024

Winchester City Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Contents:

1.	Role of Internal Audit	3
2.	Purpose of report	4
3.	Performance dashboard	5
4.	Analysis of 'Live' audit reviews	6
5.	Executive summaries 'Limited' and 'No' assurance opinions	7
6.	Planning and resourcing	7
7.	Rolling work programme	7-9
Annex 1	Adjustments to the plan	10

1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

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

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

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 organisations’ 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.’

Winchester City 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 organisations’ objectives.

2. Purpose of report

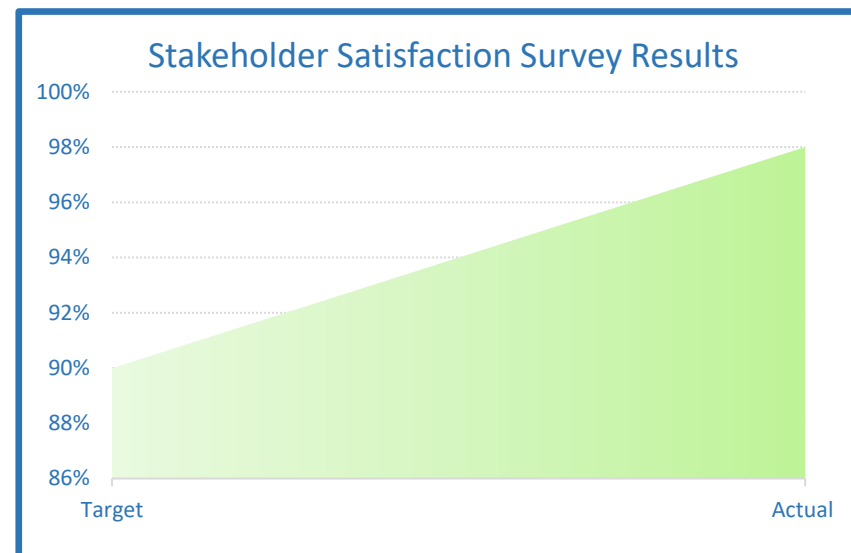
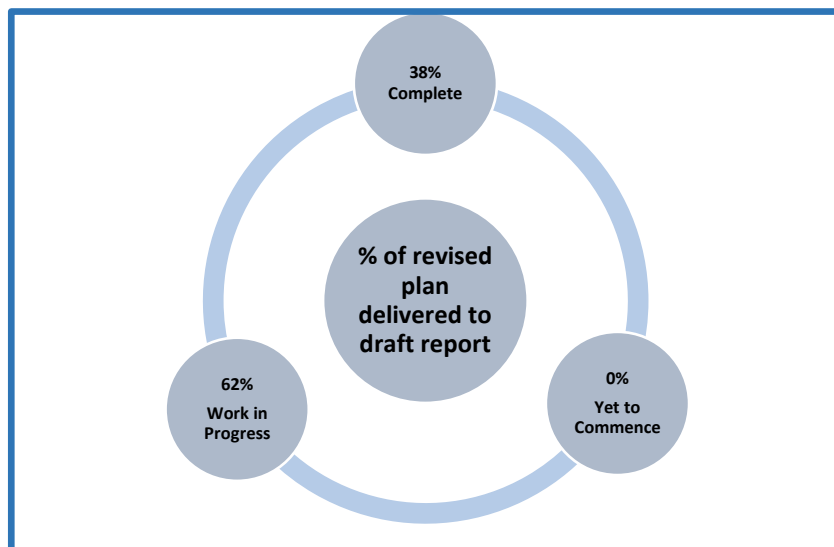
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board,' summarising:

- The status of 'live' internal audit reports.
- an update on progress against the annual audit plan.
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

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:

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.
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.
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.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards

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

'The mandatory elements of the International Professional Practices Framework (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.'

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Yet Due	Complete	Overdue		
							L	M	H
Information Governance – Records Management	Mar 22	DL	Limited	14	1	12		1	
Human Resources – Policies and Procedures	Jul 23	CX	Substantial	4	0	3		1	
Human Resources - Recruitment	Jun 24	CX	Reasonable	7	1	4		2	
New Homes Programme	Jul 24	SDP	Substantial	1	1	0			
Green Economic Development Strategy and Action Plan	Jul 24	SDS	Substantial	4	0	3	1		
Environmental Health - Food Safety	Sep 24	SDS	Reasonable	7	4	3			
Tree Management	Oct 24	SDP	Limited	10	5	5			
Cyber Security – IT Response Planning *	Jan 25	CFO	Limited	12	0	12			
Mobile Device Management *	Jan 25	CFO	Limited	11	0	11			
Virtualisation *	Jan 25	CFO	Reasonable	8	0	8			
Total							1	4	0

* Denotes audits where all actions have been completed since the last progress report.

Audit Sponsor	
Chief Executive	CX
Strategic Director - Services	SDS
Strategic Director – Place	SDP
Director Legal (MO)	DL
Director Finance (CFO)	DF

5. Executive Summaries of reports published concluding a 'Limited' or 'No' assurance opinion.

To date, there have been no audits which have concluded with a 'limited' or 'no' assurance opinion during 2024-25 therefore there are no new significant issues to draw to the Committee's attention.

There have been three reports that have been finalised since the previous progress report where a limited assurance opinion had been reached, agreed and a summary of the issues reported to the Committee within our annual report and opinion, noting the reports were at draft stages (AG136 refers to the issues in relation to Tree Management and Mobile Device Management and AG111 in relation to Cyber Security – IT Response Planning). Management actions have subsequently been agreed for these audits and it is reassuring to note all corresponding actions have been implemented for the ICT audits and five (of ten) actions for the Tree Management Audit with the remaining five not yet due.

6. Planning & Resourcing

The internal audit plan for 2024-25 was agreed by the Council's Management Team and approved by the Audit and Governance Committee in February 2024. The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7 with proposed adjustments to the plan in Annex 1.

8. Rolling Work Programme

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Brought Forward – Included within previous annual reports and opinions								
Cyber Security – IT Response Planning	CFO	✓	✓	✓	Dec 22	Jan 25	Limited	
Mobile Device Management	CFO	✓	✓	✓	Aug 23	Jan 25	Limited	
Virtualisation	CFO	✓	✓	✓	Sept 23	Jan 25	Reasonable	
Green Economic Development Strategy and Action Plan	SDS	✓	✓	✓	Jun 24	Jul 24	Substantial	
New Homes Programme	SDP	✓	✓	✓	Jun 24	Jul 24	Substantial	
Tree Management	SDP	✓	✓	✓	Mar 24	Oct 24	Limited	
Environmental Health - Food Safety	SDS	✓	✓	✓	May 24	Sep 24	Reasonable	
2024-25								
Strategic / Governance Reviews								
Decision Making and Accountability	DL	✓	✓	✓	Jul 24	Aug 24	Substantial	
Programme and Project Management	DL	✓	✓	✓	Jul 24	Aug 24	Substantial	
Financial Stability – TC25	DF	✓	✓					Q4 Fieldwork
Asset Management (Corporate Estate) – Follow-up	SDS	✓	✓					Q4 Fieldwork
Alternative Delivery Models – Housing Company	SDS	✓						Scoped
Contract Management – ID Verde & Wetton	SDS	✓	✓	✓				

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Information Governance – Records Management and Retention - Follow-up	DL	✓	✓	✓				
Corporate Governance Framework	DL	✓	✓	✓	Nov 24			
Fraud Framework - NFI	DF	n/a	n/a	✓				On-going
Core Financial Systems								
Accounts Receivable / Debt Management	DF	✓	✓	✓				
Treasury Management	DF	✓	✓	✓	Dec 24	Dec 24	Substantial	
NNDR	DF	✓	✓	✓	Jan 25			
Expenses & Overtime	DF	✓	✓	✓				
Information Technology								
IT Governance – Microsoft Licencing	DF	✓	✓	✓	Jan 25			
Networking and Communications – Patch Management	DF	✓	✓					Q4 Fieldwork
Service / Operational Reviews								
Housing Asset Management – Repairs and Maintenance	SDS	✓	✓	✓				
Housing Asset Management – Housing Retrofit Programme	SDS	✓						Scoped
Disabled Facilities Grants	SDS	✓	✓	✓				
Planning / Development Management – Developer Contributions	SDS	✓	✓	✓				
Land Registry / Charges	DL	✓	✓	✓	Nov 24	Jan 25	Substantial	
Parking / Enforcement	SDS	✓	✓	✓				

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Markets	SDS/SDP	✓						Advisory role
Certification Audits								
Bus Service Operator Grant	SDS	n/a	n/a	✓	n/a	✓		Grant Certified
Mayor's Charity Account	SDS	n/a	n/a	✓	n/a	✓		Account Certified

Annex 1 - Adjustments to the plan

Audit reviews added to the plan (included in rolling work programme above)	Comment
Decision Making and Accountability *	Carried forward from 2023-24 plan as work in progress at the time of the Annual Internal Audit Report and Opinion.
Accounts Receivable / Debt Management *	Carried forward from 2023-24 plan as work in progress at the time of the Annual Internal Audit Report and Opinion.

Audit reviews removed from the plan (excluded from rolling work programme)	Comment
Climate Emergency / Green Agenda **	It is proposed to combine this review with the audit of Housing Asset Management – Housing Retrofit Programme to enable deeper dive into the programme.
Information Technology – Cyber Security Roadmap **	The Council commissioned Thrive to ‘to assess their current security program and determine the state of organizational security posture.’ The report outlines ‘both tactical and strategic recommendations to address gaps and identify improvement opportunities....in alignment with the CIS framework IG Group 2’. It is proposed to defer our audit until early 2025-26 so we can assess how the recommendations have been prioritised, implemented or an action plan drawn up to address the recommendations and how these actions are progressing.

* Agreed September 24

** Proposed January 25

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 January 2025.

Summary of current caseload:

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

Analysis of active cases:

Date received	Relating to Parish/ Town/ City Councillor	Current status/update	Approx time spent on this complaint
June 2024	Parish Councillor	Monitoring Officer referred complaint for further, external investigation. Investigation has been undertaken and MO is awaiting investigators report.	30 hours
December 2024	Parish Councillor	Complaint received. Initial comments from Subject member received. Complaint & response passed to IP and comments received.MO to consider and confirm next steps. Decision made to not to take any further investigation and complaint closed.	26 hours

REPORT TITLE: DISPENSATION REQUESTS – FUTURE PROCESS

25 FEBRUARY 2025

REPORT OF THE MONITORING OFFICER

Contact Officer: Gareth John Tel No: 01962 848135

Email gjohn@winchester.gov.uk

WARD(S): ALL

PURPOSE

At its meeting on the 9 January 2025, the Audit & Governance Committee requested the Monitoring Officer to submit to a future meeting a proposed procedure for the granting of dispensation requests.

This report seeks the Audit & Governance Committee's agreement to a procedure for determining Dispensation requests from Councillors.

RECOMMENDATION:

That the Audit and Governance Committee delegates authority to the Monitoring Officer, following consultation with the Chair of the Audit & Governance Committee to determine dispensations in accordance with the procedure outlined in Appendix 1. This procedure also includes a requirement for the Monitoring Officer to report quarterly to the Audit and Governance Committee, detailing all dispensations granted or refused during the previous quarter.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

This committee is responsible for maintaining high governance standards within the Council pursuant to its duties under the [Localism Act 2011](#). The committee has the role of ensuring that the ethical standards regime forming part of the governance framework of the Council is robust, thereby engendering public confidence that the Council can deliver upon its priorities within the Council Plan.

2 FINANCIAL IMPLICATIONS

There are no direct financial consequences arising from this report.

3 LEGAL AND PROCUREMENT IMPLICATIONS

Section 27(1) of the Localism Act 2011 requires the Council to promote and maintain high standards of conduct by its members and co-opted members when they are acting in the capacity of members.

Section 27(2) requires that the Council must adopt a code dealing with the conduct that is expected of members and co-opted members in order to discharge this duty.

Section 31(4) of the Localism Act 2011 sets out that where a Member is present at a meeting of the authority and has a disclosable pecuniary interest in any matter to be considered, they may not:

- a) Participate, or participate further, in any discussion of the matter at the meeting, or
- b) Participate in any vote, or further vote, taken on the matter at the meeting.
- c) If a Member fails to comply with these requirements, they would potentially commit a criminal offence.

However, a relevant authority may, following a written request made to the proper officer by the Members concerned, grant a dispensation relieving the Members from either or both of the restrictions set out above.

4 WORKFORCE IMPLICATIONS

None from this report.

5 PROPERTY AND ASSET IMPLICATIONS

None from this report.

6 CONSULTATION AND COMMUNICATION

Not applicable to this report.

7 ENVIRONMENTAL CONSIDERATIONS

None from this report.

8 PUBLIC SECTOR EQUALITY DUTY

There are no equalities interests that arise from this report.

9 DATA PROTECTION IMPACT ASSESSMENT

None from this report.

10 RISK MANAGEMENT

A risk assessment has been considered and is detailed in the report.

Risk	Mitigation	Opportunities
Financial Exposure	Ensure that the process for granting dispensations is transparent and well-documented to prevent any potential issues concerning decision-making or conflicts of interest or concerns of such.	The clear and transparent process for granting dispensations can enhance decision-making accountability and trust in the council's financial management practices.
Exposure to challenge	Provide guidance to the process for granting dispensations will help ensure compliance and reduce the risk of legal challenges or disputes.	By adopting a robust Code of Conduct and providing clear guidance, the council can demonstrate its commitment to good governance and ethical behaviour, which can enhance its reputation and credibility.
Reputation	Transparency in decision-making and clear communication can help maintain and enhance the council's reputation.	The granting of dispensations can be seen as a proactive step in ensuring good governance, which can positively impact the council's reputation and public trust.

Achievement of outcome	Ensure that the process for granting dispensations is transparent and based on clear criteria.	The granting of dispensations can demonstrate the council's commitment to good governance and accountability.
Community Support		
Timescales		

11 SUPPORTING INFORMATION:

- 11.1 The council's [constitution](#) in Part 2, Article 9 – "Audit and Governance Committee" states that this committee's Terms of Reference includes the authority to grant dispensations, where referred by the Monitoring Officer and in accordance with the Localism Act 2011 or other legislation. The same section also delegates to the Audit & Governance Committee the ability to monitor the use of dispensations.
- 11.2 The councils [constitution](#) in Part 3.4 "The Scheme of Delegation to Officers" states that the scheme "authorises officers of the council subject to the limitations and reservations of this scheme to (b) exercise functions specifically delegated to them either by the Leader or by the Council, a Committee or Sub-Committee (under Section 101 of the Local Government Act 1972)
- 11.3 At its meeting on the 9th of January 2025, the Audit & Governance Committee requested the Monitoring Officer to propose to a future meeting of the committee, a procedure for the granting of dispensation requests.
- 11.4 Several options have been considered and the recommended procedure is shown in Appendix 1. In summary, this option enables the Monitoring Officer, following consultation with the Chair of this Committee, to determine the majority of dispensation requests, although it does allow for the Monitoring Officer to refer certain requests to the Audit & Governance Committee where appropriate. It also requires the Monitoring Officer to report every quarter to the Audit & Governance Committee regarding any dispensation requests received.
- 11.5 Granting dispensations through the Monitoring Officer in this way offers several key advantages. The Monitoring Officer holds a statutory position, operating independently from political influence, and this neutrality can foster enhanced public trust in the dispensation process. Furthermore, the Monitoring Officer is well-positioned to facilitate a more efficient process for granting dispensations which often only arise following the publication of a committee agenda but are required to be in place before the meeting. The Monitoring Officer can respond promptly to such requests.

- 11.6 This procedure does not apply to a dispensation for Councillor non-attendance at council meetings for a period of six consecutive months which would remain to be determined by Full Council.

12 OTHER OPTIONS CONSIDERED AND REJECTED

For all dispensations to be granted by the Audit & Governance Committee.

For all dispensations to be granted by a sub-committee of the Audit & Governance Committee.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

[AG140 code of conduct for councillors.pdf](#) - Audit & Governance Committee 26 September 2024.

[AG146 COMBINED Complaints guidance process.pdf](#) – Audit & Governance Committee 28 November 2024

APPENDICES:

Appendix 1 – Draft Proposed Procedure.

Dispensations Process

1. Introduction

1.1. This guide explains:-

- a) the purpose and effect of dispensations
- b) the procedure for requesting dispensations
- c) the criteria which are applied in determining dispensation requests

2. Purpose and effect of dispensations

2.1. Section 31(4) of the Localism Act 2011 sets out that where a Member is present at a meeting of the council and has a disclosable pecuniary interest in any matter to be considered, they may not:

- a) Participate, or participate further, in any discussion of the matter at the meeting, or
- b) Participate in any vote, or further vote, taken on the matter at the meeting.
- c) If a Councillor fails to comply with these requirements, they would potentially commit a criminal offence.
- d) However, a relevant authority may, following a written request made to the proper officer by the Councillors concerned, grant a dispensation relieving the Councillors from either or both of the restrictions set out above.

3. Process for making requests

- 3.1. Any Councillor who wishes to apply for a dispensation must email their request to the Monitoring Officer at least 10 working days before the meeting for which the dispensation is required. Applications may be accepted within a shorter period in exceptional circumstances.
- 3.2. To avoid delay Councillors must ensure that they give full details of the grounds for their request and submit it to the Monitoring Officer as soon as they become aware that a dispensation is necessary. The headings that the request must cover are shown in Appendix A.
- 3.3. A request for dispensation must be made on an individual basis. Group applications are not permitted.

4. Consideration by the Monitoring Officer

- 4.1. The Monitoring Officer will consider requests for a dispensation in the order in which they are received having regard to the criteria set out in paragraph 6 below.
- 4.2. The Monitoring Officer, after consultation with the Chairman of the Audit & Governance Committee, may grant a dispensation if they consider that either:
 - a) Without the dispensation, the number of persons prohibited by Section 31(4) Localism Act 2011 from participating in any particular business

would be so great a proportion of the body transacting the business as to impede the transaction of the business (i.e. the meeting would be inquorate)

- b) without the dispensation, the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business
- c) granting the dispensation is in the interests of persons living in the Council's area
- d) without the dispensation, each member of the Council's executive would be prohibited by Section 31(4) Localism Act 2011 from participating in any particular business to be transacted by the Council's executive; or
- e) it is otherwise appropriate to grant a dispensation.

4.3. The terms of any dispensation shall be in accordance with paragraph 7.

4.4. The Monitoring Officer will notify the Councillor of their decision and reasons in writing at the earliest opportunity and in any event within 5 working days of the decision.

4.5. If the Monitoring Officer feels that it is appropriate to do so, they shall refer the request to the Audit & Governance Committee as soon as is reasonably practicable.

4.6. The Monitoring Officer will report at least quarterly to the Audit & Governance Committee regarding dispensations determined in the previous quarter.

5. Consideration by the Audit & Governance Committee

5.1. The Audit & Governance Committee will consider requests for a dispensation referred by the Monitoring Officer in the order in which they were received and having regard to the criteria set out in paragraph 6.

5.2. Meetings of the Audit & Governance Committee will normally be open to the public and any Councillor who has submitted a request will have the opportunity to attend and make representations in support of their application.

5.3. The Audit & Governance Committee may grant a dispensation if they consider that either

- a) without the dispensation, the number of persons prohibited by Section 31(4) Localism Act 2011 from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business (i.e. the meeting would be inquorate)
- b) without the dispensation, the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business
- c) granting the dispensation is in the interests of persons living in the Council's area

- d) without the dispensation, each member of the Council's executive would be prohibited by Section 31(4) Localism Act 2011 from participating in any particular business to be transacted by the Council's executive; or
- e) it is otherwise appropriate to grant a dispensation.

5.4. The terms of any dispensation shall be in accordance with paragraph 7.

5.5. The Monitoring Officer will notify the Councillor of the Committee's decision and reasons in writing at the earliest opportunity and in any event within 5 working days of the decision.

6. Criteria for determination of requests

6.1. In reaching a decision on a request for a dispensation the Monitoring Officer or the Audit & Governance Committee (as appropriate) will consider:

- a) the nature of the Councillor's interest
- b) the need to maintain public confidence in the conduct of the Council's business
- c) the possible outcome of the proposed vote
- d) the need for efficient and effective conduct of the Council's business
- e) any other relevant circumstances.

7. Terms of dispensations

7.1. Dispensations may be granted:

- a) for one meeting; or
- b) for a period not exceeding 4 years.

7.2. Dispensations may allow the Councillor:

- a) to participate, or participate further, in any discussion of the matter at the meeting(s); and/or
- b) to participate in any vote or further vote, taken on the matter at the meeting(s).
- c) If a dispensation is granted, the Councillor may remain in the room where the meeting considering the business is being held.

8. Disclosure of decision

8.1. Any Councillor who has been granted a dispensation must declare the nature and existence of the dispensation before the commencement of any business to which it relates.

8.2. A copy of the dispensation will be kept by the Monitoring Officer.

10. Appendix A – Items to be included in the request for a dispensation.

- a) Your name:
- b) Decision-making body in respect of which you require a dispensation:
- c) Details of your Councillorship of that body:
- d) The business for which you require a dispensation (refer to agenda item number if appropriate):
- e) Details of your interest in that business:
- f) Date of meeting or time period (up to 4 years) for which dispensation is sought:
- g) Dispensation requested to participate, or participate further, in any discussion of that business by that body: Yes/ No
- h) Dispensation requested to participate in any vote, or further vote, taken on that business by that body: Yes No
- i) Full reasons why you consider a dispensation is necessary (use a continuation sheet if necessary)
- j) Signed:
- k) Dated:
- l) Please send your email with this information to: The Monitoring Officer,
Winchester City Council - monitoringofficer@winchester.gov.uk

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