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| Meeting | Audit and Governance Committee |
| Date and Time | Thursday, 17th July, 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

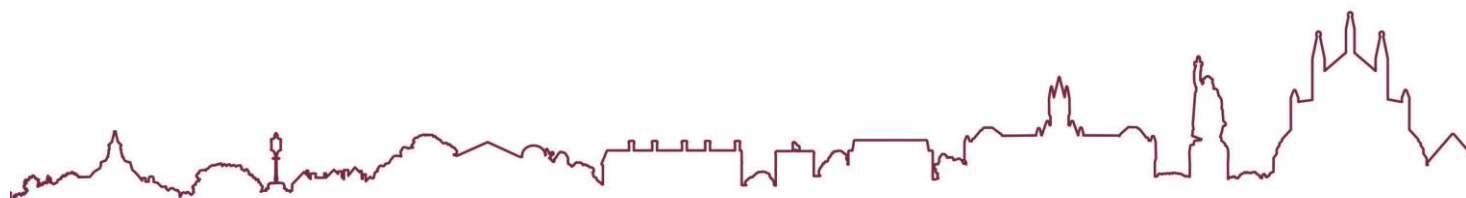
AGENDA

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. Appointment of vice-chairperson for 2025/26 municipal year**
- 4. Chairperson's announcements**

BUSINESS ITEMS

- 5. To note the Audit & Governance work programme 2025/26** (Pages 5 - 6)
- 6. Minutes of the previous meeting held on 25 February 2025** (Pages 7 - 12)



7. **Public Participation**

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

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

Members of the public and visiting councillors may speak at this Committee, provided they have registered to speak three working days in advance. Please contact Democratic Services **by 5pm on Friday 11 July 2025** via democracy@winchester.gov.uk or (01962) 848 264 to register to speak and for further details.

- 8. **External Auditor's report 2023/24 (AG168)** (Pages 13 - 50)
- 9. **External Audit Plan 2024/25 (AG169)** (Pages 51 - 100)
- 10. **Treasury management outturn 24/25 (AG166)** (Pages 101 - 118)
- 11. **Workforce Report 24/25 (AG163)** (Pages 119 - 136)
- 12. **Annual Internal Audit Conclusion 2024/25 (AG164)** (Pages 137 - 164)
- 13. **Internal Audit Charter and Risk Based Plan 2025/26 (AG165)** (Pages 165 - 204)
- 14. **Q4 Governance monitoring 24/25 (AG160)** (Pages 205 - 224)
- 15. **Equality, Diversity & Inclusion - Annual Equality Report 2024/25 (AG161)** (Pages 225 - 246)
- 16. **Annual Governance Statement 24/25 (AG162)** (Pages 247 - 262)
- 17. **Annual Financial Report 24/25 (AG167)** (Pages 263 - 378)

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.



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:

Councillors

Chairperson: Morris (Liberal Democrats)

Vice Chairperson:

Conservatives

Godfrey

Liberal Democrats

Brophy
Chamberlain
Pinniger
Power

Green

Bailey-Morgan

Deputy Members

Conservatives

Bolton and Miller

Liberal Democrats

Aron and Bennett

Green

Lee and Wallace

Quorum = 3 members

PUBLIC PARTICIPATION

Representations will be limited to a maximum of 3 minutes, subject to a maximum 15 minutes set aside for all questions and answers. To reserve your place to speak, you are asked to **register with Democratic Services three clear working days prior to the meeting** – please see public participation agenda item for further details. People will be invited to speak in the order that they have registered, subject to the maximum time period allowed for speaking not being exceeded. Public Participation is at the Chairperson's discretion.

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

| | Item | Lead Officer | Date of Meeting |
|--------|---|---------------|------------------------|
| 1 | External Auditor's report 2023/24 | Liz Keys | 17 Jul 2025 |
| 2 | External Audit Plan 2024/25 | Liz Keys | 17 Jul 2025 |
| 3 | Treasury management outturn 24/25 | Neil Aitken | 17 Jul 2025 |
| 4 | Annual Internal Audit Conclusion report for 2024/25 | Liz Keys | 17 Jul 2025 |
| 5 | Internal Audit Charter and Risk Based Plan for 2025/26 | Liz Keys | 17 Jul 2025 |
| 6 | Annual Governance Statement 24/25 | Simon Howson | 17 Jul 2025 |
| 7 | Equality, Diversity & Inclusion - Annual Equality Report 2024/25 | Simon Howson | 17 Jul 2025 |
| 8 | Q4 Governance monitoring 24/25 | Simon Howson | 17 Jul 2025 |
| 9 | Workforce Report 24/25 | Manjit Sandhu | 17 Jul 2025 |
| 10 | Annual Financial Report 24/25 | Liz Keys | 17 Jul 2025 |
| Page 5 | Q1 Governance Monitoring 25/26 | Simon Howson | 25 Sep 2025 (date tbc) |
| | Treasury management Q1 report 25/26 | Neil Aitken | 25 Sep 2025 (date tbc) |
| 13 | Q2 Governance Monitoring 25/26 | Simon Howson | 27 Nov 2025 |
| 14 | 24/25 Auditor's Annual Report | Liz Keys | 27 Nov 2025 |
| 15 | Treasury management Q2 report 25/26 | Neil Aitken | 27 Nov 2025 |
| 16 | Final Report and Pay Policy Statement 2026/27 | Manjit Sandhu | 27 Nov 2025 |
| 17 | Q3 Governance Monitoring 25/26 | Simon Howson | 5 Mar 2026 |
| 18 | Risk Management Policy 2026/27 | Gareth John | 5 Mar 2026 |
| 19 | Further review of outcome of Standards investigation into complaints against Denmead Parish Council | Gareth John | (date 25/26 tbc) |

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AUDIT AND GOVERNANCE COMMITTEE

Tuesday, 25 February 2025

Attendance:

Councillors
Morris (Chairperson)

Cramoysan
Godfrey

Pinniger
Power

Apologies for Absence:

Councillors Chamberlain

Members in attendance who spoke at the meeting

Councillor Becker (Cabinet Member for Community and Engagement) and
Cutler (Deputy Leader and Cabinet Member for Finance and Performance)

[Video recording of this meeting](#)

1. **APOLOGIES**

Apologies were received from Councillor Chamberlain as noted above.

2. **APPOINTMENT OF VICE-CHAIRPERSON FOR THE MEETING**

RESOLVED:

That, in the absence of Councillor Chamberlain, Councillor Power
be appointed as vice-chairperson for the meeting.

3. **DISCLOSURE OF INTERESTS**

There were no declarations of interest made.

4. **CHAIRPERSON'S ANNOUNCEMENTS**

There were no announcements made.

5. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED:

That the minutes of the previous meeting held 9 January 2025 be
agreed as a correct record.

6. **PUBLIC PARTICIPATION**

There were no members of the public present.

7. **AUDIT RESULTS REPORT 2023-24 (AG154)**
(AG154)

Simon Mathers (EY) introduced the report and responded to Members' questions thereon, including advising that an almost full programme of work had been undertaken on the audit of the 2023/24 accounts and that a disclaimer opinion for the 2023/24 accounts had been issued because of the disclaimer opinion that had been issued for the 2022/23 accounts and its effect on the opening balances for 2023/24. He also explained proposals for further backstop dates in the future. These matters had been reported to previous committee meetings including as part of the Audit Completion report for 2022/23 on 28 November 2024 (AG143 refers).

Members suggested that the format and presentation of the report could be amended to assist with understanding of the results presented. Mr Mathers agreed to give these suggestions further consideration.

The Director (Finance) confirmed that she had worked alongside Mr Mathers to ensure the report was presented accurately and fairly reflected the position of both the council and EY. The audit approach adopted by EY and the use of disclaimed opinions was widespread nationally across all local authorities. It was agreed that a commentary explaining the exceptional circumstances be published alongside the report to aid wider understanding of the situation.

RESOLVED:

1. That the matters presented in the auditor's report (as set out in Appendix 1 of the report) be noted.
2. That the *Letter of Representation* be approved as set out in Appendix 2 of the report.

8. **ANNUAL FINANCIAL REPORT 2023-24 (AG155)**
(AG155)

The Director (Finance) introduced the report and responded to members' questions including confirming that she was content that the statement represented a true and fair view of the council's financial position.

RESOLVED:

1. That the audited Statement of Accounts 2023/24 be approved as set out in Appendix 1 of the report.

2. That the Chair of the Audit & Governance Committee sign the Statement of Responsibilities on page 24 of Appendix 1 of the report to certify the accounts and authorise their issue.

9. **PLANNING FOR AND AUDIT OF THE 24/25 ACCOUNTS (AG156)**
(AG156)

The Senior Technical Account introduced the report and together with the Director (Finance) responded to members' questions on the change to accounting policies relating to the implementation of IFRS 16 Leases.

RESOLVED:

1. That the report be noted in respect of the council's Statement of Accounts for 2024/25.

2. That the changes in accounting policies for the implementation of IFRS 16 Leases be approved.

10. **RISK MANAGEMENT POLICY 2025/26 (AG157)**
(AG157)

The Head of Programme introduced the report, advising that there were no material changes proposed to the policy, risk appetite or process. Paragraph 11.6 summarised the changes since the previous year.

The Head of Programme, Director (Finance), the Senior Programme and Policy Manager together with Councillor Cutler responded to members' questions on the report. The following points were raised for further review by Cabinet:

- a) Consideration about whether to include the requirement for a hot weather plan in Risk CR011;
- b) Consideration about whether the risks relating to Local Government Reorganisation should be included as a new separate risk or as a factor affecting existing risks?

RESOLVED:

That the Cabinet Member for Finance and Performance have regard to the discussion of this committee on the policy and the points outlined above in his presentation of report CAB3500 which would be considered at Cabinet on 13 March 2025.

11. **APPROVAL OF THE INTERNAL AUDIT PLAN AND CHARTER 25-26**
(AG159)
(AG159)

Antony Harvey (SIAP) introduced the report and outlined the reasons for the proposed change in timings, as set out in paragraphs 11.10 to 11.13 of the report.

Mr Harvey and the Director (Finance) responded to members' questions including emphasising that internal audit planning was scheduled on a rolling basis year on year.

RESOLVED:

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 scheduled for 17 July 2025.

12. **EQUALITY, DIVERSITY & INCLUSION (EDI) POLICY FRAMEWORK (AG149)**
(AG149)

The Senior Policy and Programme Manager introduced the report and together with Councillor Becker (who is the lead Cabinet Member for EDI) responded to questions thereon.

In response to members' questions, the wide scope of the protected characteristic relating to disability was explained. In addition, a number of policies would relate to the importance of ensuring no group was excluded due to their inability to access council services digitally.

Councillor Becker asked that Anna Bodman (former Policy and Performance Officer at the council) be thanked for her work on the revised policy. This was agreed.

RESOLVED:

1. That the Equality, Diversity and Inclusion Policy, Strategy and Action Plan 2025-28 be approved as set out in the appendices to the report.

2. That the Equality objectives as set out in paragraph 2 be approved of the Equality, Diversity and Inclusion Strategy 2025-28 (Appendix 2)

13. **Q3 GOVERNANCE MONITORING (AG148)**
(AG148)

The Senior Policy and Programme Manager introduced the report and Antony Harvey (SIAP) introduced Appendix 2.

The Director (Finance) responded to members' questions relating to the disaster recovery incident that occurred on 21 November 2024, a summary of the council's response was included at paragraph 15 of the report. She also responded to questions regarding the council's preparedness in relation to cyber security (paragraph 12.3 of the report).

RESOLVED:

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

14. **DISPENSATION REQUESTS - FUTURE PROCESS (AG158)**
(AG158)

The Director (Legal) introduced the report and responded to members' questions thereon.

RESOLVED:

That authority be delegated 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.

The meeting commenced at 6.30 pm and concluded at 8.40 pm

Chairperson

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REPORT TITLE: EXTERNAL AUDITOR'S REPORT 2023/24

17 JULY 2025

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

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

WARD(S): ALL

PURPOSE

The purpose of the Auditor's Annual Report is to communicate the key issues arising from the external auditor's work to all councillors and external stakeholders, including members of the public.

The council's external auditor EY has now presented their Auditor's Annual Report for 2023/24, which is appended to this report. The report confirms that the auditor did not have sufficient appropriate evidence by the imposed backstop date and issued a disclaimed audit opinion on the financial statements. The report includes commentary on the council's Value for Money (VFM) arrangements and has identified one significant weakness. It also details the proposed fees for the audit.

The receipt of the Auditor's Annual Report marks the conclusion of the external audit work in relation to the 2023/24 financial year. The letter has been discussed with officers and is published on the council's website.

RECOMMENDATIONS:

1. That the committee:
 - a. takes the opportunity to discuss the contents of the Annual Audit Report 2023/24 and raises any issues with the External Auditors; and
 - b. confirms its acceptance of the Annual Audit Report 2023/24.

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Winchester City Council Auditor's Annual Report

Year ended 31 March 2024

April 2025

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

7 April 2025

Dear Audit and Governance Committee Members
2023/24 Auditor's Annual Report

We are pleased to attach our Auditor's Annual Report including the summary of our audit of the financial statements and our final commentary on the Value for Money (VFM) arrangements for Winchester City Council. This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2023/24.






This report is intended to draw to the attention of the Council's any relevant issues arising from our work. It is not intended for, and should not be used for, any other purpose.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 17 July 2025.

Yours faithfully

Simon Mathers
Partner
For and on behalf of Ernst & Young LLP
Encl

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| 01 | Executive Summary | 02 | Audit of the financial statements | 03 | Value for Money Commentary | 04 | Other reporting issues | 05 | Appendices |
|  | |  | |  | |  | |  | |

Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website ([Statement of responsibilities of auditors and audited bodies \(from 2023/24 audits\) - PSAA](#)). 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 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 Audit and Governance Committee and management of Winchester City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



BOARDROOM



01 Executive Summary



Executive Summary

Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year and the value for money commentary, including confirmation of the opinion given on the financial statements and, by exception, reference to any reporting by the auditor using their powers under the Local Audit and Accountability Act 2014. In doing so, we comply with the requirements of the 2024 Code of Audit Practice (the Code) published in November 2024 and the supporting guidance of the National Audit Office (NAO) published within their Auditor Guidance Note 3 (AGN 03). This commentary aims to draw to the attention of the Council and the wider public relevant issues from our work including recommendations arising in the current year and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

The 2024 Code paragraph 4.10 has suspended the requirement to issue an auditor's annual report by 30 November. It states that auditors may exercise judgement to determine when to issue their annual report including their commentary on arrangements to secure value for money.

Responsibilities of the appointed auditor

We have undertaken our 2023/24 audit work in accordance with the Audit Plan that we issued on 14 February 2024. We have complied with the NAO's 2024 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- the 2023/24 financial statements;
- conclusions relation to going concern; and
- the consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- if the annual governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- any significant matters or written recommendations that are in the public interest; and
- if we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Executive Summary (continued)

2023/24 Conclusions

Financial statements

The audit of the financial statements for the year ended 31 March 2023 for Winchester City Council was not completed for the reasons set out in our disclaimer of opinion on those financial statements dated 6 December 2024.

Our planned audit work in the current year was focused on transactions in the year and the current year balance sheet.

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). Further time would have been 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 therefore concluded that we had insufficient time to further consider representations from the valuer on key inputs and assumption which we 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 were unable to complete our audit procedures on property, plant and equipment asset balances carried at existing use value and fair value (2023/24 £60.56 million, 2022/23 £55.19 million) and investment property (2023/24 £71.65 million, 2022/23 £71.03 million).

As a result of the disclaimer of opinion in the prior year and the backstop date, we also do not have sufficient appropriate audit evidence over the following:

- in the balance sheet and accompanying notes: the opening balances, closing reserves position and the valuation of property assets held at valuation;
- in the comprehensive income and expenditure account and accompanying notes: comparatives and income and expenditure transactions that are impacted by the opening balances shown in the prior year balance sheet.
- in the cash flow statement and accompanying notes: opening balances, comparatives and in-year cash flow movements that are calculated as a movement between the opening and closing balance sheet.
- in the collection fund and accompanying notes: opening balances, comparatives and in-year movements that are calculated as a movement between the opening and closing balance.
- in the housing revenue account and accompanying notes: opening balances, comparatives and in-year movements that are calculated as a movement between the opening and closing balance.


In addition, 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.

We therefore issued a disclaimed 2023/24 audit opinion on 26 February 2025.

Executive Summary (continued)

2023/24 Conclusions

| | |
|--|---|
| Consistency of the other information published with the financial statements | Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts. |
| Value for money (VFM) | We have identified one significant weakness in the Council's arrangements for the year ended 31 March 2024. We have included our VFM commentary in Section 03. |
| Consistency of the annual governance statement | We were satisfied that the annual governance statement was consistent with our understanding of the Council. |
| Public interest report and other auditor powers | We had no reason to use our auditor powers. |
| Whole of Government Accounts | We have not yet concluded the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as the NAO has not yet confirmed the final reporting position and whether any questions will be raised on individual returns. We cannot issue our Audit Certificate until these procedures are complete. |
| Certificate | We will issue our certificate following the conclusion of the objection and completion of Whole of Government Accounts procedures. |



Executive Summary (continued)

Value for Money

Scope

Auditors are required to be satisfied that Winchester City Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report.

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

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- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

Executive Summary (continued)

Value for Money (continued)

Reporting

Our commentary for 2023/24 is set in section 03. The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2023/24.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our Audit Results Report presented to the Audit and Governance Committee in February 2025.

In accordance with the NAO's 2024 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures and whether we have concluded that there is a significant weakness in the body's arrangements.

| Reporting Criteria | Risks of significant weaknesses in arrangements identified? | Actual significant weaknesses in arrangements identified? |
|---|---|---|
| Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services | No significant risks identified | No significant weakness identified |
| Governance: How the Council ensures that it makes informed decisions and properly manages its risks | Risk of significant weakness identified | Significant weakness identified |
| 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 | No significant risks identified | No significant weakness identified |

Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members 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 the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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 30 June 2024:

[EY UK 2024 Transparency Report | EY - UK](#)



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02 Audit of the financial statements

Audit of the financial statements

Key findings

The Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 26 February 2025, we issued a disclaimed opinion on the financial statements.

We reported our audit scope, risks identified and detailed findings to the 25 February 2025 Audit and Governance Committee meeting in our Audit Results Report. We outline below the key issues identified as part of our audit in relation to the significant risk areas. The findings for each of the accounts areas are set out in the Audit Results Report in Appendix A. We reported a number of internal control recommendations and management responses in the Audit Results Report, which we will follow up as part of our 2024/25 audit.

| Significant risk | Conclusion |
|--|---|
| Misstatements due to fraud or error – Management override of controls | We did not identify any material weaknesses in the recognition of expenditure. We did not identify any instances of inappropriate judgements or estimates being applied. Our work did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business. |
| Misstatements due to fraud or error – inappropriate capitalisation of revenue expenditure | Our work did not identify any material weaknesses in controls or evidence of material management override concerning the capitalisation of revenue expenditure. Our work did not identify any instances of inappropriate judgements being applied. |
| Land and building valuation - Property, Plant & Equipment (PPE) and Investment Property (IP) | <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 had 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 had insufficient time to consider whether potential errors were more pervasive across the untested population. Consequently, we did not carry out any additional procedures. We raised one associated control recommendation for improvement which was accepted by management.</p> <p>We identified no issues with the valuation of assets carried at depreciated replacement cost.</p> |



Audit of the financial statements

Key findings (continued)

| Other risks / areas of audit focus | Conclusion |
|------------------------------------|---|
| Pension Liability | <p>The Code of Accounting Practice requires extensive disclosures regarding the Council's pension liability balances. The accounting requires significant estimation and judgement, with management engaging an actuary to undertake the calculations on their behalf.</p> <p>We assessed the work of the Pension Fund Actuary, relying on the work of PWC and the EY Actuarial team, as well as the EY Pensions Specialist. The work of our EY Pension Specialist identified a misstatement in the assumptions adopted by the Pension Fund Actuary such that a further IAS 19 report was required to be obtained by the Council. This resulted in an adjustment being required to the pension liability of £4.69 million which was made in the final financial statements.</p> |



03 Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The 2023/24 financial year has featured some of the most severe pressures faced for many years. Public services are under significant strain, with ongoing funding uncertainty, further compounded by increased demands for vital services and the highest inflation in four decades. These pressures are not unique to Winchester City Council and are affecting all Local Government bodies. The Council have a history of being able to set a balanced budget and have delivered surpluses for several years, allowing them to build additional reserves in preparation for potential future deficits. Earmarked reserves have grown to £41.3m as at 31 March 2024 (£38.2m as at 31 March 2023). The Council has a policy of setting a minimum General Fund Reserve at £2m (currently maintained at £2.78m as of 31 March 2024).

The medium-term financial plan (MTFP) for 2023/24 onwards was taken to Cabinet in November 2023 which indicated a balanced budget in 2023/24. As per the outturn report in relation to 2023/24, the final net surplus of £0.896m was transferred to earmarked reserves. The MTFP showed a projected annual budget shortfall of £3.42m in 2026/27, rising to a shortfall of £5.66m by 2028/29. This is an increase in the forecast deficit to the £3m gap reported in the November 2022 MTFP. However, the MTFP is showing a sound and stable position for the Council for the next two financial years through to April 2026. This gives it a limited window of opportunity to address the forecast deficits from 2026 onwards.

In response to the financial challenges, Cabinet took action and initiated an organisation-wide transformation programme to seek out and to deliver transformational changes to the way services are delivered in order to save £3m a year within 3 years: 'Transformation Challenge 2025' (TC25). This is a comprehensive and detailed review of the operating model for the delivery of all services designed to deliver the necessary savings and protect the core services for those residents and customers in the greatest need. An initial strategic budget review in relation to TC25 identified 12 themes for consideration. TC25 has been 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 have also recently been appointed to drive the programme and ensure success can be achieved and measured.

The Council has borrowings of £159m. These are from the PWLB (part of the UK Treasury) and relates solely to the Housing Revenue Account. There is no other external borrowing. This level of borrowing is not considered unusual for a body of Winchester's size and is backed by its housing stock assets.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

Primary oversight in relation to making decisions and managing risk lies with the Council's Cabinet or Full Council in accordance with the Council's constitution. Cabinet are supported by several other committees, who are informed by detailed reports produced by officers. There is an established Scrutiny Committee and Audit & Governance Committee which is the body formally charged with governance at the Council. The role of the Scrutiny Committee is to hold the Cabinet to account, review decisions made or actions taken in connection with the discharge of any of the Council's functions (including executive functions), and to monitor performance of the Council. The Audit & Governance Committee considers the work of both internal and external audit and the adequacy of risk management arrangements, and governance functions, for example promoting and maintaining high standards of conduct by Councillors and any co-opted members and assisting the Councillors and co-opted members to observe the Members' Code of Conduct.

The budget is reviewed by the Scrutiny Committee before being put forward for Cabinet and Full Council for approval. While the budget scrutiny comes from top down, there is also a bottom-up approach, with meetings held with managers where they put forward proposals for budget growth as they see appropriate, based on their knowledge and forecasts.

In order to make informed decisions with the latest information, the budget is reviewed quarterly. Trends and changes are then considered in the next budget setting.

There is a requirement to monitor expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis, as part of the Council's overall financial and performance management reporting process. The Council's financial performance (revenue and capital), savings delivery and business performance are formally reported quarterly through a quarterly Financial and Performance monitoring report.

The Council have a risk register that is regularly kept up to date to ensure risks are identified and mitigations are put in place to ensure the risks to the Council are reduced to an acceptable level. The Corporate Risk Register is managed by the Council's Executive Leadership Board (ELB) with an owner from the ELB assigned to each risk to ensure risk monitoring and actions are being implemented. There are a number of 'red' risks within the risk register for 2023/24 which we considered as part of our value for money risk assessment. These are risks that we would expect to see for the Council and are not an indication of a weakness in governance arrangements.

The Council have an Internal Audit function which tests whether the controls in place to manage risk are effective. During 2023/24, Internal Audit have issued an overall opinion of "reasonable" assurance, with four limited assurance opinions out of 18 reviews completed for the period.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks (continued)

Significant weakness identified

The Council commissioned 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.

Weaknesses were highlighted in governance and strategic oversight and data management within the Council's property services. Specifically:

- 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 are being achieved. Fundamentally, there is a disconnect between strategic and operational levels.
- Housing 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.

The review also concluded that the Council is not currently meeting the Regulator of Social Housing's Safety and Quality Standard. An action plan has been developed by the Council in January 2025 to address the issues raised by the review. The housing service has also self-referred to the Regulator of Social Housing to ensure that compliance with the requirements of the Social Housing Regulation Act 2024 are achieved as soon as possible through the delivery of the action plan.

Conclusion: We consider that the findings of the review of arrangements to assess and ensure compliance with legal and regulatory requirements for all Housing Revenue Account properties owned or managed by the Council is evidence that the Council did not have adequate governance arrangements in the period in relation to the following VFM sub-criteria:

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

Value for Money Commentary (continued)

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

No significant weakness identified

The Council produces a report of its Strategic Key Performance Indicators within their Quarterly Performance Reports. These KPIs are linked back to the key priorities within the Corporate Plan. The scorecard is used to flag areas of required improvement, devise actions to address any weakness identified and monitor progress. KPIs are given RAG ratings to clearly identify those items that are underperforming or needing closer monitoring.

The Council produces certain documents throughout the year which give the stakeholders, i.e. the public, employees etc an understanding of how the Council is performing, i.e. budget reports. The Scrutiny Committee and Cabinet are responsible for considering reported performance against the KPIs and ensuring effective and efficient mitigating actions are taken to ensure targets set are being met.

Page 32 There is a 'Transparency' section on the Council website, which gives the public the ability to review the Council expenditure, enabling the Council to be open to scrutiny. Winchester City Council purchases goods and services from a variety of suppliers. Details of procurement activity are documented on the Council website, which includes details on the terms and conditions and general procurement process. The Council also has a contract management framework to ensure contracts are delivering best value and to foster long-term collaborative relationships with suppliers that strive for continuous improvement in service delivery and efficiencies.

The Internal Audit function tests whether the controls in place are effective. There are regular committee meetings to discuss Council performance, and any issues can be raised as part of those meetings.

The Council is making further use of its monitoring information on performance and outcomes as part of its TC25 programme in order to reduce £3m of baseline costs in the medium term.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



04 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

| Reporting criteria considerations | Arrangements in place |
|---|---|
| How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them | <p>Winchester City Council has various methods in place to ensure it can identify financial pressures, including keeping updated budget reports, to ensure the Council is on plan to meet budget requirements. The Council has a Narrative Statement which shows the annual comparison between budgeted and actual Income & Expenditure, which assists in showing whether there are financial pressures.</p> <p>A going concern note is also prepared within the accounts, which details levels of cash and reserves which are currently strong.</p> <p>Regular meetings are held, and minutes are available on the Council’s website showing this, and any financial issues would be discussed here. A risk register is kept and updated, and one example from the risk register is Lack of sufficient funding and/or escalating costs over the medium term reducing financial viability and inability to achieve a balanced budget, and the potential impact this could have on Council Taxpayers and services that are provided.</p> <p>There are ongoing financial pressures in the local government sector, which has resulted in several councils making significant commercial investments using cheap borrowing through the ‘Public Works Loan Board’ (PWLb). PWLB is part of the UK treasury and makes loans to local authority at 80BPS above the equivalent UK government Gilt rate. PWLB is also a non-discretionary lender. Winchester, holds PWLB Borrowing of £159.79m, all of which relates to the HRA. The General Fund currently has no external/PWLB borrowing. As at 31/3/23 borrowing (all PWLB) stands at:</p> <ul style="list-style-type: none">• Long-term borrowing - £154.49m• Short-term borrowing - £5.27m <p>The Council holds a portfolio of investment properties but has not pursued investments in riskier commercial ventures.</p> |

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

| Reporting criteria considerations | Arrangements in place |
|---|---|
| How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (continued) | <p>The Council has not flagged a material uncertainty in the going concern basis of preparation disclosure in its 2023/24 financial statements and supported this assessment with a cashflow forecast extending out to December 2026.</p> <p>The general assumptions underpinning the annual budget and medium-term financial plan are summarised below:</p> <ul style="list-style-type: none">• New Homes Bonus will continue in 2024/25 and will be at the same level as in 2023/24• No reset of business rates or changes to the current funding distribution system until 2026/27• Damping funding will be available to compensate for lost grant from 2026/27 (to be phased out over a 3-year period)• Council tax referendum limits for districts are expected to remain at up to 3%• General annual tax base increase of 1.2%, which has been temporarily uplifted to 2.2% for 2024/25• 6.7% inflation increase on contracts and 4% on pay <p>The Council out-turned a net surplus of £0.896m for 2023/24 which was transferred to earmarked reserves.</p> |
| How the body plans to bridge its funding gaps and identifies achievable savings | <p>The Council has a policy of setting a minimum General Fund Reserve at £2m as per its risk register. The actual General Fund Reserves was £2.78m as of 31 March 2024. There are also a number of earmarked reserves with a total balance of £41.30m (at 31 March 2024) to meet specific liabilities when they fall due.</p> <p>The Council set a balanced budget for 2023/24 and more recently for 2024/25.</p> <p>The most recent MTFP produced in 2024/25 forecast deficit positions of £Nil, £Nil and £3.42m in 24/25, 25/26 and 26/27 respectively. This evidences that management have a process for identifying funding gaps and bridging these gaps as required.</p> <p>The option to not implement savings proposals and to rely on reserves to meet projected shortfalls has been considered but ultimately not recommended to Cabinet. The Council considers that uncertainty regarding future funding makes it essential to retain a reasonable level of operational reserves. This is particularly important when the existing commitments from these reserves are recognised and their importance in supporting the capital programme.</p> |

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

| Reporting criteria considerations | Arrangements in place |
|---|---|
| How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities | <p>The annual budget and MTFP sit alongside and facilitate the Council's Corporate Plan for 2020-25. The Council Plan was developed collaboratively with elected members, staff, partners and other stakeholders to prioritise the most important areas the Council needs to focus on in the future. This is done for the Council's limited resources to be spent on the areas where it is needed most. It considered in parallel with the budget. As it is aligned to the budget and MTFP, it is intended to act as the framework in which investment decisions can be made based on agreed priorities and the outcomes the Council wants to achieve.</p> <p>The Council's overriding objective is to provide services to residents in the area. The corporate plan details the overall vision of the Council, with its main priorities being:</p> <ul style="list-style-type: none">• Tackling the climate emergency and creating a greener district• Homes for all• Vibrant local economy• Living well• Your services. Your voice <p>The process of preparing the budget involves using approved MTFP and updating with more detailed information as this becomes known. The financial and delivery performance against the corporate plan priorities is reported quarterly. The quarterly finance performance monitoring report also provides monitoring of the overall financial performance against budget, capital spend and project management reports. Where this performance information suggests a financial impact, this is reflected within the proposed budget.</p> |

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

Arrangements in place

Also see the commentary above which details how the MTFP and budget are derived. Other plans work alongside the budget and MTFP to ensure that financial monitoring is incorporated into them so that the body works efficiently and effectively towards to same strategic objectives.

The Council has a Treasury Management strategy relating to the management of the its cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the council's prudent financial management. Treasury risk management at the Council is conducted within the framework of the CIPFA Code which requires the approval of a Treasury Management Strategy Statement (TMSS) before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. Hampshire County Council's Investments & Borrowing Team has been contracted to support with treasury management activity since September 2014, but overall responsibility for this remains with the Council.

Treasury Management is monitored quarterly through the Treasury Management Quarterly updates to the Audit & Governance Committee. The 2023/24 outturn shows £1.7m of investment income on an average investment portfolio of £33.8m, therefore giving a yield of 5%, against a budget of £1.5m. This was primarily due to much higher interest rates receivable than anticipated when the 2023/24 budget was set.

The Capital Investment Strategy sets out the council's capital spending programme and the principles which underpin this in order to deliver the desired priorities as set out in the Council Plan. The strategy details the overall programme for the next 10 years, how this will be financed, and the impact of the programme on the council's MTFP.

An example of the other plans being incorporated into budgets is evidence by the HRA budget. This budget includes details of the HRA capital programme, with increases of £212m to help build new homes. This also fits in the with Corporate plan priority of Homes for All.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Arrangements in place

The Council has regular reviews and monitors potential risks to financial resilience. We consider there to be no specific risks to the Council that are outside the normal risks faced by all local government bodies. The main risks to the Council's financial resilience are driven by:

- Reduced Government funding
- Macro economy, including war in Ukraine, leading to higher energy prices and high inflation
- Reliance on strategic partners to deliver services and projects and inflationary pressures incorporated into contract prices
- Failure to achieve income targets

The Council maintains a Corporate Risk Register in which it highlights the risk of lack of sufficient funding and/or escalating costs over the medium term reducing financial viability. This risk register is monitored and updated regularly to incorporate any emerging issues on unplanned changes.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2023/24.

| Reporting criteria considerations | Arrangements in place |
|--|--|
| How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud | <p>The Council has sought to develop systems to identify, evaluate and mitigate risks which threaten its Council's ability to meet its objectives to deliver services to the public. To ensure that risks are appropriately mitigated, a Risk Register has been developed. These risks are regularly reviewed by the Council.</p> <p>This details the risks facing the Council and the impact on critical services. The Corporate Risk Register is managed by the Council's Executive Leadership Board (ELB) and updated for newly stated risks and ongoing matters on a regular basis. Risk owners for corporate risks are generally a member of ELB. This risk register is included with the Risk Management Policy and formally agreed 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. The Council's methods to identify and manage risks, include:</p> <ul style="list-style-type: none">• Service Lead 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.• Strategic direction, policies and procedures are provided by the council's oversight functions (e.g. Finance, Legal Services, Procurement and HR). These teams are responsible for designing 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.• 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. <p>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.</p> |

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

| Reporting criteria considerations | Arrangements in place |
|--|---|
| How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud (continued) | <p>There is an established internal audit function, performed by the Southern Internal Audit Partnership (SIAP), annual programme of work and an annual opinion on internal control is given by the Head of Internal Audit. There is also an Internal Audit Charter which describes the purpose, authority and responsibility of internal audit activity.</p> <p>The Head of Internal Audit opinion for 2023/24 was 'Reasonable' for governance, risk management and management control.</p> <p>We have reviewed the risk register for March 2024 as taken to Cabinet. The key risks (red rated) identified in the risk register relate to:</p> <ul style="list-style-type: none">• Availability of suitable sites to meet the strategic need for building new homes• Failure to effectively respond to the Climate Change Emergency and reduce the Council and district carbon emissions• Nutrient neutrality - Phosphates <p>Risk areas within the remit of our VfM work, including effective partnership working, financial viability, business continuity and cyber security are all considered to be medium risks due to the mitigations the Council have been able to put in place, which include the regular performance monitoring that occurs in each of these areas. Financial risks are rated as a medium risk in the s151 Officer's judgement due to the mitigating effect of the TC25 programme. The Council's good levels of reserves also mitigate financial risks should unforeseen circumstances occur.</p> <p>The Council has an established anti-fraud and corruption strategy, anti-money laundering policy and whistle-blowing arrangements that are accessible on its website.</p> <p>In FY2024/25 the Council commissioned an external review of its arrangements to assess and ensure compliance with legal and regulatory requirements for all Housing Revenue Account properties owned or managed by the Council. This resulted in an overall rating of no assurance due to weaknesses in governance and data quality. We considered this to be a significant weakness in the Council's governance arrangements in this area.</p> |

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

| Reporting criteria considerations | Arrangements in place |
|---|---|
| How the body approaches and carries out its annual budget setting process | <p>The budget is derived both bottom-up and top-down. The original budget for 2023/24 plus any in year permanent budget approvals is rolled forward as a starting budget for 2024/25. Meetings are then held with managers where they make changes to the starting budget as they see appropriate, based on their forecasts. Changes are brought back to Finance for challenge, before being reviewed further by the Scrutiny Committee. The budget is reviewed quarterly, and trends and changes are then considered in the next budget setting.</p> <p>The Council have a policy/aim of maintaining the general fund balance at the minimum reserve level of £2m. In addition to the general fund balance, the Council also hold a number of earmarked reserves to cover unexpected liabilities/increases in costs. For example, it holds a transitional reserve to mitigate the risk of future budget shortfalls, and a 'Greener Faster' reserve be used to support the Council's response to the climate emergency, and their move towards being carbon neutral. The Council's aim, therefore, is to decrease the general fund balance to the minimum level whilst maintaining sufficient earmarked reserves to cover its risk exposure.</p> <p>As at 31 March 2024 the Council's reserves position as recorded within its financial statements was:</p> <ul style="list-style-type: none">• General Fund: £2.78m• Earmarked Reserves: £31.30m <p>A further £8.38m was also held in the Capital Receipts Reserve which is available for use to support the future capital spending of the Council.</p> |

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

| Reporting criteria considerations | Arrangements in place |
|--|--|
| How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed | <p>The s151 Officer is responsible for providing appropriate financial information to enable both the revenue budgets and the capital programme to be monitored effectively. There is a requirement to monitor expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis, as part of the Council's overall financial and performance management reporting process. It is the responsibility of Strategic Directors and Heads of Service to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Finance team. They should report on variances within their own areas, take any action necessary to avoid exceeding their budget allocation and alert the s151 Officer to any problems.</p> <p>The Council's financial performance (revenue and capital), savings delivery and business performance are formally reported quarterly through a Financial and Performance Monitoring Report. The report combines both financial and service performance monitoring to provide a complete view of the Council's performance and includes:</p> <ul style="list-style-type: none">• Council Plan 2020-25 progress update• Financial update• Strategic Key Performance Indicators• Programme and Project Management – Tier 1 project highlight reports• Notes from Performance Panel (part of the Scrutiny Committee) <p>As part of the process, current and proposed corrective actions to address financial and performance risks are also reported.</p> <p>There is also an internal audit function which provides a year-end report to confirm that controls are in place and operating effectively. For 2023/24 one limited assurance internal audit review was issued relating to Cyber Security. Some actions have already been taken by management to address the adverse findings of that review, although further work is required to fully address all of the issues raised.</p> |

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

| Reporting criteria considerations | Arrangements in place |
|---|---|
| How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee | <p>Decisions are taken by the committees of the Council, and are informed by detailed reports produced by officers, with key decisions on Council Policy taken by the Cabinet or Full Council in accordance with the Council's constitution. There is an established Scrutiny Committee and Audit & Governance Committee which is the body formally charged with governance at the Council. The role of the Scrutiny Committee is to hold the Cabinet to account, review decisions made, or actions taken in connection with the discharge of any of the Council's functions (including executive functions), and to monitor performance of the Council. The Audit & Governance Committee combines both audit functions, for example considering the work of both internal and external audit and the adequacy of risk management arrangements, and governance functions, for example promoting and maintaining high standards of conduct by Councillors and any co-opted members and assisting the Councillors and co-opted members to observe the Members' Code of Conduct.</p> <p>Decision makers are required to act within the Council's Standing Orders and scheme of delegation which makes provision for legal and constitutional advice to inform such decisions. The Council's Constitution contains a number of check points at which officers are able to identify whether decisions are being taken in compliance with the prescribed rules which ensure legal compliance.</p> |

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

| Reporting criteria considerations | Arrangements in place |
|---|---|
| How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests) | <p>The responsibilities and statutory requirements of all officers and members is embedded in the Constitution. All significant actions by the Council which may have legal implications either require authorisation by the Monitoring Officer or individuals specifically delegated to act on behalf of the Monitoring Officer as set out in the Council's decision-making rules.</p> <p>The Council has also adopted a Code of Corporate Governance (the Code) which is a framework based on guidance published in April 2016 by the Chartered Institute of Public Finance Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) around 'Delivering Good Governance in Local Government'. The Code is underpinned by the 7 core principles in the CIPFA/SOLACE framework, and is comprised of policies, procedures, behaviours and values by which the authority is controlled and governed. These Code provide the structures and guidance that members and employees require in order to ensure effective governance across the Council. It also sets out the Council's expectations and arrangements in place to help ensure that the Council conducts its business in accordance with the law and proper standards. One of its objectives is to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.</p> <p>There is an established Employee Code of Conduct, Member Code of Conduct and Protocol for Member/Officer Relations. The Members' code of conduct is also set out in Part 5 of the Constitution. Both members and officers are required to declare related party interests which we consider as part of our work to gain assurance over related party transactions. Member interests are publicly available on the Council's website.</p> <p>We considered that the findings of the external review of arrangements to assess and ensure compliance with legal and regulatory requirements for all Housing Revenue Account properties owned or managed by the Council previously mentioned as part of this summary of arrangements was evidence that the Council did not have adequate arrangements for this VFM sub-criterion.</p> |

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

| Reporting criteria considerations | Arrangements in place |
|---|--|
| How financial and performance information has been used to assess performance to identify areas for improvement | <p>The Council produces a report of its Strategic Key Performance Indicators within their Quarterly Performance Reports. These KPIs are linked back to the key priorities within the Corporate Plan. The KPIs are organised into five strategic themes: Tackling Climate Emergency; Living Well; Homes for all; Vibrant Local Economy; Your Services Your Voice. The scorecard is used to flag areas of required improvement, devise actions to address any weakness identified and monitor progress.</p> <p>The Scrutiny Committee and Cabinet are responsible for considering reported performance against the KPIs and ensuring effective and efficient mitigating actions are taken to ensure targets set are being met.</p> |
| How the body evaluates the services it provides to assess performance and identify areas for improvement | <p>As set out above, service performance against Council priorities is considered regularly throughout the year through the Quarterly Financial Monitoring Report. Monitoring arrangements therefore present a complete picture of both business and financial performance. This enables the Council to identify services or capital programmes that are not performing as expected by reference to KPI outcomes against targets which are based on the Council's strategic priorities as per the Corporate Plan. KPIs are given RAG ratings to clearly identify those items that are underperforming or perhaps require closer monitoring. The Council continues to monitor and review its corporate priorities and MTFP to ensure that the plan and KPI's are aligned to the changing environment.</p> |
| How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve | <p>The Council's decision-making cabinet and committee meetings are all held in public and live streamed to the Council's YouTube channel, enabling stakeholders and the public to both participate and review, and gain an understanding of Council business and decision making. The Council produces certain documents throughout the year which give the stakeholders, i.e. the public, employees etc an understanding of how the Council is performing, i.e. budget reports.</p> <p>The annual statements are also available once audited to the public, which include the narrative/governance statement, which provides transparency to the public. There is also a 'Transparency' section on the Council website, which gives the public the ability to review the Council expenditure, enabling the Council to be open to scrutiny.</p> <p>Section 35 of the Constitution sets out that "no Partnership or Joint Venture Arrangement shall be entered into by the Council except with the approval of Cabinet or under the Portfolio Holder Decision Notice Scheme".</p> <p>There is also a governance structure in place to ensure performance expectations are met.</p> |



Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

| Reporting criteria considerations | Arrangements in place |
|---|---|
| How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits | <p>Winchester City Council purchases goods and services from a variety of suppliers. Details of procurements are documented on the Council's website which also includes details on the terms and conditions and general procurement process. The Council also has a contracts management framework to ensure contracts are delivering best value and to foster long-term collaborative relationships with suppliers that strive for continuous improvement in service delivery and efficiencies.</p> <p>All procurement processes and contract awards must comply with the Council's Contract Standing Orders (CSOs) set out in Part 4.7 of its Constitution which also set out the limited circumstances and processes that need to be followed for those requirements to be waived.</p> <p>There is an internal audit function that tests whether the controls in place are effective. There are regular committee meetings to discuss the Council performance, and any issues can be raised here.</p> |

Appendix B – Summary of recommendations

Recommendations from our 2023/24 Audit Results Report

The table below sets out the recommendations raised in our Audit Results Report as part of our audit of the 2023/24 financial statements. All recommendations were agreed by management.

| Issue | Recommendation | Management response |
|---|---|---|
| Land and Building valuation | Management should continue to challenge both the key inputs and assumptions used in the valuation and the outputs from its professional valuer. | Officers will continue to challenge both the key inputs and assumptions used in the valuation and the outputs from its professional valuer. |
| Vehicle, plant and equipment asset identification | Management to review the existence of assets recognised in its fixed asset register and accounts. | Officers will undertake a review of all fully depreciated vehicles, plant, and equipment assets and, where it is not possible to confirm their existence, will dispose of in them in the 2024/25 accounts. As the assets are fully depreciated, this will have no impact on the council's balance sheet |

Appendix C – 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:

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- 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.

| | 2023/24 | 2022/23 | 2021/22 |
|---------------------------------------|------------------|------------------|------------------|
| | £ | £ | £ |
| Total Fee – Scale Fee | £157,826 | 55,103 Note 2 | 43,379 |
| Scale fee adjustment (except 2022/23) | 59,265 Note 3 | | 25,454 Note 1 |
| Total audit fees | 217,091 | TBC | 68,833 |

All fees exclude VAT

(1) As reported in our 2021/22 Audit Results Report, we submitted a proposal to PSAA for rebasing of the 2021/22 scale fee and for scale fee variations. The total value of the additional fee request submitted to PSAA, including both rebasing and scale fee variation elements was £31,835. Of this PSAA actually determined an amount of £25,454 which has now been paid by the Council.

(2) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC (now MHCLG), PSAA has used its fee variation process to determine the final fee for 2022/23 VFM of £19,376 which has been accepted by the Council. The determination of the final fee for 2022/23 work outside of VFM remains outstanding with PSAA.

(3) The 2023/24 work is now complete and we intend to submit a proposal to PSAA for a scale fee variation totalling £59,265. This final fee includes an adjustment for the following areas:

- Additional procedures to implement the revised ISA 315 (UK) auditing standard as originally set out in our Audit Planning Report, totalling £14,516.
- Additional procedures to consider the Council's readiness for the implementation of IFRS 16 as originally set out in our in our Audit Planning Report, totalling £2,806.
- Work performed by EY Pensions to review the assumptions used in the Pensions Liability alongside additional work performed by the EY Audit Team to review the revised IAS 19 report requested from the Pension Fund Actuary, as a result of the misstatement detailed on page 13 of this report. This totals £7,952.
- Work performed by EY Real Estate (EYRE) to review the assumption used in PPE and IP valuations and additional procedures performed by the audit team and EYRE due to issues noted around the key inputs and assumptions used in the valuation PPE and IP valued at EUV and FV. This totals £18,200.
- Work performed by audit team on VFM risk of significant weakness, totalling £5,597.
- Additional work performed by audit team and EY Forensics and Integrity Services on potential non-compliance with law and regulation totalling £10,194.

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ED None

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REPORT TITLE: EXTERNAL AUDIT PLAN 2024/25

17 JULY 2025

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

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

WARD(S): ALL

PURPOSE

This report details the indicative 2024/25 Audit Strategy and Annual Audit Fees proposed by the council's external auditors, Ernst & Young LLP (EY).

The indicative fee £172,922 for the 2024/25 audit work is at the level of the scale fees set by Public Sector Audit Appointments Ltd (PSAA) for each audited body that has opted into its national auditor appointment scheme.

The auditors have submitted a proposal for a scale fee variation of £69,265 in relation to their work on the 2023/24 accounts, this is subject to approval by PSAA.

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

RECOMMENDATIONS:

That the Audit and Governance Committee:

1. Notes the external auditor's Audit Strategy for 2024/25 and the impact of the disclaiming of the 2023/24 audit opinion.
2. Approves the indicative 2024/25 annual audit fee.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

None

2 FINANCIAL IMPLICATIONS

2.1 The planned scale fee for the audit of the 2024/25 accounts is £172,922. The scale fee set by PSAA (Public Sector Audit Appointments) has increased from the 2023/24 scale fee of £157,826. The scale fees have increased for additional work in relation to changes in audit requirements and adjustments for inflation of 3.4%.

2.2 The auditors have submitted a proposal for a scale fee variation of £69,265 in relation to their work on the 2023/24 accounts, this is subject to approval by PSAA.

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

3 LEGAL AND PROCUREMENT IMPLICATIONS

3.1 The Audit and Accounts Regulations 2015 require the council to publish the annual Statement of Accounts, the narrative statement and the annual governance statement, together with any external audit opinion by a specified date. The publication deadline for the 2024/25 Annual Financial Report is 27th February 2026.

4 WORKFORCE IMPLICATIONS

None

5 PROPERTY AND ASSET IMPLICATIONS

None

6 CONSULTATION AND COMMUNICATION

None required

7 ENVIRONMENTAL CONSIDERATIONS

None

8 PUBLIC SECTOR EQUALITY DUTY

None.

9 DATA PROTECTION IMPACT ASSESSMENT

None required

10 RISK MANAGEMENT

None

11 SUPPORTING INFORMATION:

None, this is an external report.

12 OTHER OPTIONS CONSIDERED AND REJECTED

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

BACKGROUND DOCUMENTS:

Previous Committee Reports:

None

Other Background Documents:

None

APPENDICES:

Appendix 1 – EY Audit Planning Report year ending 31 March 2025

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Winchester City Council Audit planning report

Year ended 31 March 2025

April 2025

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

7 July 2025

Dear Audit & Governance Committee Members

Audit planning report

Attached is the audit planning report for the upcoming meeting of the Audit & Governance Committee. This report aims to provide the Audit & Governance Committee of Winchester City Council (the Council) with a basis to review the proposed audit approach and scope for the 2024/25 audit. This is in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2024 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards, and other professional requirements. This report summarises our evaluation of the key issues driving the development of an effective audit. We have aligned our audit approach and scope accordingly. The report also addresses the broader impact of Government proposals aimed at establishing a sustainable local audit system.

As the Council's body charged with governance, the Audit & Governance Committee plays a crucial role in ensuring assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support a timely and efficient audit. Failure to achieve this will affect the level of resources required to fulfil our responsibilities. We will assess and report on the adequacy of the Council's external financial reporting arrangements, as well as the effectiveness of the Audit & Governance Committee in fulfilling its role within those arrangements as part of our Value for Money assessment. We will also consider invoking other statutory reporting powers to highlight any weaknesses in these arrangements if deemed necessary. We direct Audit Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) for expectations on preparing financial statements (see Appendix A).

(continued)

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

We welcome the opportunity to discuss this report with you on 17 July 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Simon Mathers

Partner

For and on behalf of Ernst & Young LLP

Enc

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Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice 2024 (the NAO Code) and in legislation and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit & Governance Committee and management of Winchester City Council. Our work has been undertaken so that we might state to the Audit & Governance Committee and management of Winchester City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Governance Committee and management of Winchester City Council for this report or for the opinions we have formed.



01 2024/25 audit strategy overview

2024/25 audit strategy overview

Context

Timely, high-quality financial reporting and audit of local bodies play a crucial role in our democratic system. It aids in effective decision-making by local bodies and ensures transparency and accountability to local taxpayers. There is a consensus that the delay in publishing audited financial statements by local bodies has reached an unacceptable level, and it is acknowledged that cooperation among all stakeholders in the sector is necessary to address this issue. The reasons for the backlog are well-documented and include:


- Insufficient capacity within the local authority financial accounting profession.
- Increased complexity of reporting requirements within the sector.
- Insufficient capacity within audit firms with public sector experience.
- Heightened regulatory pressure on auditors, leading to an expanded scope and extent of audit procedures performed.

The Ministry for Housing, Communities and Local Government (MHCLG) has collaborated with the Financial Reporting Council (FRC) and other system partners to develop and implement measures to address the backlog. SI 2024/907, along with the NAO Code and the Local Authority Reset and Recovery Implementation Guidance, have been created to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). In February 2025, responsibilities for leadership of the local audit system transferred from the FRC back to MHCLG. This change follows the December 2024 launch of the Government's strategy for reforming the local audit system in England, which includes plans to establish a Local Audit Office. The approach to addressing the backlog consists of three phases:

- Phase 1: Reset; clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. This is largely complete.
- Phase 2: Recovery from Phase 1; from 2023/24, use backstop dates to prevent a recurrence of the backlog and allow assurance to be rebuilt over multiple audit cycles. The backstop date for the audit of the 2024/25 financial statements is 27 February 2026. Auditors are waiting for guidance from the system leader to effectively, efficiently and consistently build back assurance over disclaimed audit periods.
- Phase 3: Reform; involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As detailed in our Audit Results Report presented to the Audit & Governance Committee in February 2025, we disclaimed our audit opinion on the Council's 2023/24 financial statements.

We obtained assurance over some of the closing balances in 2023/24. However, we do not have assurance over all brought-forward balances in 2024/25. Consequently, we lack assurance over all in-year movements and some closing balances for 2024/25. Although we will continue to work towards rebuilding assurance ahead of the 2024/25 backstop date (subject to guidance), we will not be able to obtain sufficient evidence to have reasonable assurance over all closing balances. We therefore expect to again issue a disclaimer of opinion in 2024/25.



2024/25 audit strategy overview

Rebuild of assurance – current position

The National Audit Office issued Local Audit Reset and Recovery Implementation Guidance (LARRIG) 05 on 10 September 2024, detailing the principle of returning to a state where auditors can issue audit opinions on local authority financial statements with sufficient audit evidence. This process will take several years to achieve.

Restoring assurance will need local authorities and auditors to work together. We are waiting for guidance from the National Audit Office and Financial Reporting Council to ensure a consistent approach for restoring assurance for disclaimed periods. Until then, we are unable to commence the rebuilding work programme.

We will audit the 2024/25 closing balance sheet and in-year transactions, similar to our approach for 2023/24, as well as performing additional risk assessment procedures to assess the likelihood of a material misstatement in the opening reserve position for 2024/25. Updates on rebuilding assurance for the historical position will be provided as guidance is issued and its implications for the Council are evaluated taking into consideration the outcome of our risk assessment procedures. As the Council's financial statements for 2022/23 and 2023/24 were subject to a disclaimer of opinion, it is highly probable that our risk assessment procedures to assess the likelihood of a material misstatement in the opening reserve position will conclude that an elevated risk of material misstatement is associated with the reserve balances, because of the way in which they accumulate over successive years.

Responsibilities of management and those charged with governance

The Council's Section 151 Officer is responsible for preparing the financial statements in accordance with proper practices and confirming they give a true and fair view at the 31 March 2025. To complete the audit in a timely and efficient manner, it is essential that the financial statements are supported by high-quality working papers and audit evidence, and that Council resources are available to support the audit process within agreed deadlines. The Audit & Governance Committee has an essential role in ensuring that it has assurance over both the quality of the financial statements and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where these conditions are not met, we will:

- Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements, where deemed necessary.
- Assess the impact on available audit resource and where additional resources are deployed, seek a fee variation from PSAA. We have set out the factors that will lead to a fee variation at Appendix B, together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.

2024/25 audit strategy overview

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

Audit risks and areas of focus

| Risk/area of focus | Risk identified | Change from PY | Details |
|--|-------------------------------|--|---|
| Presumptive risk of management override of controls | Fraud risk | No change in risk or focus | There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks. |
| Inappropriate capitalisation of revenue expenditure | Fraud risk | No change in risk or focus | Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure. |
| Land and building valuation - Property, Plant & Equipment (PPE) and Investment Property (IP) valued at Existing Use Value(EUV)/Fair Value (FV) | Significant risk | Change in risk focus to PPE/IP valued at EUV/FV only | The valuation of land and buildings and investment properties represent material figures within the Council's financial statements. The valuation of those assets on an EUV or FV basis is reliant upon expert valuations based on information provided by the Council, which include several judgements and assumptions. Errors within the judgements, assumptions, or information provided to the valuer can have a material impact on the financial statements. In the prior year we noted some errors in the key inputs and disagreed with some of the assumptions used in the valuation of land and buildings valued using EUV FV. This includes PPE Other Land and Buildings valued at EUV; Surplus Assets valued at FV; and Investment Properties valued at FV. |
| Pension liability valuation | Risk of material misstatement | No change in risk or focus | The Local Authority Accounting Code of Practice and IAS19 require the Council to disclose its membership in the Local Government Pension Scheme in its financial statements. Due to the significant estimation and judgement involved, an actuary is engaged for calculations. ISAs (UK) 500 and 540 mandate procedures on using management experts and assumptions for fair value estimates. |

2024/25 audit strategy overview

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

Audit risks and areas of focus

| Risk/area of focus | Risk identified | Change from PY | Details |
|------------------------|-------------------------------|----------------|---|
| IFRS 16 Implementation | Risk of material misstatement | New risk area | <p>IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/24 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the Council's 2024/25 accounts.</p> <p>IFRS 16 eliminates the operating/finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short-term leases. Where the Council is lessee, these will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments.</p> <p>Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The Council will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g. RPI-based) lease terms where forecasts will need to be updated annually based on prevailing indices.</p> <p>We therefore identified a risk of material misstatement on the implementation of IFRS 16 due to the transition, in common with our approach across most councils in 2024/25 following the adoption, interpretation and adaption of the standard by the local government financial reporting framework.</p> |

We will continue to keep the Audit & Governance Committee updated on our assessment of any changes to audit risk.

2024/25 audit strategy overview

Council Materiality

Planning materiality

£2.1m

Materiality has been set at £2.105m, which represents 2% of 2024 gross expenditure on provision of services.

Performance materiality

£1.6m


Performance materiality has been set at £1.579m, which represents 75% of materiality.

Audit differences

£0.1m

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

We will keep the Audit & Governance Committee updated on any changes to materiality levels as the audit progresses.



2024/25 audit strategy overview

Audit scope

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

- our audit opinion on whether the financial statements give a true and fair view of the financial position as at 31 March 2025 and of the income and expenditure for the year then ended; and
- our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on the value for money arrangements in Section 3.

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

Our audit will also include the required mandatory procedures in accordance with applicable laws and auditing standards.

When planning the audit we consider several key inputs:

- strategic, operational and financial risks relevant to the financial statements;
- developments in financial reporting and auditing standards;
- the quality of systems and processes;
- changes in the business and regulatory environment; and
- management's views on all the above.

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

Considering the above, our professional duties require us to independently assess audit risks and take appropriate actions. The Terms of Appointment with the PSAA permit fee adjustments based on 'the auditor's assessment of risk and the work needed to meet their professional responsibilities'. Therefore, we outline these risks in this audit planning report and will discuss any impact on the proposed scale fee with management.

2024/25 audit strategy overview

Audit scope (Cont.)

Effects of climate-related matters on financial statements

Public interest in climate change is growing. We recognize that climate-related risks may span a long timeframe, and while these risks exist, their impact on the current financial statements may not be immediately significant. However, it remains essential to understand these risks to conduct a proper evaluation. Additionally, comprehending climate-related risks may be pertinent in the context of qualitative disclosures in the notes to the financial statements and in assessing value-for-money arrangements.

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

Audit scope and approach

We plan to adopt a substantive audit approach.

Value for Money

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

The value for money planning and related risk assessment aims to collect enough evidence to document our evaluation of the Council's arrangements, allowing us to prepare a commentary based on three reporting criteria. This process includes identifying and reporting any significant weaknesses in those arrangements and making suitable recommendations.

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

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- 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.

Commentary on value for money arrangements will be included in the 2024/25 Auditor's Annual Report. This will need to be issued by 30 November 2025 to comply with the revised requirements of the NAO Code.

Timeline

An audit timetable has been agreed with management. In Section 7 we include a provisional timeline for the audit. It is essential that all parties collaborate to ensure compliance with this timeline.



02 Audit risks

Our response to significant risks

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

Presumptive risk of management override of controls *

What is the risk?

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

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

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

What will we do?

- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Discussing 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).
- Considering whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Undertake procedures to identify significant unusual transactions.
- Consider whether management bias was present in the key accounting estimates and judgments in the financial statements.

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

Our response to significant risks

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

Inappropriate capitalisation of revenue expenditure*

What is the risk?

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

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

What will we do?

- Test Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Assess 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.
- Consider 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.
- Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- Seek 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.

Financial statement impact

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

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

If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE) / Investment Property (IP) additions and/or REFCUS in the financial statements.

Our response to significant risks

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

Land and building valuation - Property, Plant & Equipment (PPE) and Investment Property (IP) valued at EUV/FV

What is the risk?

The fair value of PPE and IP valued at EUV/FV represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. PPE and IP valued at EUV/FV are subject to annual revaluation in which valuation basis is reliant on judgemental inputs, estimation processes and assumptions.

In the prior year audit, we noted issues around the key inputs and assumptions and concluded that we had 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 had insufficient time to consider whether potential errors are more pervasive across the untested population.

Financial statement impact

The valuation of land and buildings and investment properties represent material figures within the Council's financial statements.

Those valued on an Existing Use Value (EUV) and Fair Value (FV) basis are reliant upon judgements and assumptions which can have a material impact on the values on the Council's balance sheet. Errors within the judgments, assumptions, or information provided to the valuer can have a material impact on the financial statements.

PPE and IP valued at EUV/FV amounted to £54.8 million and £69.7 million in 2023/24 based on the audited financial statements.

What will we do?

- ▶ Consider the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- ▶ Consider if there are any specific changes to assets that have occurred and that these have been accurately communicated to the valuer.
- ▶ Consider the results of the valuers' work and check for any movements which are not in line with our expectations.
- ▶ Review assets that are not subject to valuation in 2024/25 to confirm the remaining asset base is not materially misstated.
- ▶ Instruct our own Property valuation team (EY Real Estates) to review a sample of EUV and FV valuations performed by the Council's Valuer.
- ▶ For the sample of assets revalued in year:
 - Challenge the assumptions used by the Council's valuers by reference to external evidence and our EY valuation specialists (where necessary);
 - Agree inputs to the valuation to supporting evidence; and
 - Test journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements.
- We will also ensure all other valuation adjustments required by the valuation report are correctly reflected in the financial statements.

Other areas of audit focus

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

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

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council / Authority 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. As at 31 March 2024 this totalled £7.8 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

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

Our response: Key areas of challenge and professional judgement

We will:

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

What else will we do?

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

Other areas of audit focus

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

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

Our response: Key areas of challenge and professional judgement

What else will we do?

IFRS16 Implementation

IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/24 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the Council's 2024/25 accounts.

IFRS 16 eliminates the operating/finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short-term leases. Where the Council is lessee these will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments.

Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The Council will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g. RPI-based) lease terms where forecasts will need to be updated annually based on prevailing indices.

The Council performed an initial impact assessment in 2023/24 and expected to recognise a right of use asset of £11.681 million based on the yearend valuations performed by the Council's external valuer, WHE. We therefore identified an inherent risk on the implementation of IFRS 16 due to the transition.

We will:

- Gain an understanding of the processes and controls developed by the Council relevant to the implementation of IFRS 16. We will pay particular attention to the Council's arrangements to ensure lease and lease-type arrangements considered are complete.
- Review the discount rate that is used to calculate the right of use asset and assess its reasonableness.
- Review management policies, including whether to use a portfolio approach, low value threshold, and asset classes where management is adopting as the practical expedient to non-lease components.
- Gain assurance over the right of use asset included in the 2024/25 financial statements including challenging the assumptions used by the Council's valuers by reference to external evidence and our EY valuation specialists (where necessary).
- Sample test leases to ensure that transition arrangements have been correctly applied.
- Consider the accounting for leases provided at below market rate, including peppercorn and nil consideration, and the need to make adjustments to cost in the valuation of right of use assets at the balance sheet date.

We will ensure that the Council has appropriately included all the required IFRS 16 disclosures in the notes to the financial statements, in accordance with the CIPFA Code.



03 Value for Money risks

Value for Money

Council's responsibilities for value for money

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

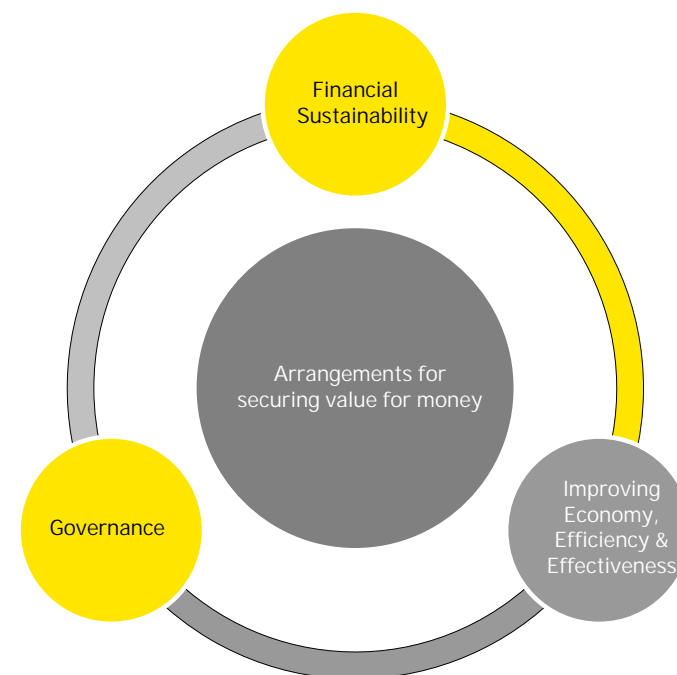
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its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

Auditor Responsibilities

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

The specified reporting criteria are:

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



Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes require us to conduct a risk assessment that collects sufficient evidence to document our evaluation of the Council's arrangements, allowing us to draft a commentary under the three reporting criteria. This involves identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. In considering the Council's arrangements, we consider:

- the governance statement;
- evidence of arrangements during the reporting period;
- evidence obtained from our audit of the financial statements;
- the work of inspectorates and other bodies; and
- any other evidence that we deem as necessary to facilitate the performance of our statutory duties.

We then evaluate whether there is evidence indicating significant weaknesses in arrangements. According to the NAO's guidance, determining what constitutes a significant weakness and the extent of additional audit work required to address the risk is based on professional judgment. The NAO indicates that a weakness can be considered significant if it:

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

Responding to identified risks of significant weakness

When planning work identifies a risk of significant weakness, the NAO's guidance requires us to consider the additional evidence needed to verify whether there is a significant weakness in arrangements. This involves conducting further procedures as necessary. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

If we determine that the Council has not made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, the NAO Code mandates that we reference this by exception in the audit report on the financial statements.

Additionally, we are required to provide a commentary on the value for money arrangements in the Auditor's Annual Report. The NAO Code specifies that this commentary should be clear, readily understandable, and highlight any issues we wish to draw to the Council's or the wider public's attention. This may include matters that are not considered significant weaknesses in arrangements but should still be brought to the Council's awareness. It will also cover details of any recommendations from the audit and the follow-up of previously issued recommendations, along with our assessment of their satisfactory implementation. Our 2024/25 Auditor's Annual Report requires to be issued by 30 November 2025 to comply with the revised requirements of the NAO Code.

Status of our 2024/25 VFM planning

We have completed our initial value for money planning, where we have considered:

- Our entity level controls and understanding the business assessment;
 - The Council's Risk Register;
 - The prior year Annual Governance Statement;
 - Council meeting minutes;
 - Our planning meetings with management;
 - Key financial and budget information;
 - Key performance reports;
 - Internal audit reports; and
 - Information from local, national and specialist media/ findings of other inspectorates, review agencies and other relevant bodies.

As a result of this we have identified a risk of significant weakness the Council's VFM arrangements as set out on the following page.

Value for Money

Value for Money Risks

The table summarises the risk of significant weaknesses identified during our planning. We will review arrangements and risks regularly, updating our work if new risks arise and inform you of any additional significant weaknesses.

| What is the risk of significant weakness? | What arrangements does this impact | Details and what we will do |
|--|--|--|
| <p>During our 2023/24 VFM review, an external review of the Council's arrangements to assess and ensure compliance with legal and regulatory requirements for all Housing Revenue Account (HRA) properties owned or managed by the Council resulted in an overall rating of no assurance. Following this and a subsequent self-referral by the Council to the Regulator of Social Housing (RSH) the Regulator determined that there are serious failings in how the Council is delivering the outcomes of the consumer standards and significant improvement is needed, specifically in relation to outcomes in Safety and Quality Standard and the Transparency, Influence and Accountability Standard. Specifically:</p> <p>The Council was unable to provide assurance that it is completing all required health and safety checks for all homes and communal areas in relation to fire safety. In relation to asbestos safety, at the time of the referral the Council did not have an asbestos re-inspection programme and therefore, did not have valid asbestos surveys for common areas of the buildings in its communal blocks.</p> <ul style="list-style-type: none">• At the time of the self-referral, the Council did not have an up to date record at an individual property level of the condition of its homes. It therefore could not evidence that it had a sufficient current understanding of its homes to deliver the relevant outcomes of the Safety and Quality Standard, and RSH could not be assured that the Council is providing homes of decent quality to its tenants.• The Council was not able to demonstrate it consistently provides tenants with accessible information about how it is performing in delivering landlord services and what actions it will take to improve performance where required.• The Council cannot be assured that the information it collected and shared with tenants for the relevant Tenant Satisfaction Measures was accurate. <p>There is therefore an over-arching risk that the Council cannot demonstrate that it is meeting relevant legal and regulatory requirements and ensuring tenant safety. We reported this weakness by exception in our 2023/24 audit report. Following the self-referred to RSH an action plan designed to address the issues arising was agreed by Cabinet in February 2025.</p> | <p>Governance:</p> <ul style="list-style-type: none">• 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. | <p>At this stage we plan to focus our review on an assessment of the progress made in delivering the requirements of the action plan and addressing the weaknesses in governance over HRA properties by the end of 2024/25.</p> <p>We will continue to keep our response to these issues under review as the audit progresses.</p> |



04 Audit materiality

Materiality

Council materiality

For planning purposes, materiality for 2025 has been set at £2.105m. This represents 2% of the Council's 2024 gross expenditure on provision of services. It will be reassessed throughout the audit process.

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

Gross expenditure on provision of services

£105.2 million

Planning
materiality
£2.1m

Performance
materiality
£1.6m

Audit
differences
£0.1m

We will keep the Audit Committee updated on any changes to materiality levels as the audit progresses.

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

Key definitions

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

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.579m which represents 75% of planning materiality.

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

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

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



05 Scope of our audit

Audit process and strategy

Objective and Scope of our Audit scoping

In accordance with the NAO Code, our primary objectives are to conduct work that supports the delivery of our audit report to the Council. Additionally, we aim to ensure that the Council has established proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, as mandated by relevant legislation and the requirements of the NAO Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

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

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements.

Other procedures required by the Code:

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

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

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

Audit process and strategy

Audit Process Overview

Our audit involves:

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

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

Analytics

We will use a data driven approach to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

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

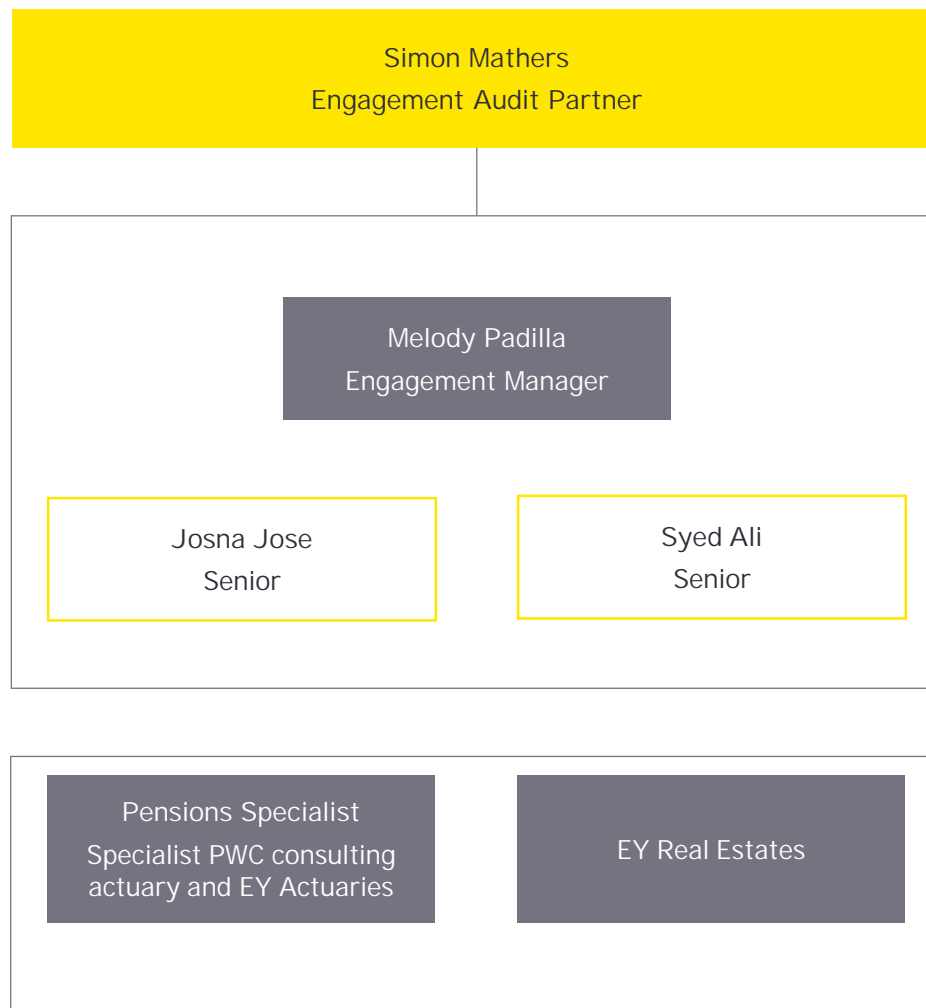
Internal audit

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



06 Audit team

Audit team



* Key Audit Partner

Use of specialists

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

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

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

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

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

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



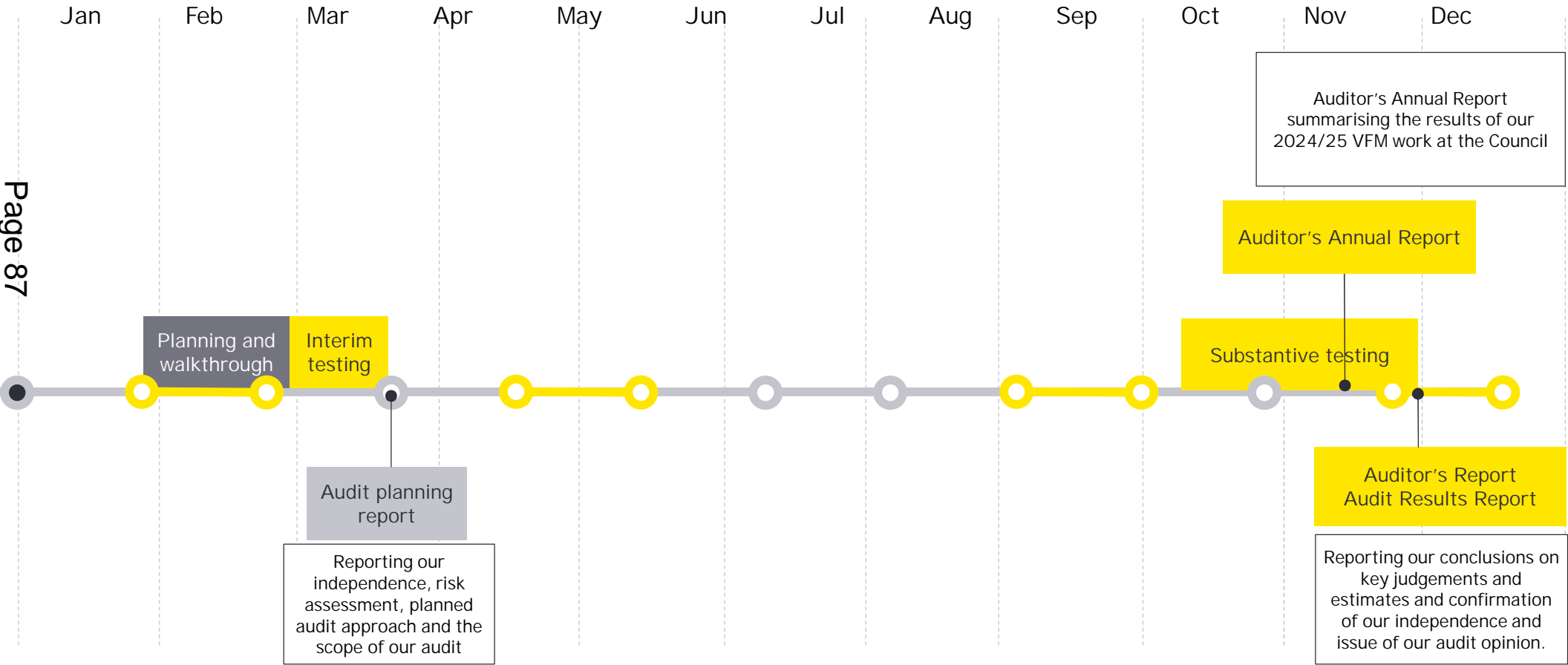
07

Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the 2024/25 audit cycle. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate.





08 Independence

Introduction

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

Required communications

Planning stage

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

Final stage

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

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

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

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees. We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. At the time of writing, the current ratio of non-audit fees to audit fees is below 1:1 as there are currently no non-audit services being provided to the Council. No additional safeguards are required.

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

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

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. There are no self review threats at the date of this report.

Management threats

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

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

Other threats

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

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



Other communications

EY Transparency Report 2024

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2024 and can be found here: [EY UK 2024 Transparency Report](#).



09 Appendices

Appendix A – PSAA Statement of Responsibilities

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

Preparation of the statement of accounts

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

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

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*

assign responsibilities clearly to staff with the appropriate expertise and experience;

provide necessary resources to enable delivery of the plan;

maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;

- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- during the course of the audit provide responses to auditor queries on a timely basis.*

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

Appendix B – Fees

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

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

The agreed fee presented is based on the following assumptions:

Page 94.

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

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

| | Current Year | Scale fee | Prior Year |
|-----------------------|-------------------|----------------|------------------|
| | £ | £ | £ |
| Total Fee – Code Work | 172,922 Note 2 | 172,922 | 157,826 |
| Scale fee adjustment | | | 59,265 Note 1 |
| Total audit | 172,922 | 172,922 | 217,091 |
| Total fees | 172,922 | 172,922 | 217,091 |

All fees exclude VAT

(1) The 2023/24 work is now complete and we have submitted a proposal to PSAA for a scale fee variation totalling £59,265. The fee has not been fully agreed by management so will need to be determined by PSAA. This final fee includes an adjustment for the following areas:

- Additional procedures to implement the revised ISA 315 (UK) auditing standard as originally set out in our Audit Planning Report, totalling £14,516.
- Additional procedures to consider the Council's readiness for the implementation of IFRS 16 as originally set out in our in our Audit Planning Report, totalling £2,806.
- Work performed by EY Pensions to review the assumptions used in the Pensions Liability alongside additional work performed by the EY Audit Team to review the revised IAS 19 report requested from the Pension Fund Actuary, as a result of the misstatement detailed on page 13 of this report. This totals £7,952.
- Work performed by EY Real Estate (EYRE) to review the assumption used in PPE and IP valuations and additional procedures performed by the audit team and EYRE due to issues noted around the key inputs and assumptions used in the valuation PPE and IP valued at EUV and FV. This totals £18,200.
- Work performed by audit team on VFM risk of significant weakness, totalling £5,597.
- Additional work performed by audit team and EY Forensics and Integrity Services on potential non-compliance with law and regulation totalling £10,194.

(2) The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

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

Appendix C – Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

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 - July 2025 meeting of the Audit & Governance Committee |
| 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 ▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit) | Audit results report |

Appendix C – 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 ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements | Audit results report |
| 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 |
| 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 |

Appendix C – 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 |
| Independence | <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ 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>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p> | <p>Audit planning report – July 2025 meeting of the Audit & Governance Committee</p> <p>Audit Results Report</p> |
| 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 |
| 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 |

Appendix C – Required communications with the Audit Committee (cont'd)

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

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None

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AG166
AUDIT & GOVERNANCE COMMITTEE

REPORT TITLE: TREASURY MANAGEMENT OUTTURN REPORT 2024/25

17 JULY 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

In accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, this report provides details of the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and confirmation that there were no instances of non-compliance with the council's Treasury Management Policy Statement and Treasury Management Practices, for the year 2024/25.

RECOMMENDATIONS:

1. Note the Annual Treasury Outturn Report 2024/25.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

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

2 FINANCIAL IMPLICATIONS

- 2.1 Effective treasury management ensures both the financial security and liquidity of the council. The 2024/25 outturn shows £1.64m of income achieved against a budget of £1.4m, delivering an additional £0.24m of income above budget. This was a consequence of interest rates remaining higher for longer than anticipated and slightly higher average balances.

3 LEGAL AND PROCUREMENT IMPLICATIONS

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

4 WORKFORCE IMPLICATIONS

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

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None

6 CONSULTATION AND COMMUNICATION

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

7 ENVIRONMENTAL CONSIDERATIONS

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

8 EQUALITY IMPACT ASSESSEMENT

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

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required

10 RISK MANAGEMENT

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

11 SUPPORTING INFORMATION:

12 Introduction

- 12.1 The council has adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), last updated in 2021. The CIPFA Code requires the council to approve a treasury management strategy before the start of the year, a mid-year report, and annual treasury outturn report. The purpose of this report is therefore to meet this obligation by providing an update on the performance of the treasury management function during 2024/25.

13 Summary

- 13.1 The report fulfils the council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code and provides an update on the performance of the treasury management function during 2024/25.
- 13.2 The council's treasury management strategy was most recently updated and approved at a meeting of Full Council in February 2025. The council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the council's treasury management strategy.
- 13.3 Treasury management in the context of this report is defined as: "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 13.4 This annual report sets out the performance of the treasury management function during 2024/25, to include the effects of the decisions taken and the transactions executed in the past year.
- 13.5 Hampshire County Council's Investments & Borrowing Team has been contracted to manage the council's treasury management balances since September 2014 but overall responsibility for treasury management remains with Winchester City Council. No treasury management activity is without risk and as such the effective identification and management of risk are integral to the council's treasury management objectives.
- 13.6 All treasury activity has complied with the council's Treasury Management Strategy and Investment Strategy for 2024/25, and all relevant statute, guidance and accounting standards. Advice in undertaking treasury management activities has been provided by the council's treasury advisers, Arlingclose.
- 13.7 The Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by Full Council covering capital expenditure and financing, treasury management and non-treasury investments. The latest iteration of the council's Capital and Investment Strategy, complying with CIPFA's requirement, was approved by Full Council in February 2025.

14 External Context

- 14.1 The following sections outline the key economic themes in the UK against which investment and borrowing decisions were made in 2024/25.

Economic commentary

- 14.2 Both the UK and US elected new governments during the period, whose policy decisions impacted the economic outlook. The Chancellor of the Exchequer delivered her Spring Statement in March 2025, following her Budget in October 2024. Based on the plans announced, the Office for Budget Responsibility downgraded its predictions for UK growth in 2025 to 1% from 2%. However, it upgraded its predictions for the four subsequent years. Inflation predictions for 2025 were pushed up to 3.2% from 2.6%, before seen as falling back to target in 2027. The market reaction to the Spring Statement was more muted compared to the Budget, with very recent market turbulence being driven more by US trade policy decisions.
- 14.3 The BoE's Monetary Policy Committee (MPC) voted to lower Bank Rate by 0.25% to 4.25% at its May 2025 meeting, having held it at 4.5% in March 2025. This follows earlier 0.25% cuts in November and August 2024 from the 5.25% peak.
- 14.4 Arlingclose, the council's treasury adviser, maintained its central view that Bank Rate would continue to fall, down to around 3.75% by the end of 2025.

Financial markets

- 14.5 Financial market sentiment was reasonably positive over most of the period, but economic, financial and geopolitical issues meant the trend of market volatility remained. In the latter part of the period, volatility increased and bond yields started to fall following the peak in January 2025, as the economic uncertainty around likely US trade policy impacted financial markets. Yields in the UK and US started to diverge in the last month of the period, with the former rising around concerns over the fiscal implications on the UK government from weaker growth, business sentiment and higher rates, while the latter started falling on potential recession fears related to policy announcements by the US President and their potential impact.

Credit review

- 14.6 In October 2024, Arlingclose revised its advised recommended maximum unsecured duration limit on most banks on its counterparty list to six months. Duration advice for the remaining five institutions was kept to a maximum of 100 days. This advice remained in place at the end of the period.
- 14.7 Credit default swap (CDS) prices are used as an indicator of credit risk, where higher premiums indicate higher perceived risks. Prices generally trended lower over the period but did start to rise modestly in March 2025, but not to any levels considered concerning. Once again, price volatility over the period remained generally more muted compared to previous periods.
- 14.8 Heightened market volatility is expected to remain a feature, at least in the near term, and CDS levels will be monitored by Arlingclose for signs of

ongoing credit stress. As ever, the institutions and durations on the council's counterparty list recommended by Arlingclose remain under constant review

15 Local Context

- 15.1 At 31 March 2025 the council had net investments of £16.3m.
- 15.2 The council's Balance Sheet is presented once a year as part of the annual Statement of Accounts. The Balance Sheet represents the council's assets, liabilities, and reserves at the end of the financial year. Table 1 summarises the Balance Sheet for Treasury Management purposes.
- 15.3 The Capital Financing Requirement (CFR) is the underlying need to borrow for capital purposes. It is the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. The table shows a mixture of internal and external borrowing has been utilised, which is explained in more detail later in this report.
- 15.4 Although the council has borrowed to fund elements of its capital programme, it also holds investment balances. These arise due to the timing difference between income and expenditure, the council's reserves balances, and the difference between the timing of accounting postings and cash flows (e.g. debtors and creditors).
- 15.5 Usable reserves and working capital are the underlying balance sheet resources available for investment.

| Table 1: Balance sheet summary | 31/03/24 Balance £m | Movement £m | 31/03/25 Balance £m |
|---------------------------------------|------------------------------------|------------------------|------------------------------------|
| General Fund CFR | 70.2 | 0.2 | 70.4 |
| Housing Revenue Account CFR | 212.5 | 0.0 | 212.5 |
| Total CFR | 282.7 | 0.2 | 282.9 |
| Less: Other debt liabilities* | (2.2) | (1.1) | (3.3) |
| Loans CFR | 280.5 | (0.9) | 279.6 |
| | | | |
| Less: External borrowing** | | | |
| - Public Works Loan Board | (159.8) | 5.2 | (154.6) |
| - | | | |
| Internal borrowing | 120.7 | 4.3 | 125.0 |
| Less: Balance sheet resources | (132.1) | (9.2) | (141.3) |
| Net investments | (11.4) | (4.9) | (16.3) |

* other liabilities that form part of the council's total debt.

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

- 15.6 Table 1 shows that during 2024/25 the council's Borrowing CFR decreased slightly. The Borrowing CFR is financed by external and internal borrowing. External borrowing is made up of external loans such as loans secured via the market or Public Works Loan Board (PWLB), whilst internal borrowing is where the council borrows from its own cash balances. During 2024/25 the council's external borrowing reduced by £5.2m due to the repayment of Treasury Management borrowing on maturity. These changes to the external borrowing in combination with the decrease in Borrowing CFR led to internal borrowing increasing/decreasing by £4.3m in 2024/25.
- 15.7 The council's strategy was to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, to reduce risk and keep interest costs low. This has meant that internal funds have been utilised in lieu of taking on external borrowing debt. The treasury management position as at 31 March 2025 and the change during the year are shown in Table 2.

| Table 2: Treasury management summary | 31/03/24 Balance £m | Movement £m | 31/03/25 Balance £m | 31/03/25 Rate % |
|---|------------------------------------|------------------------|------------------------------------|--------------------------------|
| Long-term borrowing | (154.7) | 5.4 | (149.3) | 3.22 |
| Short-term borrowing | (5.0) | (0.2) | (5.2) | 3.00 |
| Total borrowing | (159.7) | 5.2 | (154.5) | 3.22 |
| Long-term investments | 5.0 | 0.0 | 5.0 | 5.09 |
| Short-term investments | 4.0 | (3.0) | 1.0 | 4.44 |
| Cash and cash equivalents | 3.4 | 6.2 | 9.6 | 4.49 |
| Total investments | 12.4 | 3.2 | 15.6 | 4.68 |
| Net borrowing | (147.3) | 8.4 | (138.9) | |

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

- 15.8 The decrease in net borrowing of £8.4m shown in Table 2 occurred due to a reduction in total borrowing of £5.2m coupled with an increase in total investments of £3.2m. Further details are provided in the Borrowing Strategy and Activity and Treasury Investments Activity sections of this report.
- 16 **Borrowing Strategy and Activity**
- 16.1 As outlined in the treasury strategy, the council's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the council's long-term plans change being a secondary objective. The council's

borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. During the majority of the period short term interest rates have been higher than long term interest rates.

- 16.2 After substantial rises in interest rates since 2021 many central banks have now begun to reduce their policy rates, albeit slowly. Gilt yields were volatile but have increased overall during the period. Much of the increase has been in response to market concerns that policies introduced by the UK government will be inflationary and lead to higher levels of government borrowing, while increased tariffs on global trade would also be expected to be inflationary.
- 16.3 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the council. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The council has no new plans to borrow to invest primarily for financial return.
- 16.4 At 31 March 2025 the council held £154.5m of loans, all of which relate to the HRA including the financing settlement in 2012. The year-end treasury management borrowing position and year-on-year change are summarised in Table 3.

| Table 3: Borrowing position | 31/03/24 Balance | Net movement | 31/03/25 Balance | 31/03/25 Weighted average rate % | 31/03/25 Weighted average maturity (years) |
|------------------------------------|-----------------------------|-------------------------|-----------------------------|---|---|
| | £m | £m | £m | | |
| Public Works Loan Board | (159.7) | 5.2 | (154.5) | 3.22 | 19.0 |
| Total borrowing | (159.7) | 5.2 | (154.5) | 3.22 | 19.0 |

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

- 16.5 £5m of borrowing was repaid at maturity in 2024/25 alongside £0.2m of Equal Instalments of Principal (EIP) loans, all of which was from the PWLB. No new borrowing was taken on in the period.
- 17 Treasury Investment Activity
- 17.1 The CIPFA Treasury Management Code defines treasury management investments as investments that arise from the authority's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

- 17.2 The council holds invested funds representing income received in advance of expenditure plus balances and reserves held. During the year the council's investment balances have ranged between £11.8m and £55.5m due to timing differences between income and expenditure. The year-end investment position and the year-on-year change are shown in Table 4.

| Table 4: Treasury investment position | 31/03/24 Balance | Movement | 31/03/25 Balance | 31/03/25 Income return | 31/03/25 Weighted average maturity |
|--|-------------------------|-----------------|-------------------------|-------------------------------|---|
| | £m | £m | £m | % | (years) |
| Short term investments: | | | | | |
| Banks and building societies: | | | | | |
| - Unsecured | 1.1 | 1.0 | 2.1 | 4.37 | 0.00 |
| Money market funds | 2.3 | 5.2 | 7.5 | 4.52 | 0.00 |
| Government: | | | | | |
| - Local authorities | 3.0 | (3.0) | 0.0 | 0.00 | 0.00 |
| Cash plus funds | 1.0 | 0.0 | 1.0 | 4.44 | 0.01 |
| Total | 7.4 | 3.2 | 10.6 | 4.48 | 0.00 |
| Long term investments | | | | | |
| - Pooled property fund* | 5.0 | 0.0 | 5.0 | 5.09 | N/A |
| Total | 5.0 | 0.0 | 5.0 | 5.09 | N/A |
| Total investments | 12.4 | 3.2 | 15.6 | 4.68 | 0.00 |

* The rate provided for the pooled property fund investment is reflective of annualised income returns over the year to 31 March 2025.

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

- 17.3 The CIPFA Treasury Code and government guidance both require the council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The council's Treasury Management Strategy Statement (TMSS) sets out how it will manage and mitigate these risks.
- 17.4 As demonstrated by the liability benchmark in this report, the council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk

instruments. The existing strategic pooled fund will be maintained to boost investment income and diversify away from cash investments exposed to interest rate risk.

- 17.5 Bank Rate reduced from 5.25% to 5.00% in August 2024, again to 4.75% in November 2024, 4.5% in February 2025 and finally to 4.25% in May 2025 with short term interest rates largely being around these levels. The rates on money market funds ranged between 4.50% and 4.53% by the end of March 2025.
- 17.6 The council benchmarks the performance of its internally managed investments against that of other Arlingclose clients. Internally managed investments include all investments except externally managed pooled funds but do include Money Market Funds. The performance of these investments against relevant measures of security, liquidity and yield are shown in Table 5, providing data for the quarter ended 31 March 2025 and at the same date in 2024 for comparison.

| Table 5: Investment benchmarking (excluding pooled funds) | Credit rating | Bail-in exposure | Weighted average maturity (days) | Rate of return |
|--|----------------------|-------------------------|---|-----------------------|
| | | % | | % |
| 31.03.2024 | A+ | 53 | 38 | 5.29 |
| 31.03.2025 | A+ | 100 | 1 | 4.49 |
| Similar LAs | A+ | 63 | 54 | 4.60 |
| All LAs | A+ | 64 | 8 | 4.55 |

- 17.7 There has been no change to the portfolio's credit rating, which continues to reflect the council's greater requirement for short-term liquidity. This means surplus cash has increasingly been placed with unsecured bank accounts and Money Market Funds (MMFs) owing to their greater liquidity. Whilst the MMFs themselves are AAA rated, for the purposes of benchmarking the underlying assets in the portfolio are examined and the credit rating of the lowest-rated instruments taken. The portfolio's average rating still remains in line with other Arlingclose clients.
- 17.8 In line with the increased liquidity requirement, bail-in exposure for this portfolio has increased and the weighted average maturity has reduced. It should be noted that the Money Market Funds (MMFs) are themselves diversified and highly liquid and considered by Arlingclose to be bail-in 'light'. The rate of return has decreased over the last 12 months in line with the backdrop of several cuts to interest rates in the same period. It is similar to the return of other local authorities, reflecting the limited options for investing a relatively small overall amount that has to be kept very liquid to meet the council's ongoing obligations.

Externally managed pooled property fund

- 17.9 £5m of the council's investments are invested in an externally managed strategic pooled property fund where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. In 2024/25 this fund generated an average total return of 7.02%, comprising a 5.09% income return which is used to support services in year, and 1.92% of unrealised capital gain. Over the holding period, the council's investments in pooled funds have contributed 4.62% income per year on average, which compares favourably in a period where base rates have generally been low.
- 17.10 Having had a challenging time since 2022, UK commercial property generally experienced a recovery during the period, with improved investment activity, capital values stabilising or improving, particularly towards the end of the period, and income remaining relatively robust.
- 17.11 Because pooled funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the council's medium-to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years and with the expectation that over a three- to five-year period total returns should exceed cash interest rates.
- 17.12 Further to consultations in April 2023 and December 2024 the Ministry for Housing, Communities and Local Government (MHCLG) wrote to finance directors in England in February 2025 regarding the statutory override on accounting for gains and losses in pooled investment funds. MHCLG confirmed that the statutory override will be extended up until 1 April 2029 for investments already in place before 1 April 2024. The override will not apply to any new investments taken out on or after 1 April 2024. It is assumed that published regulations will follow this policy announcement.
- 17.13 The council's pooled fund investment was made prior to 1 April 2024 and therefore will be able to continue to take advantage of the statutory override. This means that any unrealised gains or losses on the pooled fund investment will not be charged to the Comprehensive Income and Expenditure Statement up until 1 April 2029. The council does not plan to make any further pooled fund investments.

Financial Implications

- 17.14 The outturn for debt interest paid in 2024/25 was £5.24m on an average debt portfolio of £159.6m at an average interest rate of 3.22%.
- 17.15 The outturn for investment income received in 2024/25 was £1.64m on an average investment portfolio of £34.1m, therefore giving a yield of 4.81%, against a budgeted £1.4m. In comparison in 2023/24 investment income received was £1.7m on an average investment portfolio of £33.8m, therefore giving a yield of 5%.

18 Non-Treasury Investments

- 18.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the council as well as other non-financial assets which the council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).
- 18.2 Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.
- 18.3 This could include loans made to local businesses or the direct purchase of land or property and such loans and investments will be subject to the council's normal approval process for revenue and capital expenditure and need not comply with the treasury management strategy.
- 18.4 Further information on the council's non-Treasury investments will be included in the General Fund Outturn 24-25 which will be presented to Cabinet on 10 September 2025.

19 MRP Regulations

- 19.1 On 10 April 2024 amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP). The majority of the changes take effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7 May 2024 sufficient MRP must be charged so that the outstanding CFR in respect of the loan is no higher than the principal outstanding less the Expected Credit Loss (ECL) charge for that loan. The council has no such loans in its CFR.
- 19.2 The regulations also require that local authorities cannot exclude any amount of their CFR from their MRP calculation unless by an exception set out in law. Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP (there are specific exceptions for capital loans and leased assets).

20 Compliance Report

- 20.1 All treasury management activities undertaken during 2024/25 were compliant with the CIPFA Code of Practice and the council's approved Treasury Management Strategy.
- 20.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in Table 6.

| Table 6: Debt limits | 2024/25 Maximum £m | 31/03/25 Actual £m | 2024/25 Operational Boundary £m | 2024/25 Authorised Limit £m | Complied? |
|-----------------------------|-----------------------------------|-----------------------------------|--|--|------------------|
| Borrowing | (159.7) | (154.5) | (295.5) | (309.1) | ✓ |
| Finance leases | (3.9) | (3.3) | (4.5) | (5.0) | ✓ |
| Total debt | (163.6) | (157.8) | (300.0) | (314.1) | ✓ |

- 20.3 Provided that the total Authorised Limit and the total Operational Boundary for external debt for a year are unchanged, movement may be made between the separately identified figures within these prudential indicators for borrowing and other long-term liabilities by the Chief Finance Officer.
- 20.4 As a result of the implementation of IFRS16 from 1 April 2024 which requires the recognition of most leases previously treated as operating leases to be recognised on the council's balance sheet as right-of-use assets, a virement of £2.8m has been made to the 2024/25 Operational Boundary and Authorised Limit, between the Borrowing and Finance leases headings, with no change to the total debt limit. This change has been made to ensure that the proper valuation of principal for leases can fall within the individual leases element of the Operational Boundary and Authorised Limit.
- 20.5 Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. However, this limit was not breached during the financial year.

21 Treasury Management Indicators

- 21.1 As required by the 2021 CIPFA Treasury Management Code, the council monitors and measures the following treasury management prudential indicators.

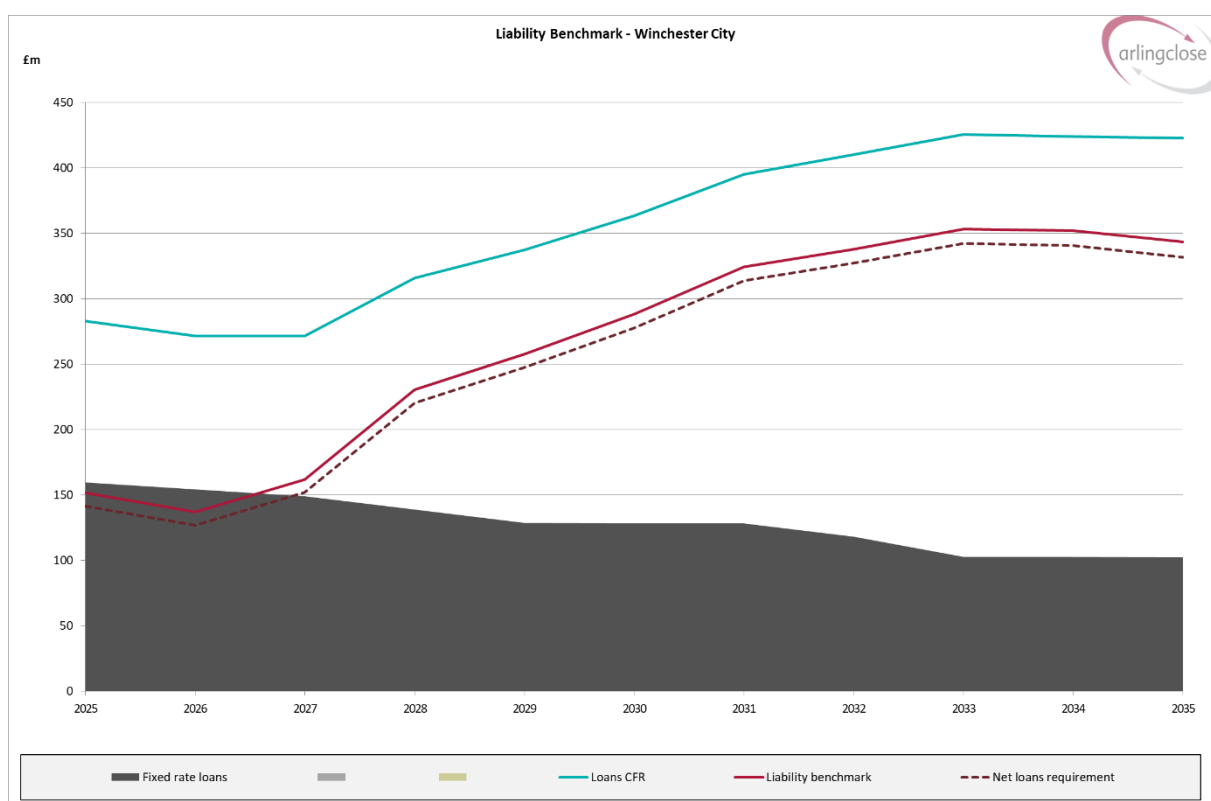
Liability benchmark

- 21.2 This indicator compares the council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the council is likely to be a long-term borrower or long-term investor

in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

| Table 7 – Liability Benchmark | 31/03/2024 Actual | 31/03/2025 Actual | 31/03/2026 Forecast | 31/03/2027 Forecast |
|--------------------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Loans CFR | 280.5 | 279.6 | 271.7 | 271.7 |
| Less: Balance sheet resources | (132.1) | (141.4) | (130.4) | (104.1) |
| Net loans requirement | 148.4 | 138.2 | 141.3 | 167.6 |
| Plus: Liquidity allowance | 10.0 | 10.0 | 10.0 | 10.0 |
| Liability benchmark | 158.4 | 148.2 | 151.3 | 177.6 |
| Existing borrowing | (159.7) | (154.5) | (149.3) | (139.0) |

Chart 1: Liability Benchmark (10 year view)



21.3 At the start of the period, 31 March 2024, the council had a Loans CFR of £280.5m, external borrowing of £159.7m, balance sheet resources of

£132.1m and a liability benchmark of £158.4m. The difference of £120.8m between the CFR and external borrowing is internal borrowing which is where the council has used its own resources to fund its borrowing requirement.

- 21.4 Table 7 and Graph 1 illustrate the council expects a positive liability benchmark across the forecast period, which generally means an authority is required to take external borrowing to fund the gap between its resources and the CFR. The chart shows that if it is to deliver its capital programme as planned, the council will need to take out additional external borrowing as reflected in the gap between the liability benchmark (the red line) and the existing borrowing (the grey area). This requirement will be considered by the Section 151 Officer in consultation with Arlingclose and the Investments & Borrowing team at Hampshire County Council to ensure borrowing is undertaken at the most appropriate time.
- 21.5 The liability benchmark is the lowest level of debt the council could hold if it used all of its balances, reserves and cash flow surpluses to fund its CFR. The liability benchmark graph is created based on the current capital programme and this explains why the Loans CFR line reduces past the initial five-year period as the diagram does not assume any future capital spend not already in the programme. This is a very unlikely scenario but a reflection of the current horizon for capital expenditure forecasts.
- 21.6 The full liability benchmark spanning 50 years is available at Appendix A to this report.
- 21.7 A limitation of liability benchmarking is that the further out the forecast, the less it can be relied upon and so as time passes, the requirement to borrow may change and either may not be there for the whole period, or alternatively cash flow requirements that are not known about today may become present later which may require the council to take additional external borrowing in the future. The Section 151 Officer will continue to work closely with the council's treasury management advisor, Arlingclose, to borrow in the most effective way.

Interest rate exposures

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

| Table 8 – Interest rate risk indicator | 31/03/25 Actual | Impact of +/-1% interest rate change |
|---|----------------------------|---|
| Sums subject to variable interest rates: | | |
| Investments | £15.6m | +/-£0.1m |
| Borrowing | (£5.2m) | +/-0.0m |

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

Maturity structure of borrowing

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

| Table 9: Maturity structure of borrowing | 31/03/25 Actual | Upper Limit | Lower Limit | Complied |
|---|------------------------|--------------------|--------------------|-----------------|
| Under 12 months | 3% | 25% | 0% | ✓ |
| 12 months and within 24 months | 7% | 25% | 0% | ✓ |
| 24 months and within 5 years | 7% | 25% | 0% | ✓ |
| 5 years and within 10 years | 27% | 35% | 0% | ✓ |
| 10 years and within 20 years | 13% | 50% | 0% | ✓ |
| 20 years and within 30 years | 13% | 50% | 0% | ✓ |
| 30 years and within 40 years | 24% | 75% | 0% | ✓ |
| 40 years and within 50 years | 6% | 100% | 0% | ✓ |

Long-term Treasury Management Investments

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

| Table 10: Long-term Treasury Management Investments | 2024/25 | 2025/26 | 2026/27 | No fixed date |
|--|----------------|----------------|----------------|----------------------|
| Actual principal invested beyond year end | - | - | - | £5m |
| Limit on principal invested beyond year end | £20m | £20m | £20m | £5m |
| Complied | ✓ | ✓ | ✓ | ✓ |

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

22 OTHER OPTIONS CONSIDERED AND REJECTED

- 22.1 The council could elect to bring all treasury management activity back in-house. This option has been rejected as the arrangement with Hampshire County Council's Investments and Borrowing team provides significant resilience and economies of scale.
- 22.2 The council could make more risky investments than those proposed in the Strategy to increase its yield. This has been rejected as priority is given to ensuring security and liquidity in line with the key principles of the CIPFA Treasury Management Code.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AUD119: Treasury Management Practices, 22 June 2015

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

AG133: Treasury Management Outturn 2023/24, 18 July 2024

AG145: Treasury Management Mid-Year Monitoring Report 2024/25, 28 November 2024

CAB3496: Treasury Management Strategy 2025/26, 12 February 2025

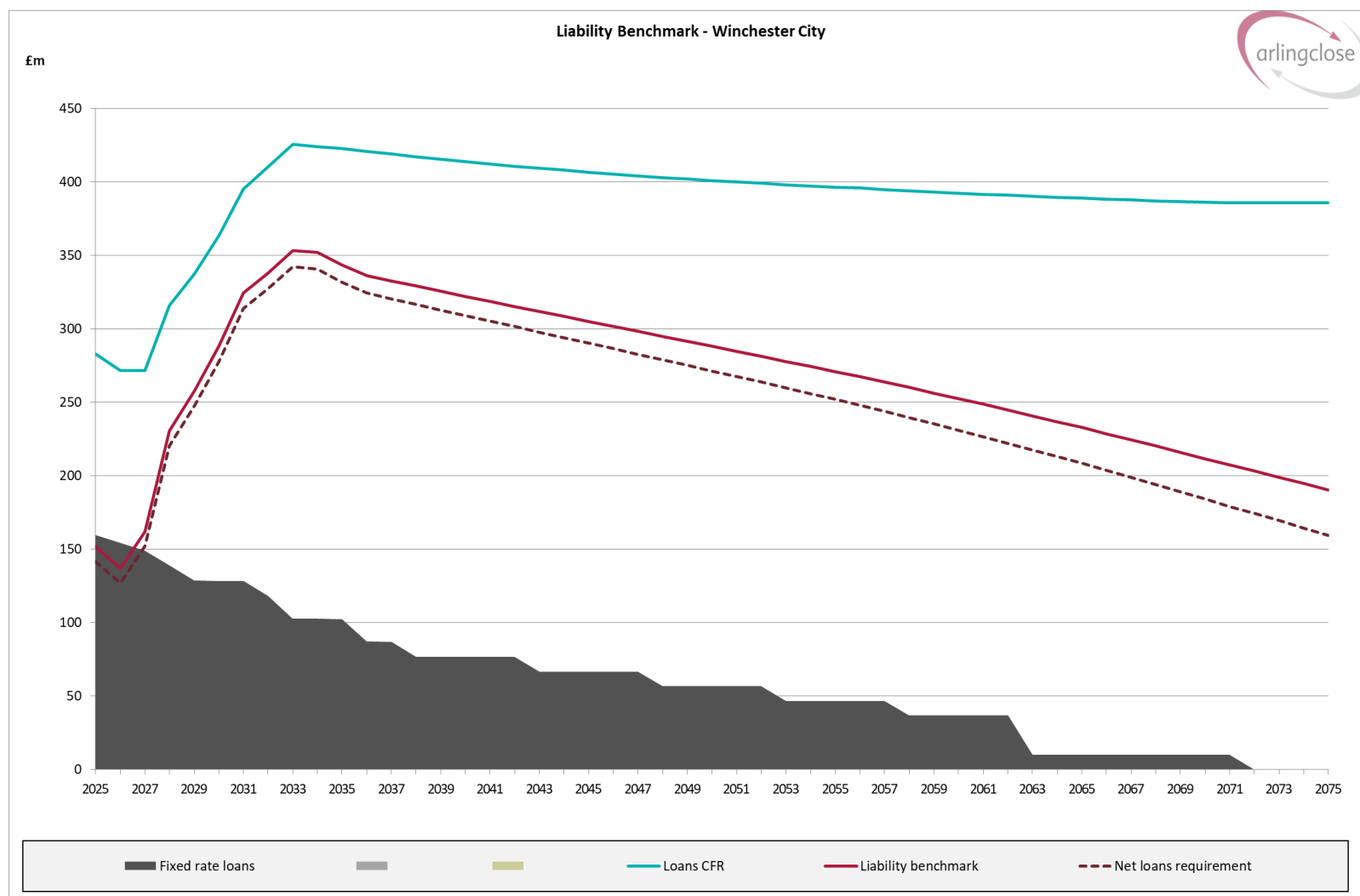
Other Background Documents:-

None

APPENDICES:

Appendix A – Liability Benchmark Graph (50 year view)

Appendix A – Liability Benchmark Graph (50 year view)



REPORT TITLE: - WORKFORCE REPORT 2024/25

17 JULY 2025

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

Contact Officer: Manjit Sandhu, Service Lead Human Resources
Tel No: 01962 848594 Email: msandhu@winchester.gov.uk

WARD(S): ALL

PURPOSE

To provide an overview of the workforce of the council and a summary of key HR activities for the year ending 31 March 2025.

RECOMMENDATIONS:

1. That the report be noted.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

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

2 FINANCIAL IMPLICATIONS

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

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None.

4 WORKFORCE IMPLICATIONS

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

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

6 CONSULTATION AND COMMUNICATION

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

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None.

8 PUBLIC SECTOR EQUALITY DUTY

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

9 DATA PROTECTION IMPACT ASSESSMENT

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

10 RISK MANAGEMENT

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

11 SUPPORTING INFORMATION:

- 11.1 The purpose of this report is to provide the Audit and Governance Committee with an overview of the workforce of the council and a summary of key HR activities for the year 1 April 2024 to 31 March 2025.
- 11.2 This is the fifth workforce report to be considered by the Audit and Governance Committee since it assumed responsibility for the human resources functions of the council from the former Personnel Committee.

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

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

Tables, charts and graphs in Appendix 1 are as at 31 March 2025 unless stated otherwise and have been extracted from the council's Access HR system and separate monitoring records. For ease of reference, the equivalent 2024 data is shown in brackets in red.

The council's staff establishment

- 11.4 As at 31 March 2025, the council employed 460 (446) permanent and fixed-term staff. This was an increase of 3.14% of headcount compared to March 2024.
- 11.5 Staff numbers by headcount and Full-Time Equivalent (FTE), distribution by grade and contract type metrics are provided in Appendix 1. Headcount is the actual number of staff employed by the council whereas FTE is the total number of hours worked by all staff (headcount) divided by the standard working week of 37 hours.

Recruitment and turnover

- 11.6 In the reporting period, there were 61 external appointments, made up of 43 permanent employees and 18 employees (including 1 apprentice) on fixed-term contracts.
- 11.7 There were 55 leavers; 48 permanent employees and 7 employees on fixed-term contracts. Reasons for leaving are shown in Appendix 1.
- 11.8 Staff who both started and left within the same year are included in the figures above.
- 11.9 Total annual turnover (i.e. employees leaving the council for all reasons) was 12.14% as compared to 16.16% in 2023/24.
- 11.10 The average length of service was 9 years and 2 months (9 years and 7 months).
- 11.11 Succession/workforce planning is managed through the annual service planning cycle by Corporate Head of Services and the Executive Leadership Board (ELB).

- 11.12 Proactive people management strategies and a positive, inclusive working environment encompassing learning and development, health and wellbeing, open communication and discretionary employee benefits, are key 'tools' in an organisation's ability to recruit and retain staff in addition to salary.
- 11.13 Learning and development is actively encouraged and supported. An established induction process for new recruits, including a Welcome event with ELB and suite of mandatory training modules on the council's online learning management system (see Appendix 2), ensures new recruits are properly integrated into their jobs, their service, their team and the council.
- 11.14 The council supports both Apprenticeships and the National Graduate Development Programme, known as 'Impact', which is delivered by the Local Government Association (LGA). These programmes provide structured, entry-level pathways into local government, combining 'on-the-job' learning with the opportunity to gain recognised qualifications. The Council actively recognises and values the benefits these schemes bring in developing future talent and strengthening workforce capability.
- 11.15 Continuing professional development, including 'upskilling' apprenticeships for existing staff, ensures staff have the right skills to do their jobs, provides for future service needs and provides and enables progression within the organisation. HR manages and co-ordinates organisational and services training priorities through the annual learning and development planning process.
- 11.16 5 (4) x full-time apprenticeships, 1 (1) x degree apprenticeship and 2 (2) upskilling apprenticeships are currently in place across different services. 1 (one) full-time apprentice successfully completed their apprenticeship in April 2025. The council continues to explore ways to extend apprenticeship opportunities.
- 11.17 Volunteer leave (i.e. up to three days paid leave (pro-rated for part-time)) encourages employees, individually or as part of a work-based team, to be involved in voluntary activities that benefit the local district. The benefits of volunteering for individuals and organisations are widely reported (e.g. connection with others, developing new skills, increased productivity etc.) and serve to reinforce employee engagement and wellbeing.
- 11.18 Open communication (i.e. reciprocal sharing and receiving feedback, providing ideas and suggestions, raising concerns) and active participation of employees in the work process are actively promoted and facilitated through an annual Employee survey, quarterly (or as required) ELB led 'All Staff Briefings' with open opportunity for questions, team meetings held at an operational level, and regular meetings between HR and Unison.

- 11.19 The Staff Forum is a representative group of employees from across the organisation who can be called upon as needed to work mutually and collaboratively with senior leadership on organisational wide workforce and workplace matters. HR meets regularly with Unison in order to support organisational development and effectively manage organisational change.
- 11.20 The annual Employee survey provides employees with the opportunity to share how they feel about various aspects of their working lives at the council. Participation rates are consistently high by industry standards and have typically shown a high level of engagement, with a 66% response rate to the 2024 survey. The 2024 survey scored positively across all of the survey's themes of employee engagement, working environment, working relationships and corporate/service priorities, with 84% (84%) strongly agreeing/agreeing with the statement 'I enjoy working at the council', 71% (72%) 'I would recommend the council as a great place to work to my family and friends', 75% (73%) 'I am proud to work for the council, 95% (95%) 'The colleagues in my team are supportive and friendly' and 69% (81%) 'I understand the top priorities for Winchester City Council.' More information about the 2025 Employee survey can be found at 11.39.
- 11.21 An organisation's benefits strategy has the potential to drive the employee experience, enhance the total reward package on offer to employees and be a market differentiator, impacting on an organisation's ability to recruit and retain. The employee benefits offered at WCC, in addition to salary, are listed below (N.B. the actual amount of annual leave depends on grade and previous local government service and is set out in the contract of employment):
- Employer paid health care cash plan scheme.
 - Cycle to Work and Green Car Benefit salary sacrifice schemes.
 - Up to 33 days annual leave per year for the majority of our workforce (more than the Local Government Green Book minimum).
 - Flexible working arrangements.
 - Hybrid Working Policy allowing most employees to work from home for up to 50% of their working hours.
 - Up to 13 days additional flexi leave per year (subject to operational requirements) where the employee has built up enough hours.
 - 3 days (pro-rata for part-time employees) paid leave to carry out volunteering within the district.
 - Option to voluntarily buy up to five days additional annual leave.
 - Free park and ride scheme for all employees.
 - Membership of the Local Government Pension Scheme.
 - Confidential Employee Advice and Support Programme.

- Employee retail and shopping discounts.
- Season Ticket loans.
- Excellent central location.
- Support for continuous professional development.

Sickness absence

- 11.22 Sickness absence continues to be monitored. Reports on sickness absence and completion of return-to-work interviews are reviewed with Strategic Directors on a quarterly basis.
- 11.23 The average number of days of sickness of 6.71 days per employee was a slight increase from 6.11 days reported in 2023/24.
- 11.24 The current rates are slightly above the average sickness rate for the public sector of 6.1 days per employee in 2024 as reported by the ONS.
- 11.25 The split of short term and long absence remained largely consistent, with a marginal increase in long term absence – 35% short term and 65% long term vs 39% short term and 61% long term in 2023/24. These figures have historically shown little fluctuation, with the exception of during the pandemic.
- 11.26 'Mental health – Personal' continues to be the most common reason for sickness absence again this year, accounting for 23.22% of all sickness absence, which is a year-on-year percentage increase from 16.09% in 2023/24. However, it should be noted that this figure is still slightly down on the post-pandemic figure of 24.25% from 2021/22. Historically 'Mental Health – Personal' has commonly been the highest reason for sickness.
- This is indicative of a continuing upward trend across all mental health related absences. Historically, when all mental health related absences are combined (personal, work and reason not stated) they account for approximately a third of all sickness absences, although the last 2 years have seen atypically lower rates (20.56% in 2022/23 and 26.93% in 2023/24). 2024/25 saw a return to a more typical level of 34.47%.
- 11.27 'Mental health – work related' has risen slightly from 5th most common sickness reason last year to 3rd most common reason. Two instances of long-term sickness absences (1 of whom was absent for a prolonged period and has since left) primarily account for this increase.
- 11.28 Sickness absences due to 'neurological including headaches and migraine' have risen significantly this year, rising from the 12th most common reason last year to 4th in 2024/25. However, this figure is inflated by 2 employees

who were absent for this reason for an extended period of time (1 of whom has since left and the other has returned to work); the majority of sickness for this reason was short term and in line with expected levels.

- 11.29 The council has proactively put in place a number of mental health initiatives, implemented by HR, to create safe and inclusive wellbeing space within the workplace and support those employees who may be experiencing poor mental health. These initiatives are available to all employees and include; wellbeing and mental health resources on the council's intranet; mental health first aiders; Wellness Action Plans; an externally provided counselling service free of charge; and, an Employee Assistance Programme and online wellbeing resources via the corporate health plan.
- 11.30 The council has a number of trained mental health first aiders across the organisation who provide; early intervention, support and effective listening for employees experiencing mental health challenges; and, signposting to and guidance on accessing appropriate services and resources. Wellness Action Plans (WAP) can enable employees to actively support their own mental health, facilitate dialogue with their manager and inform appropriate intervention, helping employees to remain in work and work 'well'. Specialist trauma informed counselling is also available to teams and individuals in the event of traumatic incidents.
- 11.31 HR continues to support managers to manage sickness absence within their teams, including referral to an external occupational health provider as required. Managers can access online wellbeing resources and training to help them support employees across day-to-day work, life and wellbeing events. HR continues to raise awareness of mental health and wellbeing and is currently planning a programme of mental health awareness training across the council, including specific frontline targeted training, to ensure the council is able to respond well to the needs of residents and colleagues.
- 11.32 It is widely reported that organisations who take a positive, proactive approach to mental health and wellbeing can benefit from improved employee retention, reduction in absence and more engaged and motivated employees. Positive results from the 2024 Employee Survey indicate high employee awareness of and value in the support offered by the council with 74% (73%) strongly agreeing/agreeing 'The council takes the health and wellbeing of its employees seriously' and 85% (80%) strongly agreeing/agreeing 'My manager cares about me as a person.'

Equality

- 11.33 The gender profile for all of the public sector remains in favour of women at 65% female and 35% male as at quarter 4 (October – December) of 2023/24 (ONS EMP13: Employment by Industry). The council's gender profile aligns closely to this with 61% female and 39% male as at March 2024, remaining stable from last year's circa 60/40 split.
- 11.34 The council reported a 6.6% (7.3%) mean gender pay gap as at the snapshot date of 31 March 2024. The gender pay gap is the difference between the average earnings of men and women across an organisation.
- 11.35 Employees are encouraged to update their ethnicity and disability status, which is disclosed on a voluntary basis, to facilitate equality monitoring and reporting. Ethnicity data for the 37% (37%) of employees who have disclosed their ethnicity as at 31 March 2025 is included in Appendix 1.
- 11.36 It is not possible in this report to publish meaningful analysis from the disability data available as it could possibly result in the identification of individual employees.

HR Update

- 11.37 Over the year, HR organised and managed the delivery of the following online (via the council's Learning Management System) and face-to-face (external and internal) learning and development training:

- Introduction to Accident Investigation
- IOSH Working Safely (Institute of Occupational Safety and Health)
- IOSH Managing Safely
- Fire Marshal
- Conflict Resolution
- Working at Height
- Safeguarding Level 2
- Handling Disclosure about Domestic Abuse
- Project Management Methodology

HR continues to work with the Strategic Project Lead on 'Domestic Abuse on the 'Domestic Abuse Housing Association (DAHA)' Accreditation and on Level 2 Domestic Abuse Awareness.

- 11.38 In addition to the above, 71 managers from across the council, Scale 6 with direct reports to Scale 9, attended Leadership and Management learning &

development event in November to December 2024. Delivered by Dr Ruth Adams, Chief Executive of South East Employers, the programme was commissioned by ELB to provide insights and challenge designed to 'stretch' and support line managers. It also promoted the council's corporate values of 'Collaboration' and 'Innovation' and strengthened the 'One Council' ethos. This was the first corporate leadership/management development event of this type since the pandemic. Feedback from attendees highlighted the value of networking across the organisation and engaging in shared learning and problem solving. This feedback is now being used to inform how we continue to build opportunities for cross-organisational connection and learning (Peer Learning Groups based on Action Learning Sets for example).

A similar event for circa 30 Scale 4 to Scale 5 managers/supervisors with direct reports was delivered in June 2025.

- 11.39 For the fourth year, HR have organised the Employee survey to find out how employees feel about various aspects of their working lives at the council to inform senior managers and elected members how engaged employees are with their work and the council as a whole and to inform an action plan. The anonymised survey ran from 9 June to 4 July and achieved a 68% completion rate. The survey results were discussed with ELB and an update will be provided to Members via the "Democratic Services Update" (DSU) later in the year. Running the survey every year enables the analysis and identification of trends over time.
- 11.40 The employer paid health plan is a key employee benefit in the employment package on offer to council employees. By providing cash back on a range of everyday healthcare, a health plan encourages employees to proactively manage their health and can aid a quicker return to work following illness/injury. The health plan also provides an inclusive Employee Assistance Programme and online wellbeing resources which are available to all employees whether they are enrolled on the health plan or not. Children up to the age of 24 can be added free of charge and employees can voluntarily elect and personally pay to upgrade their level of cover and/or to add a partner.

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

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

- Absence Management Policy
- Adoption Leave and Pay Policy
- Employee Code of Conduct
- Long Service Recognition
- Managing Workforce Change
- Maternity and Paternity
- Politically Restricted Posts
- Working Hours and Time Off

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

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

Local Government Re-organisation

11.43 The interim plan proposals for local government re-organisation were submitted to government on 20th March 2025, we have now received feedback on the Hampshire and Solent submission and we, along with our neighbouring councils, are in a 4 week community engagement process and the final submission to Government is being worked on with submissions due by 26th September 2025.

11.44 Regular Chief Executive staff briefings and communications on Devolution and Local Government Reorganisation (LGR) have taken place since the start of the year, the most recent one on the 18th of June 2025. These are recorded and available on the Intranet to all staff.

11.45 The council will continue to support managers and staff through LGR by regularly engaging and providing timely information. The council will brief Managers and Staff through the following channels:

- CX Staff Briefings.
- Management Briefings via Corporate Management Meetings (CMM) and Service Leadership Team (SLT)
- Staff Briefings via Team Meetings
- Staff forum – we are currently reviewing membership and scope to ensure it fully represents all parts of the council.
- HR will continue to meet and engage with UNISON on a regular basis.

11.46 The health and wellbeing of staff continues to be a high priority. In addition to the wellbeing support already in place, HR will review this regularly and ensure access to information and guidance is easily accessible to all employees on the council's intranet.

11.47 'People' will be a critical LGR workstream as we prepare for change and transition to any new Unitary Authority. This workstream will play a central role in ensuring that the workforce is supported, engaged, and equipped to navigate the significant organisational and cultural changes ahead. It will focus on key areas such as workforce planning, staff engagement, leadership development and organisational design. Ensuring continuity of service delivery, retaining talent, and maintaining staff morale during a period of uncertainty will be essential to a successful transition.

In recognition of the importance of this agenda, a new full-time Service Lead – Human Resources has been recruited and took up post at the end of May 2025.

11.48 The council have also recently recruited a 'Change Enablement Lead' who will be supporting the council through the change process, working closely with the wider Transformation and Digital Team and Service Lead - Human Resources, sharing a people-centred approach to change.

11.49 The council is developing an Organisational Development and Change Strategy, which will detail how we navigate through our LGR journey, supported by a detailed action plan, including how we support managers and staff.

12 OTHER OPTIONS CONSIDERED AND REJECTED

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

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG63 Workforce Report 2020/21 11 November 2021

AG079 Workforce Report 2021/22 29 June 2022

AG085 Update on Employee Attitude Survey and Related Matters 10 November 2022

AG102 Workforce Report 2022/23 20 July 2023

AG114 Update on Employee Attitude Survey 2023 28 September 2023

AG126 Workforce Report 2023/24 18 July 2024

AG138 Update on Employee Attitude Survey 2024 26 September 2024

Other Background Documents:-

None

APPENDICES:

Appendix 1 – Workforce Report 2024/25 Data

Appendix 2 – Core mandatory training courses for all employees

Appendix 1

Workforce Report 2024/25 Data

Establishment

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

| | Headcount | % increase | FTE | % increase |
|-------------------|-----------|------------|--------|------------|
| March 2024 | 446 | +3.14% | 408.03 | +1.65% |
| March 2025 | 460 | | 414.77 | |

Table 2 – Headcount of staff by grade

| Pay Grade | Headcount |
|---------------------------|-----------|
| Apprentice Scale 3 | 5 |
| Apprentice Scale 4 | 1 |
| Scale 3 | 81 |
| Scale 4 | 130 |
| Scale 5 | 105 |
| Scale 6 | 75 |
| Scale 7 | 20 |
| Scale 8 | 20 |
| Scale 9 | 9 |
| Scale 10 | 7 |
| Scale 11 | 3 |
| Scale 12 | 3 |
| Chief Executive | 1 |
| Total | 460 |

Table 3 – Contract Type

| | |
|-----------------------------|-----|
| Full time (37 hours) | 75% |
| Part-time | 25% |
| | |
| Permanent contract | 90% |
| Fixed-term contract | 10% |

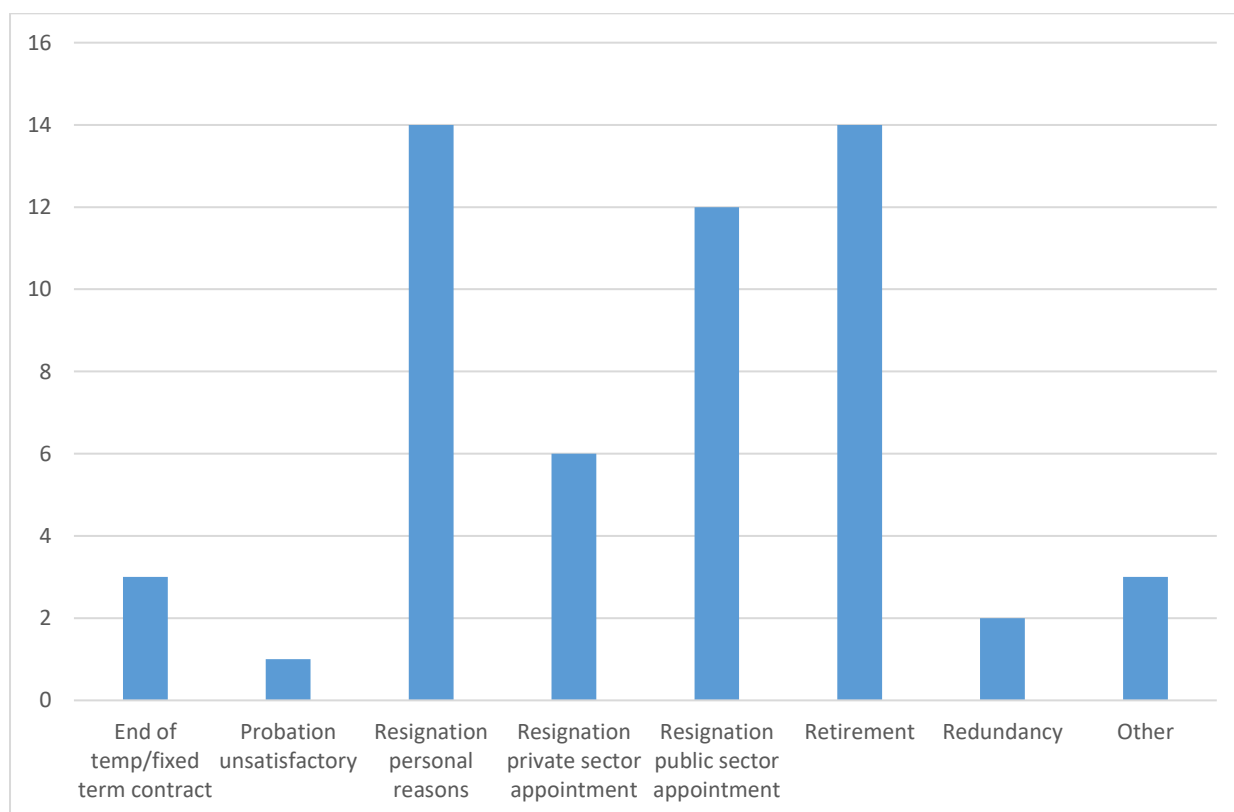
Sickness

Table 4 - Top 5 sickness absence reasons (averaged over April 24 – March 25)

| Sickness Reason | Percentage of total annual sickness | Previous Year's ranking (out of 20) | Direction of travel |
|--|-------------------------------------|-------------------------------------|---------------------|
| Mental Health – personal | 23.22% | 1 | = |
| Infections incl cold and flu | 13.64% | 2 | = |
| Mental health – work related | 8.93% | 5 | ↑ |
| Neurological inc headaches & migraine | 8.02% | 12 | ↑ |
| Back and neck problems | 7.42% | 4 | ↓ |

Recruitment and Turnover

Table 5 – Reasons for leaving the council



Equality

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

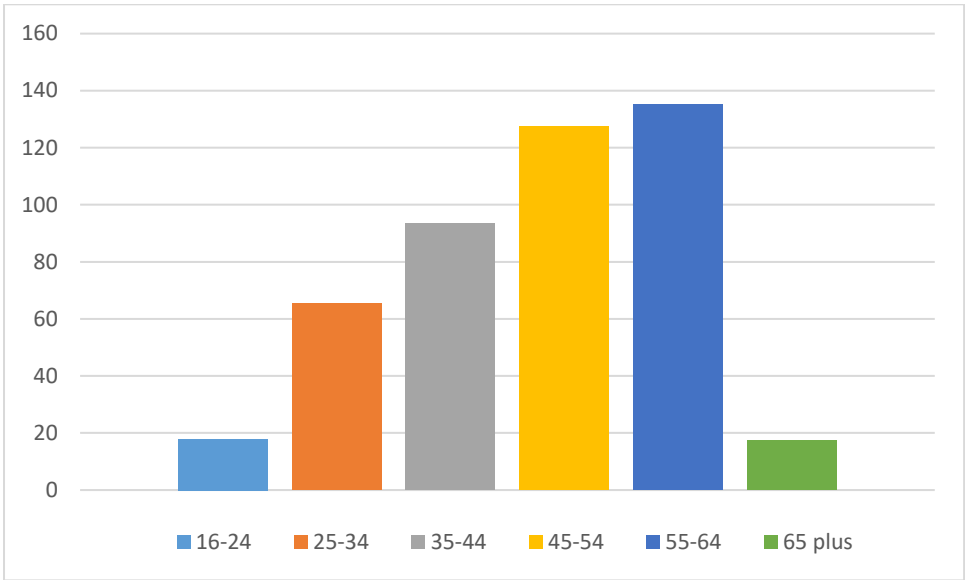
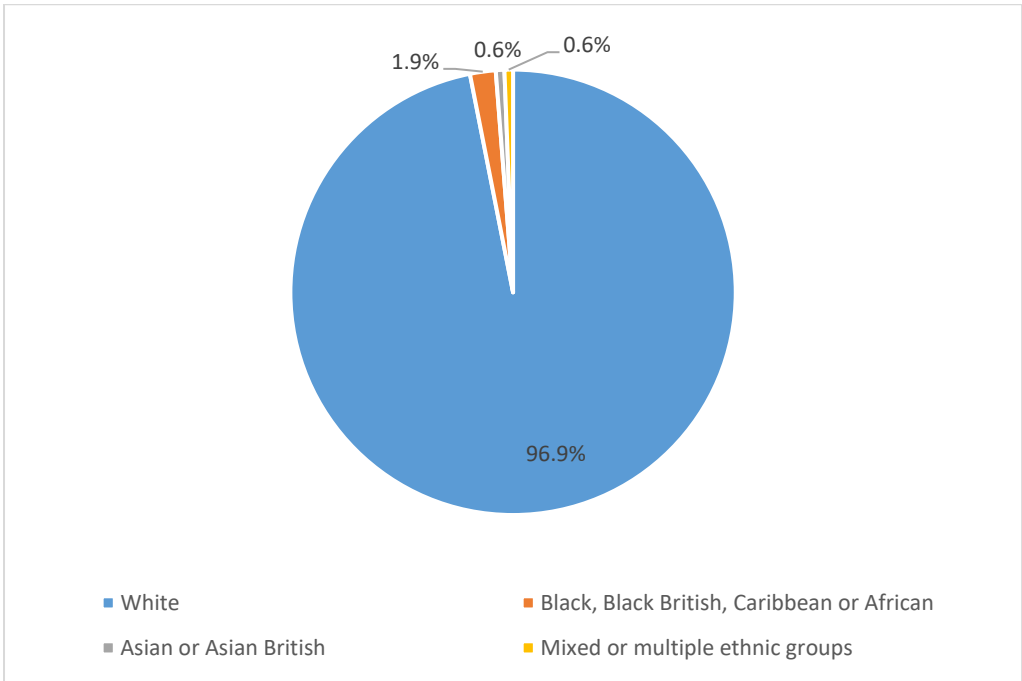


Table 7 – Ethnicity profile of the workforce



Appendix 2

Core mandatory training courses for all employees

- Cyber Security Awareness and Staying Safe Online
- Display Screen Equipment (DSE)
- How to Manage Information Securely
- Introduction to GDPR
- Introduction to Safeguarding Children and Vulnerable Adults
- IT Policy and Declaration
- PREVENT - Understanding the Government's Counter-Terrorism Strategy
- The Importance of Equality, Diversity and Inclusion
- Understanding Domestic Abuse
- Working Safely - An Introduction to Workplace Health and Safety for Employees

New starters must also attend the Corporate Welcome Event and Carbon Literacy training.

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REPORT TITLE: ANNAUL INTERNAL AUDIT CONCLUSION 2024-25

17 JULY 2025

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

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 the Audit and Governance Committee with the Chief Internal Auditor's annual conclusion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2024-25.

RECOMMENDATIONS:

1. The Audit & Governance Committee are invited to consider and note the Chief Internal Auditor's annual conclusion report for 2024-25 attached as Appendix A.

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. The internal audit plan for 2024-25 comprised 310 resource days and was delivered within the agreed budget. From 1st April 2025, the audit days have been reduced to 295 (report [AG124](#) refers).

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 the Executive Leadership Board.

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 | | |

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

11 SUPPORTING INFORMATION:

- 11.1 The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

'A relevant authority 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.'

- 11.2 In accordance with the Public Sector Internal Audit Standards and the Council's Internal Audit Charter, the Chief Internal Auditor is required to provide a written report reviewing the effectiveness of Council's framework of

risk management, internal control and governance which can be used to inform the production of the Annual Governance Statement.

- 11.3 The Annual Internal Audit Conclusion Report for 2024-25 (attached as Appendix A) provides the Chief Internal Auditor's opinion and summarises the audit work from which that opinion is derived.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 None.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG136 Annual Internal Audit Report and Opinion 2023-24

AG127 Internal Audit Plan 2024-25

AG128 Internal Audit Charter 2024-25

Other Background Documents:-

None.

APPENDICES:

Annual Internal Audit Conclusion Report 2024-25 (Appendix A)

Southern Internal Audit Partnership

Assurance through excellence
and innovation

WINCHESTER CITY COUNCIL

Annual Internal Audit Conclusion 2024-2025

Prepared by: Antony Harvey, Deputy Head of Partnership

June 2025

1. Internal Audit Standards

With effect from 1 April 2025, the 'Standards' against which internal audit within the public sector must conform are those laid down in the Global Internal Audit Standards, Application Note: Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements are referred to as the Global Internal Audit Standards in the UK Public Sector.

The Southern Internal Audit Partnership have made all necessary adaptations to its processes, procedures and practices to ensure it is best placed to conform with these requirements with effect from 1 April 2025.

Prior to 1 April 2025 conformance was required with the Public Sector Internal Audit Standards (PSIAS). Consequently, in fulfilling the audit mandate and delivery of internal audit service for the purposes of the 2024-25 annual conclusion the PSIAS remain the relevant Standards.

2. Internal Audit Mandate

The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

'5. (1) A relevant authority 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.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

(a) make available such documents and records; and

(b) supply such information and explanations

as are considered necessary by those conducting the internal audit.'

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

'An independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.'

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

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

3. Internal Audit Approach

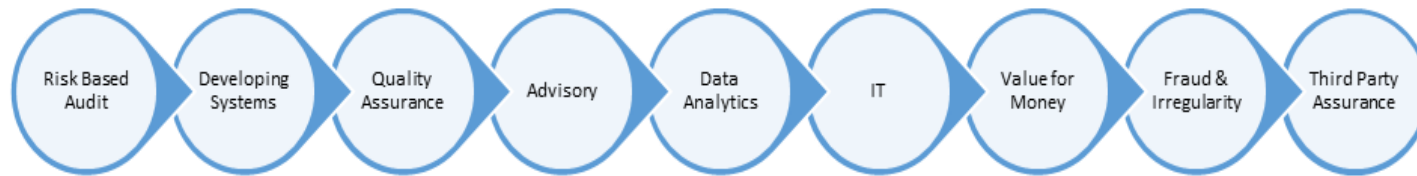
To enable effective outcomes, internal audit provides a combination of assurance and advisory activities. Assurance work involves objective assessment of how well systems and processes are designed and working, with advisory activities available to help to improve those systems and processes where necessary whilst not assuming any management responsibilities.

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

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

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

A full range of internal audit services is available in forming the annual audit conclusion:



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

We have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork, however, the need for site visits to complete elements of testing continues to be assessed and agreed on a case-by-case basis.

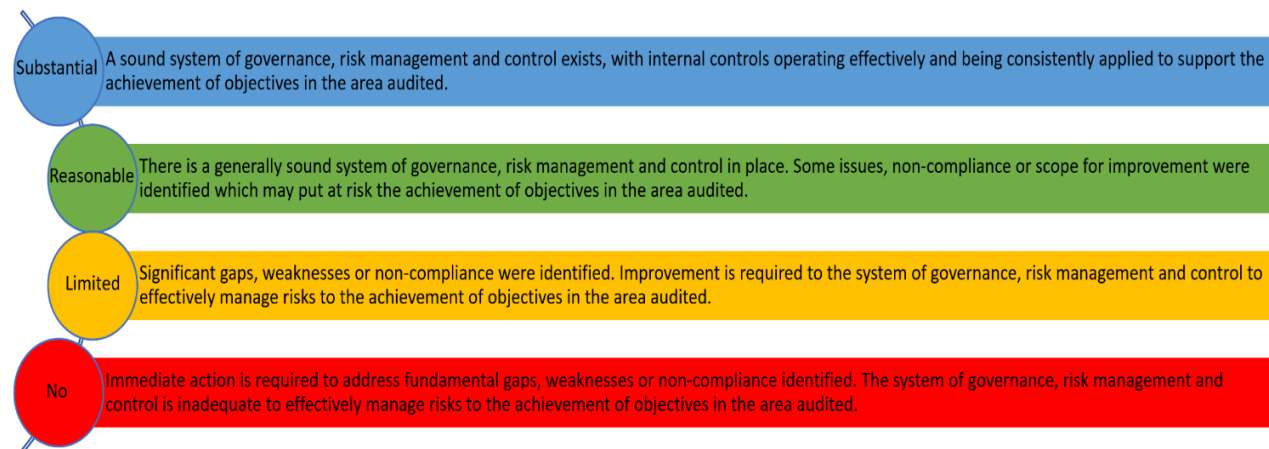
4. Internal Audit Coverage

The annual internal audit plan is prepared taking account of the characteristics and relative risks and objectives of the Council and to support the preparation of the Annual Governance Statement. Work has been planned and performed to establish if sufficient evidence is available to provide reasonable assurance that the framework of governance, risk management and internal control is operating effectively.

The 2024-25 internal audit plan was considered by the Audit & Governance Committee in February 2024. It was informed by internal audit's own assessment of risk and materiality in addition to consultation with management to ensure it aligned to organisational objectives / priorities and the key risks facing the organisation.

The plan has remained fluid throughout the year to maintain an effective focus and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate.

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



5. Resources

The Southern Internal Audit Partnership has a strategy in place to optimise internal audit resource. Ongoing sufficiency of resources (financial, human and technological) are transparently communicated by the chief internal auditor to senior management and the Audit & Governance Committee through regular reporting as part of the approval of the internal audit plan and further throughout the year as part of the progress reports and ultimately within the annual conclusion.

Any resource implications that put the fulfilment of the internal audit plan and internal audit mandate at risk are reported accordingly through the afore mentioned reports.

There have been no resource implications that have adversely affected the fulfilment of the internal audit mandate or delivery of Winchester City Council's internal audit plan impacting my ability to provide a conclusion on the organisation's framework of governance, risk, and internal control.

6. Independence

As your chief internal auditor, I retain no roles or responsibilities that have the potential to impair my independence, either in fact or appearance. Internal auditors engaged in the delivery of the 2024-25 internal audit plan have had no direct operational responsibility or authority over any of the activities reviewed.

I can confirm there has been no interference encountered by the Southern Internal Audit Partnership related to the scope, performance, or communication of internal audit work during the year in the delivery of the internal audit plan or the fulfilment of the internal audit mandate.

7. Impairments

There have been no impairments to internal audit activity during the year. As chief internal auditor I have ensured that the internal audit function has remained free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication.

The internal audit team have maintained an unbiased mental attitude allowing them to perform engagements objectively enabling them to believe in their work product, with no compromise to quality, and no subordination to their judgment on audit matters, either in fact or appearance.

8. Limitations of Scope

There have been no limitations to the scope of internal audit work during the course of the year.

9. Internal Audit Conclusion

As chief internal auditor, I am responsible for the delivery of an audit conclusion that can be used by the Council to inform their Annual Governance Statement. The annual audit conclusion culminates in an overall opinion on the adequacy and effectiveness of the organisations' framework of governance, risk management and control.

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

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

We enjoy an open and honest working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by the Audit & Governance Committee and senior management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk, and control over the 2024-25 financial year.

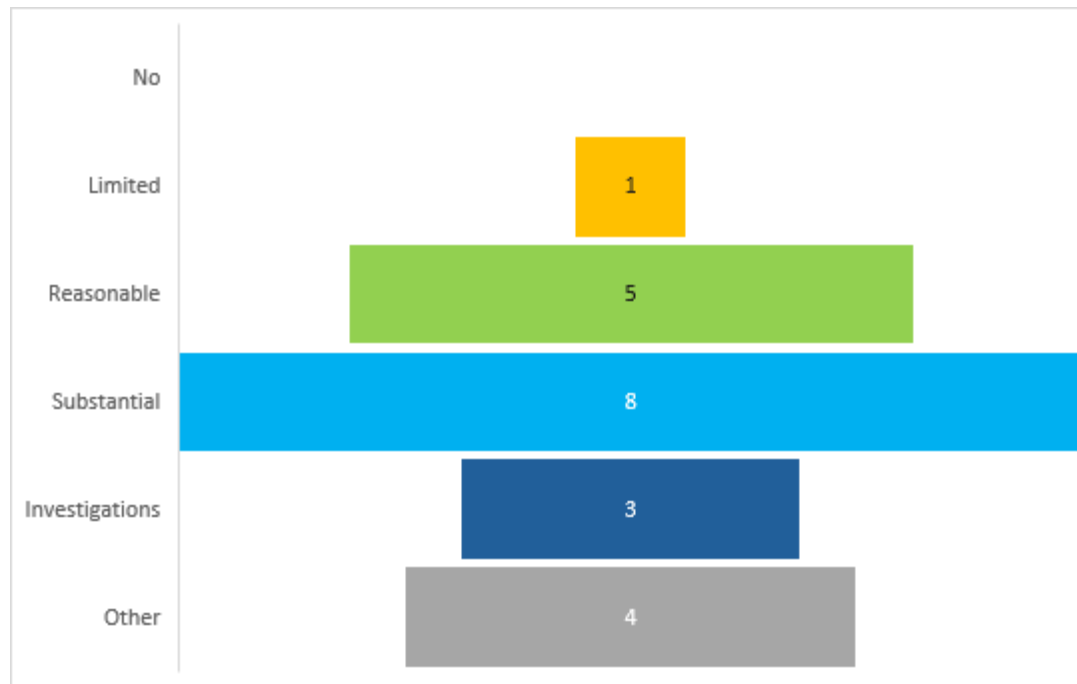
Annual Internal Audit Conclusion 2024-25

I am satisfied that sufficient assurance and advisory work has been carried out to allow me to form a conclusion on the adequacy and effectiveness of the internal control environment. In my opinion the framework of governance, risk management and control are **'reasonable'**, and audit testing has demonstrated controls to be working in practice.

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

10. Governance, Risk Management & Control – Overview, Key Observations & Themes

Significant findings from our reviews have been reported to senior management and the Audit & Governance Committee throughout the year and a summary of the assurance opinions is outlined below.



*Other relates to one follow-up review, certification of the Mayor's Charity Account, certification of the Bus Services Operator Grant, and an advisory report in relation to markets.

Governance

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

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

In addition, during 2024-25 we undertook a review of the Council's Decision Making and Accountability Framework including that roles and responsibilities for Members and Officers are clearly laid out in the Council's Constitution; that training and management information for Members is timely, complete and accurate to inform decision making; and standards of behaviour, including declarations of interest for Members and Officers are established and regularly reviewed. Our review concluded with a substantial assurance opinion.

The audit of Financial Stability sought assurance over the processes for the production of the Medium-Term Financial Strategy, budgets for 2025-26 year, in year budget monitoring, together with the process for identifying savings through the TC25 programme and associated reporting to senior management and Members. The audit concluded with a substantial assurance opinion.

We also conducted a review of the Council's Programme and Project Management Framework which found a robust and consistently applied methodology throughout the duration of projects and regular reporting to the Programme Management and Capital Strategy (PAC) Board. The review also concluded with a substantial assurance opinion.

The audit of Information Governance – Data Retention sought assurance that the Council have an appropriate framework to apply and comply with the Council's Data Retention and Destruction Policy & Schedule. Our review concluded with a reasonable assurance opinion.

We also undertook a review of the Council's Corporate Governance Framework to ensure that it is in accordance with CIPFA's Delivering Good Governance in Local Government Framework and effectively cover the seven principles of good governance. The audit also concluded with a reasonable assurance opinion.

Based on the work completed during the year and observations through our attendance at a variety of management and Audit & Governance Committee meetings, in our opinion the governance frameworks in place across the Council are generally robust, fit for purpose and subject to regular review. There is also appropriate reporting to the Audit & Governance Committee to provide the opportunity for independent consideration and challenge of the Annual Governance Statement and key Governance Policies.

As reflected under Regulator of Social Housing within Other Sources of Assurance below, there are governance issues with Housing which have been fully considered, together with the corresponding actions taken to date, when forming my annual conclusion for 2024-25. Whilst significant, I do not feel the issues are indicative of wider governance issues within the Council.

Risk management

The 2023-24 audit of risk management concluded with a substantial assurance opinion therefore this was not formally re-assessed during 2024-25. However, the Programme and Project Management Framework audit, and coverage of the TC25 programme within the Financial Stability audit, confirmed that risk registers/assessments are completed, reviewed monthly, discussed at project meetings, and regularly presented to the PAC Board within the highlight reports.

In accordance with the constitution, the Audit & Governance Committee play a key role with the overview of *'the Council's risk management arrangements and provide independent assurance of the adequacy of the risk management framework'*. This has been supported through the Committee's annual review of the risk management policy and regular reporting of the Strategic Risk Register, providing the opportunity for on-going Member consideration and challenge.

Control

In general, internal audit work found there to be a sound control environment in place across the majority of review areas included in the 2024-25 plan that were working effectively to support the delivery of corporate objectives. We generally found officers and staff to be aware of the importance of effective control frameworks, and open to our suggestion for improvements or enhancements where needed.

The key areas of challenge identified through our work are outlined below:

Developer Contributions - Limited (draft report)

The purpose of the audit was to ensure that Community Infrastructure Levy (CIL) and Section 106 contributions due from developers are defined and documented, received, recorded, and spent in line with Council policies and government regulations. This included the payment of CIL neighbourhood contributions to parishes, and the agreed bidding system for the disbursement of strategic CIL. The Council adopted CIL in 2014, including a charging schedule that sets out the CIL charges applicable according to the type of development and the zone in which the development is taking place. The CIL Officer checks the measurements of plans using Trapeze software to ensure charges are based on correct information; and charges are calculated automatically by the Exacom software, with liability notices and demand notices generated from the system. Charges are increased annually in line with RICS indexation rates. Although we were able to confirm the index figures in Exacom for 2023, 2024 and 2025, we found that the 2014 base index figure did not match the BCIS list of indices, meaning that the Council has not been using the correct index figure since implementation.

The review confirmed that planning applications included the appropriate CIL form and liability notices had been issued once the planning application was granted. CIL becomes due when a development commences and prior to this, forms are required from the developer. Testing confirmed that the relevant CIL forms had been received and acknowledged, and demand notices & invoices had been raised for the CIL due. We noted, however, one payment that was due in May 2024 and although a reminder had been issued in August 2024 no further debt recovery action had been taken.

Although we were able to confirm that all the S106 financial contributions that were due to the Council had been recorded in Exacom, we found that trigger points for payment of the contributions were not consistently recorded and we were unable to determine whether all S106 contributions were being monitored to ensure they were spent within any deadlines assigned in the agreements. Whilst the Council had published the Infrastructure Funding Statement as required by regulations, we identified a number of errors in the published document. There is also no reliable single source of information regarding collection and spending of S106 contributions to facilitate the completion of the Statement.

Other Sources of Assurance

During the year internal audit have remained cognisant of other sources of assurance from which the Council benefit. Due to legal and regularity nature of some public sector assurance providers, internal audit do not have engagement with or insight into the scope and timing of their work.

Where appropriate internal audit does coordinate with and place reliance on the outcomes of other assurance providers to minimise duplication and highlight potential gaps in assurance needs. Additionally, as chief internal auditor I liaise with the external auditors on matters of mutual interest and to seek opportunities for cooperation in the conduct of audit work.

During the year other sources of assurance considered and contributing to my annual conclusion include:

LGA Corporate Peer Challenge Feedback Report

Corporate Peer Challenge (CPC) is a highly valued improvement and assurance tool that is delivered by the sector for the sector. It involves a team of senior local government councillors and officers undertaking a comprehensive review of key finance, performance and governance information and then spending 2.5 days at Winchester City Council (WCC) to provide robust, strategic, and credible challenge and support.

CPC forms a key part of the improvement and assurance framework for local government. It is underpinned by the principals of Sector-led Improvement (SLI) put in place by Councils and the Local Government Association (LGA) to support continuous improvement and assurance across the sector. These state that local authorities are: Responsible for their own performance, accountable locally not nationally and have a collective responsibility for the performance of the sector.

In July 2024, WCC invited the Local Government Association to conduct a Corporate Peer Challenge to provide external feedback on their performance and to highlight areas for improvement.

The Peer Team's key recommendations to the Council covered the following areas:

- Recommendation 1: Governance and decision making
- Recommendation 2: Digitalisation
- Recommendation 3: Transformation Challenge 25
- Recommendation 4: Organisational development
- Recommendation 5: Balance ambition with capacity
- Recommendation 6: Golden thread
- Recommendation 7: Member development
- Recommendation 8: A “One District” approach
- Recommendation 9: Equality, Diversity and Inclusion

As part of the CPC, the Council are required to have a Progress Review and publish the findings from this within 12 months of the CPC. The LGA will also publish the Progress Review report on their website.

To implement the Peer Team's recommendations, WCC produced an LGA Peer Challenge - Action Plan. The LGA Peer Challenge Feedback report, recommendations and resulting action plan were presented to Cabinet in October 2024 where the report and recommendations were noted and the Council's action plan in response to the LGA recommendations was endorsed.

Thrive – Cyber Security Risk Assessment

The Council selected Thrive *‘to assess their current security programme and determine the state of organisational security posture’*. The report reviewed current areas of risk across 18 implementation groups and 74 additional safeguards in alignment with the CIS Critical Security Controls (CIS Controls) framework IG Group 2. The report highlighted nine implementation groups where controls and safeguards meet best practices; and both tactical and strategic recommendations to address gaps and identify improvement opportunities in a further nine areas.

Following the review, an action plan was developed to assess, prioritise and, where applicable, implement additional controls and safeguards to address the gaps and improvement opportunities. An audit is planned for 2025-26 to assess how the actions were prioritised and the progress with implementation.

Regulator of Social Housing (RSH) - Regulatory Judgement

In February 2024, The Cabinet Committee: Housing received a report - Social Housing Regulation Inspection Regime (CAB3450(H)) summarising *'forthcoming changes to the regulatory regime of the Regulator of Social Housing (RSH) following the introduction of the Social Housing Regulation Act 2023'*. The report confirms that *'Self-assessment against the new consumer standards will inform the existing business planning process to ensure that the required time and resources are made available to address any identified shortcomings. Self-assessment will be ongoing from April 2024, and it will engage staff, residents, councillors, and other key stakeholders.'*

In February 2025 the Cabinet Committee: Housing received a report - Social Housing Regulation (CAB3479(H)) to *'appraise the committee of the self-assessment that has been undertaken including an independent assessment. The service has already begun work to address areas for improvement where there are gaps between previous requirements and the new consumer standards and produced an action plan. The service has self-referred to the Regulator of Social Housing (RSH) to work with them to ensure that the new regulatory standards are achieved as soon as possible through the delivery of the action plan.'* The draft minutes of the Cabinet Committee meeting confirmed the noting of the self-assessment and agreement to the Housing improvement plan V0.1, which included actions, timescales and intended outcomes to address the issues identified.

Following the self-referral, the RSH published a Regulatory Judgement on 30 April 2025, including their Summary of the decision:

'Our judgement is that there are serious failings in how Winchester CC is delivering the outcomes of the consumer standards and significant improvement is needed, specifically in relation to outcomes in our Safety and Quality Standard and the Transparency, Influence and Accountability Standard. Based on this assessment, we have concluded a C3 grade for Winchester CC.'

The judgement confirms:

The Safety and Quality Standard requires landlords to identify and meet all legal requirements that relate to the health and safety of tenants in their homes and communal areas, and to ensure that all required actions arising from legally required health and safety assessments are carried out within appropriate timescales.... Winchester CC does not have adequate systems and processes for the delivery and oversight of legal requirements relating to the health and safety of tenants.

The Safety and Quality Standard also requires landlords to have an accurate, up to date and evidenced understanding of the condition of their homes that reliably informs their provision of good quality, well maintained and safe homes for tenants and to ensure that tenants' homes meet the requirements of the Decent Homes Standard (DHS).....Winchester CC reported that it does not have up to date information about the condition of the majority of its homes and is therefore unable to evidence the accuracy of its reported compliance with the DHS.

The Transparency, Influence and Accountability Standard includes the requirement for landlords to provide tenants with accessible information about how it is performing in delivering landlord services and what actions it will take to improve performance where required..... Due to the issues set out above in relation to meeting the required outcomes of the Safety and Quality Standard, Winchester CC cannot be assured that the information it collected and shared with tenants for the relevant Tenant Satisfaction Measures was accurate.

Considering the breadth and significance of the issues across the relevant outcomes of the Safety and Quality Standard and the Transparency, Influence and Accountability Standard, it is our judgement that there are serious failings in how Winchester CC is delivering the outcomes of the consumer standards and significant improvement is needed.

Winchester CC has engaged constructively with us since its self-referral and is taking steps to address the failures identified. This includes work to complete improvements to systems and processes for the delivery and oversight of legal health and safety requirements. It also has plans to complete a full stock condition survey of its homes.

We are engaging with Winchester CC as it continues to address the issues that led to this judgement and we will seek evidence that gives us the assurance that sufficient change and progress is being made, including ongoing monitoring of how it delivers its improvement plan. Our priority will be that risks to tenants are adequately managed and mitigated. We are not proposing to use our enforcement powers at this stage but will keep this under review as Winchester CC seeks to resolve these issues.

There are governance and control issues within Housing which have been fully considered, together with the corresponding actions taken to date, when forming my annual conclusion for 2024-25. Whilst significant, I do not feel the issues are indicative of wider governance, risk management or control issues within the Council.

Management actions

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers.

Progress is periodically reported during the year to the Audit & Governance Committee through our quarterly internal audit progress reports and the Council's Governance Monitoring Report.

Acceptance of Risk

From the work carried out by the Southern Internal Audit Partnership during the year, I am not aware of any instances where management have accepted a level of risk that we feel exceeds the organisations risk appetite or risk tolerance.

11. Themes

The findings and conclusions of multiple engagements, when viewed holistically, can reveal patterns or trends, such as root causes, however analysis of assurance work undertaken across the organisation's framework of governance, risk management and control processes has not highlighted any significant themes to draw to the Council's attention.

12. Anti-Fraud and anti-corruption

The Council is committed to the highest possible standards of openness, probity and accountability and recognises that the electorate need to have confidence in those that are responsible for the delivery of services. A fraudulent or corrupt act can impact on public confidence in the Council and damage both its reputation and image.

The Council maintain an Anti-Fraud and Corruption Policy, Anti-Fraud and Corruption Response Plan, Anti Bribery Policy and Whistleblowing Policy which have been approved through the Audit and Governance Committee and Full Council.

During 2024, the Council contacted SIAP to discuss concerns regarding housing repair and maintenance which had been raised from multiple individuals under the Council's Whistleblowing Policy. We met with the individuals to discuss their concerns, which were grouped into themes, including irregularity, and control weaknesses or non-compliance with controls. SIAPs Counter Fraud Unit (CFU) were commissioned to undertake three investigations into specific concerns of financial, statutory and contractual irregularity. The planned audit of Housing Asset Management – Repairs and Maintenance was scoped accordingly to cover potential control weaknesses or non-compliance.

The first CFU investigation focussed on concerns raised regarding if contract extensions for the main contractor were processed without due diligence. Whilst the investigation did not identify evidence of financial irregularity, it did raise statutory and contractual concerns over the transparency and reporting.

The second investigation focussed on concerns raised regarding inaccurate returns to regulators, specifically those in relation to the 'decent homes' standard where the Council was reporting 100% compliance. The Council also commissioned external consultants to undertake a separate review, culminating in a report which covered a number of areas pertinent to the CFU investigation, highlighting 'poor record keeping and inadequate management systems', matching the CFU findings. The CFU investigation did not find that incorrect submissions were made deliberately or with intent.

The third investigation focussed on concerns raised regarding the duplication of jobs and the approval of work when there had been little insight into the work. The quality of data and volume of jobs on the Council's Housing Management system (Orchard) did not enable the CFU to confirm if duplication had occurred. The investigation did conclude that there had been little insight into the work undertaken for a combination of reasons including:-

- There are no clear documented sign offs for price increases;
- A nominal default value for jobs is frequently used leading to reduced oversight of work;
- A lack of photo evidence undermines the job approval process;
- Delayed invoicing and poor record keeping;
- The high volume of jobs raised weakens the Council's ability to monitor jobs effectively.

Upon request and following receipt of the required Data Sharing Agreement documentation, and in accordance with both our legal obligations and the Council's Internal Audit Charter, all investigation reports have been shared with the Police.

The planned audit of Housing Asset Management – Repairs and Maintenance has progressed however not within the intended timeframes, largely due to the quality, volume and availability of data and documentation. We intentionally awaited the outcome of the investigations prior to resuming the audit. The outcomes will be reported to the Audit & Governance Committee upon conclusion.

13. Quality Assurance and Improvement

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

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

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. In considering all sources of evidence the external assessment team concluded:

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

Despite the change in the Standards any external quality assessment undertaken under the Public Sector Internal Audit Standards remains valid for the duration of the successive five years (from the date it was undertaken). The Southern Internal Audit Partnership will be commissioning an external quality assessment against the Global Internal Audit Standards in the UK Public Sector during 2025.

14. Disclosure of Non-Conformance

There are no disclosures of Non-Conformance to report. In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

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

15. Quality Control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2024-25 through the following internal processes:

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

16. Internal Audit Performance

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

| Performance Measure | Target | Actual (2024-25) |
|---|----------|---------------------|
| Percentage of internal audit plan delivered (to draft report) | 95% | 81% |
| Positive customer survey response: | | |
| SIAP – all Partners | 90% | 98% |
| Winchester City Council | 90% | 98% |
| Conformance with the Public Sector Internal Audit Standards | Conforms | Conforms |

Customer satisfaction is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date April 2025).

17. Acknowledgement

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

Antony Harvey
Deputy Head of Southern Internal Audit Partnership

Summary of Assurance Reviews Completed 2024-25

Annex 1

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.

- Decision Making and Accountability
- Treasury Management
- Land Registry / Charges
- Programme and Project Management
- NNDR
- Parking and Enforcement (draft final report)
- Financial Stability – TC25 (draft final report)
- Expenses and Overtime (draft final report)

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.

- Housing Company (draft report)
- Microsoft Licencing
- Information Governance – Records Management and Retention
- Corporate Governance Framework
- Disabled Facilities Grants

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.

- Developer Contributions

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.

Not applicable

*Six reviews (Contract Management – ID Verde & Wetton; Accounts Receivable/Debt Management; ICT Patch Management; Housing Asset Management – Repairs and Maintenance; Housing Asset Management – Housing Retrofit Programme; and Asset Management – Corporate Estate (follow-up)) remain work in progress and will be reported as part of our regular progress reports to the Audit & Governance Committee upon completion. The status of these reviews has not inhibited my ability to provide an overall opinion on the Council's framework of governance, risk and control.

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AG165
AUDIT & GOVERNANCE COMMITTEE

REPORT TITLE: INTERNAL AUDIT CHARTER AND RISK BASED PLAN 2025-26

17 JULY 2025

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

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 the Audit & Governance Committee with the Internal Audit Charter and Risk Based Internal Audit Plan 2025-26 for consideration and approval.

RECOMMENDATIONS:

1. The Audit & Governance Committee are invited to consider, provide input to and approve the
 - Internal Audit Charter 2025-26 (Appendix A); and
 - Internal Audit Risk Based Plan 2025-26 (Appendix B).

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. The plan comprises 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, noted and agreed with the Executive Leadership Board who recommend the report to the Audit & Governance Committee for approval.

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 mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

'A relevant authority 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.'

- 11.2 From 1 April 2025, the 'standards or guidance' in relation to internal audit are those laid down in the Global Internal Audit Standards (GIAS), Application Note: Global Internal Audit Standards in the UK Public Sector (Application Note) and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements shall be referred to as the Global Internal Audit Standards in the UK Public Sector (the Standards).
- 11.3 The Southern Internal Audit Partnership have made all necessary adaptations to its processes, procedures and practices to ensure it is best placed to conform with these requirements with effect from 1 April 2025.

- 11.4 The Standards (6.2) require all internal audit providers to implement and maintain an 'Internal Audit Charter'. The internal audit charter is defined as 'a formal document that includes the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of service, and other specifications'.
- 11.5 Standard 11.3 (Communicating Results) references the possibility that a chief internal audit may be required to make a conclusion at the level of the organisation about the effectiveness of governance, risk management and/or control. Section 10B of the Application Note makes it a mandatory requirement in the UK public sector, for the chief internal auditor to prepare such an overall conclusion at least annually in support of wider governance reporting. This overall conclusion must encompass governance, risk management and control. The requirement for an overall conclusion must also inform planning carried out under GIAS Standard 9.4 (Internal Audit Plan).
- 11.6 In accordance with the Standards (9.4) there is a requirement that internal audit must create a risk-based internal audit plan that supports the achievement of the organisation's objectives. The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to fulfil the audit mandate and delivery of the internal audit strategy.
- 11.7 The aim of internal audit's work programme is to provide independent and objective 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.
- 11.8 Global Internal Audit Standards in the UK Public Sector came 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 Leadership Board and approval by the Audit & Governance Committee.

Internal Audit Charter 2025-26

- 11.9 The internal audit charter is reported to the Audit & Governance Committee annually for review and approval and it has been updated to reflect the requirements of the new Standards. A copy is attached as Appendix A.

Internal Audit Risk Based Plan 2025-26

- 11.10 The proposed risk based internal audit plan for 2025-26 is attached at Appendix B and has been developed at a strategic level providing a value adding, and proportionate level of assurance aligned to the Council Plan Outcomes. It is based on a range of inputs including a review of the Council's Corporate Risk Register and Service Risk Registers, sector knowledge and discussions with Directorate Management Teams.
- 11.11 Internal audit focus should be proportionate and appropriately aligned, and as such, only high and medium priority reviews identified during the planning process are incorporated within the Internal Audit Plan. The exception to this is where 'mandatory' audits (for example to certify the accuracy of grant claims to meet funding requirements) or specific management requests have been raised and sufficient capacity is available.
- 11.12 The audit plan will remain fluid to ensure internal audit's ability to react to the changing needs of the Council. Any additions to the plan must be able to clearly demonstrate a contribution to the audit conclusion on risk management, control and governance.
- 11.13 Any changes to the plan (including advisory assignments) will be transparently reported to the Executive Leadership Board and the Audit & Governance Committee during the course of the year for approval as part of our regular progress reports.
- 11.14 The Internal Audit Charter ensures the Chief Internal Auditor has sufficient resource necessary to fulfil the requirements and expectations to deliver an internal audit conclusion.
- 11.15 Significant matters that jeopardise the delivery of the plan, or require changes to the plan will be identified, addressed and reported to the Audit & Governance Committee, through regular progress reports.
- 11.16 The endorsement and sponsorship of the plan(s) at Member / Director / Chief Finance Officer level will assist in providing the engagement and buy-in of staff at an operational level to ensure the outcome of audit reviews are optimised.

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

AG159 Approval of the Internal Audit Plan and Internal Audit Charter 2025-26

Other Background Documents:-

None.

APPENDICES:

Internal Audit Charter 2025-26 (Appendix A)

Internal Audit Risk Based Plan 2025-26 (Appendix B).

**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

WINCHESTER CITY COUNCIL

Internal Audit Charter 2025/26

Prepared By: Antony Harvey, Deputy Head of Southern Internal Audit Partnership

June 2025

1. Introduction

The [Global Internal Audit Standards](#), issued by the Institute of Internal Auditors and effective in the UK Public Sector from April 2025, guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function.

While the Global Internal Audit Standards apply to all internal audit functions, it is acknowledged that internal auditors in the public sector work in a political environment under governance, organisational and funding structures that differ from those of the private sector.

Consequently, internal audit practitioners working in, or for, the UK public sector are required to apply the Global Internal Audit Standards subject to the interpretations and requirements of the [Application Note: Global Internal Audit Standards in the UK public sector](#), issued by Relevant Internal Audit Standard Setters (RIASS).

In addition, relevant public sector bodies are also required to apply the Chartered Institute of Public Finance & Accountancy (CIPFA) [Code of Practice for the Governance of Internal Audit in UK Local Government](#) which provides a conduit for meeting the essential conditions for governance set out in the Global Internal Audit Standards, tailored for UK local government.

The collective requirements shall be referred to as the Global Internal Audit Standards in the UK Public Sector. All SIAP policies and procedures have been reviewed and updated to ensure compliance with these requirements with effect from April 2025.



The Standards require all internal audit providers to implement and maintain an 'Internal Audit Charter'.

The internal audit charter is defined as *'a formal document that includes the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of service, and other specifications'*

2. Definitions

The Global Internal Audit Standards in the UK Public Sector apply the following definitions:

The Board – *‘the governing body authorised to provide the internal audit function with the appropriate authority, role, and responsibilities.’* At Winchester City Council (‘the Council’) this shall mean the Audit and Governance Committee.

Senior Management – *‘the highest level of executive management of an organisation that is ultimately accountable to the Board for executing the organisation’s strategic decisions, typically a group of persons that includes the Chief Executive Officer or Head of Organisation’.* At the Council this shall mean the Executive Leadership Board (ELB).

3. Internal Audit Mandate

The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

‘5. (1) A relevant authority 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.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

- (a) make available such documents and records; and*
- (b) supply such information and explanations*

as are considered necessary by those conducting the internal audit.

(3) In this regulation “documents and records” includes information recorded in an electronic form.’

From 1 April 2025, the ‘standards or guidance’ in relation to internal audit are those laid down in the Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government.

The scope of internal audit includes both assurance and advisory services covering the entire breadth of the Council, including all activities, assets, and personnel of the organisation.

Fraud investigations may also be commissioned which will be conducted by the Southern Internal Audit Partnership’s Counter Fraud Unit.

4. Authority, Roles and Responsibilities

Authority

The Chief Internal Auditor is positioned at a level in the organisation that enables internal audit services and responsibilities to be performed independently of management and with objectivity, enabling escalation as appropriate.

The Chief Internal Auditor reports functionally to the Audit and Governance Committee, and organisationally to the Chief Finance Officer, who is a member of the Executive Leadership Board and has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs.

The Chief Internal Auditor has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to the Council's Monitoring Officer where matters arise relating to Chief Executive responsibility, legality and standards.

Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Audit and Governance Committee). Private meetings, without senior management present, are also offered to the Chair of the Audit and Governance Committee.

Should organisation structures change, senior management and the Audit and Governance Committee will ensure that the reporting line of the Chief Internal Auditor remains with a member of the Executive Leadership Board and retains the relevant access to Members and officers as outlined above.

It is recognised that the Chief Internal Auditor supervises assurance services related to activities that are managed by the Chief Finance Officer to whom the Chief Internal Auditor reports administratively, however, this perceived impairment is mitigated through overview from the Head of Southern Internal Audit Partnership, and the alternative reporting lines detailed above.

Internal audit reporting protocols are in place to ensure that the scope of work and findings for all assignments are reported appropriately and that agreed management actions are approved by senior management.

Every effort will be made to resolve disagreements that may arise during the audit process. However, if unresolved issues (such as limitations to the scope of work or failure to agree appropriate actions in response to audit findings) are considered by internal audit to fall outside of the Council's risk tolerance, these will be escalated to the relevant Director, Chief Finance Officer or Strategic Director in the first instance and then to the Chief Executive and Audit and Governance Committee as deemed necessary.

The Executive Leadership Board and the Audit and Governance Committee authorises the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information. Such access shall be granted on demand and not subject to prior notice.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of the Council and other specialised services from within or outside the Council to complete internal audit services.

Role

The role of internal audit is best summarised through its definition within the Global Internal Audit Standards in the UK Public Sector, as:

'An independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.'

Purpose

Internal audit strengthens the Council's ability to create, protect, and sustain value by providing the Audit and Governance Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal audit enhances the Council's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal audit is most effective when:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards in the UK Public Sector, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

Responsibility

The responsibility for maintaining an adequate and effective system of internal audit within the Council lies with the Chief Finance Officer (S151 Officer).

For the Council, internal audit is provided by the Southern Internal Audit Partnership. The Chief Internal Auditor (Antony Harvey, Deputy Head of Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the Global Internal Audit Standards in the UK Public Sector.

The Chief Internal Auditor

Has the responsibility to:

- At least annually, develop a risk-based internal audit plan engaging with the Audit and Governance Committee and Executive Leadership Board and submit the plan to the Audit and Governance Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit and Governance Committee and Executive Leadership Board.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit and Governance Committee and Executive Leadership Board if there are significant interim changes to the internal audit plan.

- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards in the UK Public Sector (and relevant laws and/or regulations).
- Follow up on engagement findings and confirm the implementation of management actions or action plans and communicate the results of internal audit services to the Audit and Governance Committee and Executive Leadership Board periodically and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards in the UK Public Sector and fulfil the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the Council and communicate to the Audit and Governance Committee and Executive Leadership Board as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure awareness of the Council's relevant policies and procedures, however should such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards in the UK Public Sector, such conflicts will be resolved or documented and communicated to the Audit and Governance Committee and Executive Leadership Board.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services.
- Deliver an annual conclusion that can be used by the Council to inform its annual governance statement. The annual conclusion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Discuss the annual conclusion with the Audit and Governance Committee and Executive Leadership Board and submit the annual conclusion to the Audit and Governance Committee for review and noting.

The Chief Internal Auditor will liaise with the external auditors on matters of mutual interest and to seek opportunities for cooperation in the conduct of audit work. The external auditors will have the opportunity to rely on the work of internal audit where appropriate.

A range of internal audit services are provided (Annex 1) in the delivery of the audit plan and to form the annual conclusion. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

Fraud and irregularity

Internal audit will plan and evaluate their work to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls.

Management is required to report all suspicions of theft, fraud and irregularity to the Chief Internal Auditor so that they can consider the adequacy of relevant controls, evaluate the implication of the fraud on the risk, control and governance processes and consider making recommendations as appropriate.

Internal audit will not carry out investigations unless commissioned to do so and, where this is the case, the Chief Internal Auditor will ensure that investigators are appropriately trained in carrying out their responsibilities.

Where there is evidence that Council staff are committing fraud, internal audit will liaise with Human Resources and the Directorate concerned.

Internal audit will consider assurance over the Council's Anti-Fraud and Corruption Policy and framework as part of the internal audit planning process.

Internal audit also facilitates the Council's participation in the National Fraud Initiative.

5. Internal audit resources

The Chief Internal Auditor is professionally qualified (CMIIA, CCAB or equivalent), maintains a comprehensive understanding of the Global Internal Audit Standards in the UK Public Sector, has wide internal audit and management experience, reflecting the responsibilities that arise from the need to build and manage an effective internal audit function (incl. recruitment, training and development), liaises internally and externally with Members, senior management and other professionals, and demonstrates sound sector knowledge & experience.

The Chief Finance Officer will provide the Chief Internal Auditor with the resources necessary to fulfil the Council's requirements and expectations to fulfil the audit mandate and delivery of the internal audit strategy.

The Head of the Southern Internal Audit Partnership has a resource strategy in place to optimise internal audit resources. Ongoing sufficiency of resources (financial, human and technological) will be transparently communicated by the Chief Internal Auditor to the Executive Leadership Board and the Audit and Governance Committee through regular reporting as part of the approval of the internal audit plan and further throughout the year as part of the progress reports and ultimately within the annual conclusion.

Any resource implications that put the fulfilment of the internal audit mandate at risk will be reported accordingly through the aforementioned reports.

Financial Resource

The Head of Southern Internal Audit Partnership will manage the internal audit budget to enable the successful implementation of the internal audit strategy and achievement of the plan. The budget includes the resources necessary for the function's operation, including training and relevant technologies and tools.

The Head of the Southern Internal Audit Partnership will manage the day-to-day activities of the internal audit function effectively and efficiently, in alignment with the budget.

Human Resource

The Head of Southern Internal Audit Partnership will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the internal audit strategy and operational risk-based audit plan.

The Chief Internal Auditor continually evaluates the competencies of individual internal auditors (regular one-to-ones, performance management and quality review processes), and encourages professional development.

The annual operational risk-based plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.

The Executive Leadership Board and the Audit and Governance Committee will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to the Executive Leadership Board and the Audit and Governance Committee.

If the Chief Internal Auditor, Executive Leadership Board or the Audit and Governance Committee consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Global Internal Audit Standards in the UK Public Sector is prejudiced, they will advise the Chief Finance Officer, accordingly.

Technological Resource

The Head of the Southern Internal Audit Partnership will ensure the internal audit function has technology to support the internal audit process and regularly evaluate the technology used to pursue opportunities to improve effectiveness and efficiency.

The implementation of new technologies is supported through effective and timely training for internal audit staff.

The impact of any technology limitations on the effective and efficient delivery of internal audit services will be communicated to the Executive Leadership Board and the Audit and Governance Committee.

6. Ethics and Professionalism

The Chief Internal Auditor will ensure that internal auditors:

- Conform with the Global Internal Audit Standards in the UK Public Sector, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the Council and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the Council.
- Report organisational behaviour that is inconsistent with the Council's ethical expectations, as described in applicable policies and procedures.
- Apply the Seven Principles of Public Life alongside existing ethical frameworks.

7. Independence and objectivity

The Chief Internal Auditor retains no roles or responsibilities that have the potential to impair the internal audit functions independence, either in fact or appearance.

Should such circumstance arise, the Chief Internal Auditor will advise the Audit and Governance Committee of the safeguards put in place to manage actual, potential or perceived impairments.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review.

Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- assessing specific operations for which they had responsibility within the previous year.
- performing operational duties for the Council or its affiliates.
- initiating or approving transactions external to the internal audit function.
- directing the activities of any Council employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit team or to assist internal auditors.

Internal auditors will:

- disclose impairments of independence or objectivity, in fact or appearance, to the Chief Internal Auditor.
- exhibit professional objectivity in gathering, evaluating, and communicating information.
- make balanced assessments of all available and relevant facts and circumstances.
- take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Induction and refresher training combined with internal audit procedures and guidance provide a systematic and disciplined approach for gathering and evaluating information to provide a balanced assessment of the activity under review.

The Chief Internal Auditor will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication.

If the Chief Internal Auditor determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

In addition, to achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- operates in a framework that allows unrestricted access to the Executive Leadership Board and the Audit and Governance Committee.
- reports functionally to Audit and Governance Committee.
- reports in their own name.
- rotates responsibilities for audit assignments within the internal audit team.
- completes individual declarations confirming compliance with rules on independence, objectivity, conflicts of interest and acceptance of inducements, and
- ensures the planning process recognises, records and addresses potential conflicts of interest.

A register of potential conflicts of interest will be maintained with each case assessed and outcomes documented. If, despite this, independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to the Executive Leadership Board and the Audit and Governance Committee. The nature of the disclosure will depend upon the impairment.

The Executive Leadership Board will ensure that independence is safeguarded through ensuring internal audit's access to staff and records, as set out in regulations and the charter, operates freely and without any interference and where there are actual or potential impairments to the independence of internal audit, the Executive Leadership Board will work with the Chief Internal Auditor to remove or minimise them or ensure safeguards are operating effectively.

The Audit and Governance Committee will support internal audit's independence by reviewing the effectiveness of safeguards at least annually, including any issues or concerns about independence raised by the Chief Internal Auditor.

The Chief Internal Auditor will confirm to the Audit and Governance Committee, at least annually, the organisational independence of the internal audit function. The Chief Internal Auditor will disclose to the Audit and Governance Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfil its mandate

Matters around the appointment, removal, remuneration and performance evaluation of the Chief Internal Auditor will be undertaken by the Head of the Southern Internal Audit Partnership.

The Audit and Governance Committee should provide feedback on the performance evaluation of the Chief Internal Auditor. This will be achieved through an annual survey sent to all Audit and Governance Committee members.

8. Due Professional Care

Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity, but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity and respect.

Internal auditors will apprise themselves of the Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported to the Chief Internal Auditor in accordance with the Council's laid down procedures.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained during internal audit work will not be used to effect personal gain.

9. Communication, Reporting and Oversight

Internal Audit Strategy

The Head of the Southern Internal Audit Partnership will develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the Council and aligns with the expectations of the Audit and Governance Committee, Executive Leadership Board and other key stakeholders.

The internal audit strategy is a plan of action designed to achieve the audit function's long-term objective(s). The internal audit strategy includes a vision, strategic objectives, and supporting initiatives for the internal audit function to help fulfil the internal audit mandate.

Internal Audit Charter

The internal audit charter defines the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of service, and other specifications relevant to its effective operation.

Audit Plan

The Chief Internal Auditor will develop an internal audit plan that supports the achievement of the Council's objectives.

The plan will be based on a documented assessment of the Council's strategies, objectives, and risks. Such assessment will be informed through engagement with the Audit and Governance Committee, and Executive Leadership Board as well as the Chief Internal Auditors understanding of the organisation's governance, risk and control processes.

The plan will be regularly reviewed with significant changes discussed and approved with the Executive Leadership Board and the Audit and Governance Committee in a timely manner.

Audit Assignments

Internal auditors will communicate with management at the commencement of each review to ensure that the scope and timing of the work is understood and agreed, and this will be documented in a Terms of Reference. Internal audit contacts agreed as part of this process will be expected to be available for discussions and to provide the information required to complete the assignment in line with the timelines agreed. Regular communication throughout the review will ensure timely awareness of any issues arising and a close of audit meeting will also be held to summarise and confirm findings.

The results of all planned audit assignments will be summarised in a formal report, including:

- the purpose and scope of the reviews
- the assurance opinion
- an executive summary
- action plans outlining issues arising and actions proposed by management to address them (including consideration of root cause and identification of key themes).

The reports will be distributed and agreed in line with established reporting protocols for each Directorate.

Progress Reports

Throughout the year the Chief Internal Auditor will maintain regular communications with the Executive Leadership Board and the Audit and Governance Committee on internal audit performance and other matters such as:

- revisions to the plan.
- any impairments to independence.
- significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for management that could interfere with the achievement of the Council's strategic objectives.
- results of assurance and advisory services.
- management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Council's risk appetite.
- performance measures, including ongoing conformance with the Global Internal Audit Standards in the UK Public Sector.
- evaluation of resourcing to meet the requirements of the internal audit mandate / plan.

Annual Conclusion

The Chief Internal Auditor shall deliver an annual conclusion that can be used by the Council to inform its annual governance statement.

The annual conclusion will conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

The annual conclusion will incorporate as a minimum:

- the opinion.
- a summary of the work that supports the opinion.
- a statement on conformance with Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government.
- results of the quality assurance and improvement programme.

Quality assurance and Improvement Programme

The Head of the Southern Internal Audit Partnership maintains a quality assurance and improvement programme that covers all aspects of the internal audit function. The programme includes:

External Quality Assessments – to be performed at least once every five years by a qualified independent assessor or assessment team (with appropriate characteristics and sector knowledge). The requirement for an external quality assessment may also be met through a self-assessment with independent validation.

The decision on the appointment of the external assessor and format of the external quality assessment will be communicated to the Council's Executive Leadership Board and the Audit and Governance Committee.

Internal Quality Assessments – self-assessments to be performed annually to review internal audits conformance with the Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government along with progress towards performance objectives.

The Chief Internal Auditor will communicate annually the results of the internal quality assessment to the Executive Leadership Board and the Audit and Governance Committee. The results of external quality assessments will be reported when completed.

In both cases communications will include:

- The internal audit function's conformance with Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government and achievement of performance objectives.
- Compliance with laws and regulations relevant to internal auditing.
- If applicable, plans to address the internal audit function's deficiencies and opportunities for improvement.

In addition, an annual satisfaction survey will be conducted with key stakeholders to assess the value of the service and to seek suggestions for improvement.

The results of the survey, annual self-assessment, and external assessment will be shared with the Executive Leadership Board and the Audit and Governance Committee, together with plans to address any issues arising.

Executive Leadership Board

As those responsible for the leadership and direction of the Council it is imperative that the Executive Leadership Board are engaged in:

- input, review, and note the internal audit mandate and charter (minimum annually).
- input, review, and note the internal audit strategy.
- input and note the risk based internal audit plan (making appropriate enquiries of the Chief Internal Auditor to determine inappropriate scope and resource limitations).
- receiving regular progress reports from the Chief Internal Auditor on the outcomes and internal audits performance relative to its plan.
- review and note the Chief Internal Auditors annual conclusion.
- review of the quality assurance and improvement programme, engaging with, and receiving the results of internal and external assessments, including areas of non-conformance.

The Audit and Governance Committee

As those responsible for the governance of the Council it is imperative that the Audit and Governance Committee are engaged in:

- input, review and approval of the internal audit mandate and charter (minimum annually).
- input, review, and note the internal audit strategy.
- input, and approval of the risk based internal audit plan (making appropriate enquiries of management and Chief Internal Auditor to determine inappropriate scope and resource limitations).
- receiving regular progress reports from the Chief Internal Auditor on the outcomes and internal audits performance relative to its plan.
- consider the Chief Internal Auditors annual conclusion.
- review of the quality assurance and improvement programme, engaging, with, and receiving the results of internal and external assessments, including areas of non-conformance.
- participation in discussions with the Chief Internal Auditor and senior management about the “essential conditions,” described in the Global Internal Audit Standards in the UK Public Sector.
- overview of significant advisory services not already included in the audit plan, prior to acceptance of the engagement.

10. Review of the internal audit mandate and charter

This mandate and charter will be reviewed annually (minimum) by the Chief Internal Auditor and reported to the Executive Leadership Board and the Audit and Governance Committee for approval to ensure that any changes to the Global Internal Audit Standards in the UK Public Sector, reorganisation within the organisation or other significant changes affecting the nature and scope of internal audit services are considered.

Annex 1

Assurance Services

- **Risk based audit:** in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.
- **Developing systems audit:** in which the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- **Quality assurance review:** in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- **Advisory services:** in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

- **Data analytics:** is a process of assessing data to find trends, patterns or other insights. Internal auditors use data analytics to find and define risks, errors, and anomalies that could reveal deeper problems. The extended use of data analytics helps provide greater levels of assurance through analysis of a total population rather than traditional sampling methodologies.
- **IT Audit:** a specialist IT audit team are in place that are experienced in covering all aspects of established and emerging technologies. With IT underpinning a vast majority of how we function assurance in this area is crucial. To be able to provide a fully qualified team of IT audit specialists is a fundamental component of the audit offering.

- **Fraud and irregularity investigations:** Internal audit may provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the Council's Anti-Fraud and Corruption Response Plan.
- **Value For Money:** is implicit in the vast majority of our internal audit work, however, value for money work can also be conducted through review of the optimal use of resources to achieve an intended outcome, and can be summarised as:
 - **Economy** – minimising the cost of resources used or required (inputs) – spending less
 - **Efficiency** – the relationship between the output from goods or services and the resources to produce them – spending well
 - **Effectiveness** – the relationship between the intended and actual results of public spending (outcomes) – spending wisely
- **Third party assurance:** the availability of objective assurance from other assurance providers will be considered in determining audit needs. Where internal audit needs to work with the internal auditors of other organisations, a practice which is expanding with the development of more organisational strategic partnerships, the roles and responsibilities of each party, as well as billing arrangements, will be clearly defined, agreed and documented prior to the commencement of work. Internal audit will also ensure awareness of and seek to place reliance on the work of other independent review bodies.

Southern Internal Audit Partnership

Assurance through excellence
and innovation

WINCHESTER CITY COUNCIL INTERNAL AUDIT PLAN 2025-26

Prepared by: Antony Harvey, Deputy Head of Southern Internal Audit Partnership

June 2025

Introduction

The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

‘5. (1) A relevant authority 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 scope of internal audit includes both assurance and advisory services covering the entire breadth of Winchester City Council (‘the Council’), including all activities, assets, and personnel of the organisation.

The role of internal audit is that of an:

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

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

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

The aim of internal audit’s work programme is to provide independent and objective assurance to management, the Executive Leadership Board and the Audit and Governance Committee, in relation to the business activities; systems and 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.

Conformance with internal auditing standards

From 1 April 2025, the 'standards or guidance' in relation to internal audit are those laid down in the Global Internal Audit Standards, Application Note: Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements shall be referred to as the Global Internal Audit Standards in the UK Public Sector.

The Southern Internal Audit Partnership have made all necessary adaptations to its processes, procedures and practices to ensure it is best placed to conform with these requirements with effect from 1 April 2025.

Prior to 1 April 2025 conformance was required to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there was a requirement for audit services to have an external quality assessment every five years. In September 2020 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

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

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.'

'We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

Despite the change in the Standards any external quality assessment undertaken under the Public Sector Internal Audit Standards remains valid for the duration of the successive five years (from the date it was undertaken). The Southern Internal Audit Partnership will be commissioning an external quality assessment against the Global Internal Audit Standards in the UK Public Sector during 2025.

Developing the internal audit plan 2025/26

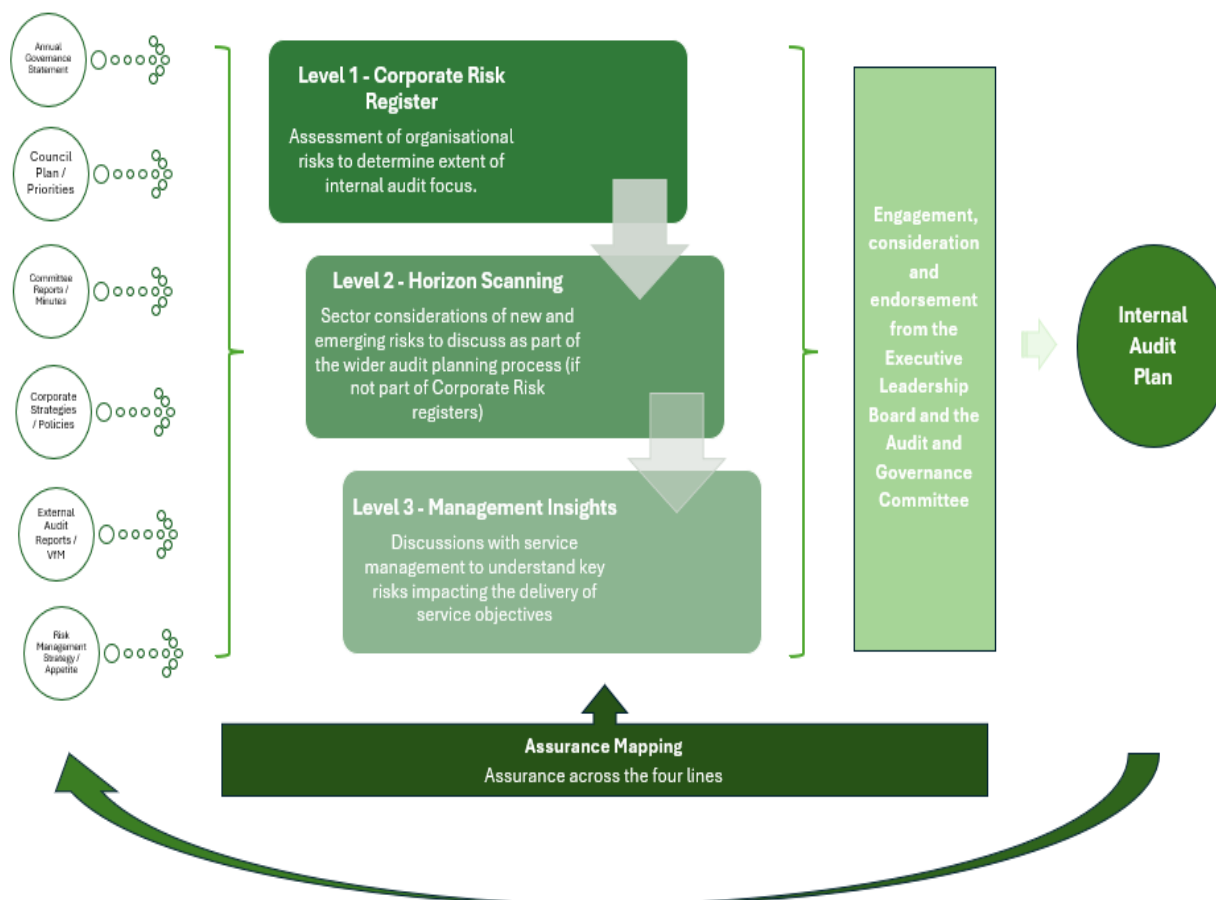
In accordance with the Global Internal Audit Standards in the UK Public Sector there is a requirement that internal audit must create a risk-based internal audit plan that supports the achievement of the organisation's objectives. The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to fulfil the audit mandate and delivery of the internal audit strategy.

The risk-based internal audit plan is prepared based on a range of inputs (see diagram).

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant audit sponsors, the Executive Leadership Board, and Audit and Governance Committee, to ensure internal audit are able to react to new and emerging risks and the changing needs of the Council.

Amendments to the plan will be identified through the Chief Internal Auditor's continued contact and liaison with those responsible for the governance of the Council and reported and approved by the Executive Leadership Board, and Audit and Governance Committee, through regular progress reports.

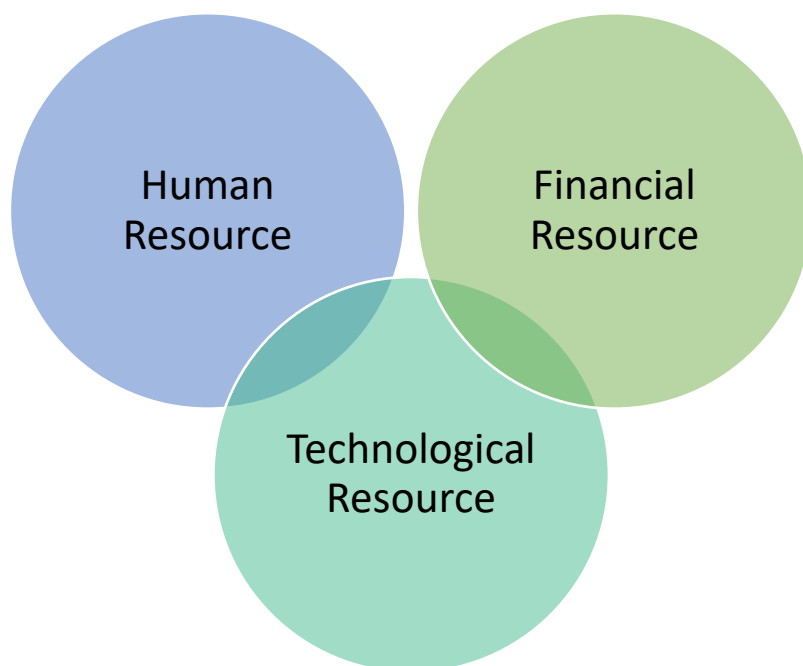
The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation. We will however continue to work closely with other assurance providers to ensure that duplication is minimised, and a suitable breadth of assurance is obtained.



Internal audit resources

On development of the 2025/26 internal audit plan as Chief Internal Auditor, I am of the opinion that there is a sufficient level of resource available, supported by an appropriate range of knowledge, skills, qualifications and experience to deliver the internal audit plan in the fulfilment of the audit mandate and delivery of the internal audit strategy.

The Head of the Southern Internal Audit Partnership has a resource strategy in place to optimise internal audit resources to efficiently and effectively deliver the internal audit plan.



Human Resource - the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the internal audit strategy and operational risk-based audit plan.

If the Chief Internal Auditor, Executive Leadership Board or the Audit and Governance Committee consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Global Internal Audit Standards in the UK Public Sector is prejudiced, they will advise the Chief Finance Officer accordingly.

Financial Resource - the Head of Southern Internal Audit Partnership will manage the internal audit budget to enable the successful implementation of the internal audit mandate and achievement of the plan. The budget includes the resources necessary for the function's operation, including training and relevant technologies and tools.

Technological Resource - the internal audit function has the technology to support the internal audit process and regularly evaluates technological resources in pursuit of opportunities to improve effectiveness and efficiency.

Resourcing the internal audit plan

The Global Internal Audit Standards in the UK Public Sector require a clear analysis of the resources and hours available for internal audit engagements compared to other administrative and non-audit related activities or initiatives focused on improving the internal audit function.

| Activity | | | Days |
|----------------------------|---|--|------|
| Risk-Based Audit /Advisory | - | Delivery of risk-based internal audit assignments designed to fulfil the audit mandate, delivery of the internal audit strategy and in support of the Council in the achievement of their objectives. | 265 |
| Audit Management | - | Time allocated for the liaison and reporting to the Executive Leadership Board and the Audit and Governance Committee, ongoing monitoring and update of the audit plan, implementation of management actions and ongoing quality review. | 30 |
| Total Audit Days | - | Total resource allocation for the delivery of the internal audit plan | 295 |

*100% of the commissioned audit days are dedicated to fulfilling the audit mandate, and delivery of the internal audit strategy. Internal audit services are provided through the Southern Internal audit Partnership who undertake all administrative and non-audit related activities outside of the commissioned audit days.

A range of internal audit services are provided to deliver the internal audit plan (see Internal Audit Charter). The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Antony Harvey, Deputy Head of Southern Internal Audit Partnership (Chief Internal Auditor), supported by Mark Norton, Audit Manager.

Independence

The Chief Internal Auditor will ensure that the internal audit function remains free from all conditions that threaten the ability of auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. The Chief Internal Auditor is not aware of any relationships that may affect the independence and objectivity of the internal audit team.

The internal audit team retains no roles or responsibilities that have the potential to impair the internal audit functions independence, either in fact or appearance. Should such circumstance arise, the Chief Internal Auditor will advise the Audit and Governance Committee of the safeguards put in place to manage actual, potential or perceived impairments.

Internal Audit Plan 2025-26

| Audit Assignment | Directorate Sponsor | Scope | Council Plan Priority | Corporate Risk Register Reference | Assurance / Advisory | Internal Audit Risk Assessment | Quarter |
|---|---------------------|--|-----------------------|-----------------------------------|----------------------|--------------------------------|---------|
| Governance / Corporate Reviews | | | | | | | |
| Strategic/Service Planning and Performance | CX | To assess how Strategic Priorities inform Service Plans and associated performance measures. | All | CR001 | Assurance | High | 1 |
| Financial Stability – Budget Monitoring and Forecasting | CFO | To assess the effectiveness of in year Budget Monitoring, outturn forecasting and if required, compensatory action taken to manage overspends. | EE4 | CR007 | Assurance | High | 2 |
| Health and Safety | SDP | Review of the governance framework for Health and Safety including corporate oversight and embeddedness within Service Areas. | All | SRRs | Assurance | High | 3 |
| Emergency Planning | SDP | To assess the framework for planning and responding to adverse incidents, for example due to climate change. | GF4 | CR011 | Assurance | High | 4 |
| Procurement | CFO | Audit of the governance framework to ensure compliance with the requirements of the new Procurement Act. | All | SRRs | Assurance | High | 4 |
| Human Resources – Use of Agency Staff and Consultants | DL | To assess the governance framework for utilising agency staff and consultants. | All | CR001 | Assurance | High | 4 |

| Audit Assignment | Directorate Sponsor | Scope | Council Plan Priority | Corporate Risk Register Reference | Assurance / Advisory | Internal Audit Risk Assessment | Quarter |
|--|---------------------|---|-----------------------|-----------------------------------|----------------------|--------------------------------|---------|
| Fraud Framework - NFI | CFO | Facilitation of the Council's participation with the National Fraud Initiative. | All | - | - | Medium | 1-4 |
| Core Financial Systems | | | | | | | |
| Accounts Payable | CFO | Regular assessment of core financial systems and processes. | EE4 | SSRs | Assurance | Medium | 1 |
| Payroll | CFO | Regular assessment of core financial systems and processes. | EE4 | SSRs | Assurance | Medium | 3 |
| Council Tax | CFO | Regular assessment of core financial systems and processes. | EE4 | SSRs | Assurance | Medium | 3 |
| | | | | | | | |
| Cyber-Security - User Training and Awareness | CFO | Assurance over controls in place to mitigate the likelihood of users causing compromise of data and/or systems through inappropriate actions. | EE3 | CR009 | Assurance | High | 4 |
| Cyber Security – Thrive Actions Implementation | CFO | The Council commissioned Thrive to 'to assess their current security program and determine the state of organizational security posture' with the report outlining 'both tactical and strategic recommendations to address gaps and identify improvement opportunities. The audit to assess how the recommendations | EE3 | CR009 | Assurance | High | 1 |

| Audit Assignment | Directorate Sponsor | Scope | Council Plan Priority | Corporate Risk Register Reference | Assurance / Advisory | Internal Audit Risk Assessment | Quarter |
|------------------|---------------------|-------|-----------------------|-----------------------------------|----------------------|--------------------------------|---------|
|------------------|---------------------|-------|-----------------------|-----------------------------------|----------------------|--------------------------------|---------|

have been prioritised and the progress with implementation.

| | | | | | | | |
|---|-----|--|-----|-------|-----------|------|---|
| Cyber Security – Data Back-up and Ransomware Protection | CFO | Assurance over the policies, procedures and controls in place to ensure Council data is backed up and protected from ransomware threats. | EE3 | CR009 | Assurance | High | 3 |
|---|-----|--|-----|-------|-----------|------|---|

Service Reviews

| | | | | | | | |
|---|-----|--|-------------------|-------|-----------|--------|-----|
| Housing | SDP | Provision of days for Housing review(s) to assess how issues identified are being addressed and mitigated. The exact scope of the reviews will be determined, taking account of the on-going work with the Regulator for Social Housing. | GH4, EE1, LL3 | SRRs | Assurance | High | 3-4 |
| Clean Streets Enforcement | SDP | Assurance over the framework for clean streets enforcement including littering, dog-fouling and the investigation and prosecution of fly-tipping. | TP4 & 5, HC4, EE1 | SRRs | Assurance | High | 1 |
| Homelessness | SDS | Assurance over the arrangements to prevent or respond to homelessness. | GH2 | CR008 | Assurance | High | 2 |
| Housing Management – Leaseholder Arrangements | SDS | Assess the processes and controls to manage leaseholder arrangements including the setting and collection of service charges | EE1 & 2, LL3 | CR008 | Assurance | Medium | 3 |

| Audit Assignment | Directorate Sponsor | Scope | Council Plan Priority | Corporate Risk Register Reference | Assurance / Advisory | Internal Audit Risk Assessment | Quarter |
|------------------------------|---------------------|--|-----------------------|-----------------------------------|----------------------|--------------------------------|---------|
| Building Control | SDP | Review of the processes for Building Control to ensure compliance with regulatory requirements ahead of an assessment by the Building Safety Regulator. | EE1 & 2 | SRRs | Assurance | High | 1 |
| Licencing | SDP | Assurance over the application process and awarding of licences in line with regulatory requirements with a focus on Taxi Licencing and Traffic Regulation Orders. | EE1 & 2 | SRRs | Assurance | High | 4 |
| Play Areas / Tree Management | SDP | To assess the framework for inspecting and maintaining play areas. Follow-up of Tree Management (following a Limited Assurance assessment in 23-24). | TP4 & 6, HC4 | SRRs | Assurance | High | 4 |
| Markets | SDP | Assurance over the management of markets including income collection & banking, following the introduction of the new contract arrangements. | TP1 & 3 | SRRs | Assurance | High | 4 |
| Bus Services Operator Grant | CFO | Required certification work. | - | - | - | Low | 2 |
| Mayor's Charity Account | CFO | Required certification work. | - | - | - | Low | 2 |

| Directorate Sponsor | | | |
|---------------------|-------------------------------|-----|-------------------------------------|
| CX | Chief Executive | DL | Director Legal (Monitoring Officer) |
| SDS | Strategic Director - Services | CFO | Chief Finance Officer (S151) |
| SDP | Strategic Director - Place | | |

| Council Plan Priorities | |
|-------------------------|---|
| | Greener, Faster |
| GF1 | The Winchester district to be carbon neutral by 2030 |
| GF2 | Reduced waste and increased recycling, exceeding national targets |
| GF3 | Cleaner air than national targets |
| GF4 | Better protection against extreme climate events |
| GF5 | Increased proportion of journeys by public transport, foot or bike |
| GF6 | Reversing the long-term decline in nature and biodiversity |
| | Thriving Places |
| TP1 | Strong, sustainable business growth |
| TP2 | More young people living and working in the district |
| TP3 | Strong footfall in all our centres with lower than regional vacancy rates |
| TP4 | Attractive, clean public spaces and facilities |
| TP5 | Less fly-tipping and graffiti |
| TP6 | Improved facilities within 20 minutes of people's homes |
| TP7 | Increased investment in our district |
| TP8 | Full gigabit broadband and mobile coverage by 2030 |
| | Healthy Communities |
| HC1 | Support for those most affected by the increased cost of living |
| HC2 | Improved health and wellbeing in our most deprived communities |
| HC3 | Increased participation in physical activity for all ages and abilities, including active travel |
| HC4 | Access to attractive and well-maintained public facilities, green and natural spaces with space to play and gather for all ages |
| HC5 | Strong health and community infrastructure across the district |

| | |
|-----|--|
| HC6 | Thriving local voluntary, and community sector – tackling isolation, building community cohesion and supporting those in need |
| | Good Homes for All |
| GH1 | Continue to increase the number of affordable homes across the district, including our 2023 commitment to deliver 1,000 more council homes by 2032. |
| GH2 | Every homeless person to secure a permanent home |
| GH3 | Policy-led planning to deliver NPPF objectives without ‘planning by appeal’, ensuring the right mix of homes for all, including young people and key workers |
| GH4 | Ensure all council homes are decent, safe, energy efficient and resilient to the effects of climate change |
| GH5 | Decarbonisation of district homes, consistent with our net zero goal |
| | Efficient and Effective |
| EE1 | Improved satisfaction for our services |
| EE2 | Good value compared to other similar authorities |
| EE3 | High accessibility and usage of our services – with a strong shift to digital for those who prefer it |
| EE4 | A balanced budget and stable council finances |
| | Listening and Learning |
| LL1 | Improved Residents’ Survey results for involvement, contact and response |
| LL2 | Improved engagement with under-represented groups |
| LL3 | Above average Tenant Satisfaction Measures (TSMs) |

Annexe 1

Contingency Reviews

The table below includes a list of engagements that would have been performed if additional resources were available.

| Audit Assignment | Directorate Sponsor | Scope | Council Plan Priority | Corporate Risk Register Reference | Assurance / Advisory | Internal Audit Risk Assessment | Quarter |
|------------------|---------------------|-------|-----------------------|-----------------------------------|----------------------|--------------------------------|---------|
|------------------|---------------------|-------|-----------------------|-----------------------------------|----------------------|--------------------------------|---------|

Not Applicable. All reviews have been incorporated into the plan.

Included to enable the Audit and Governance Committee to assess the adequacy of resources available to the internal audit function.

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AG160
AUDIT AND GOVERNANCE COMMITTEE

REPORT TITLE: Q4 GOVERNANCE MONITORING

17 JULY 2025

REPORT OF CABINET MEMBER: CLLR BECKER – CABINET MEMBER FOR
HEALTHY COMMUNITIES

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 fourth quarter of the 2024/25 financial year.

RECOMMENDATION:

That the Audit and Governance Committee notes the contents of the report, including the progress made on internal audit management actions. The Committee is requested to raise any issues or concerns on the content of the report 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 carried out with the Deputy Leader and Cabinet Member for Finance and Transformation, the Cabinet Member for Healthy Communities as well as members of the Executive Leadership Board (ELB) and Corporate Heads of Service (CHoS).

Additionally, officers have provided updates on the progress made against their actions included in internal audit reports and referred to in this report.

7 ENVIRONMENTAL CONSIDERATIONS

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

8 PUBLIC SECTOR EQUALITY DUTY

There are no Public Sector Equality Duties arising from the content of this report. However, 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 for noting and raising issues only and does not make any decisions.

9 DATA PROTECTION IMPACT ASSESSMENT

There are no data protection impact assessments required.

10 RISK MANAGEMENT

This report provides a summary update on the council's performance against the governance arrangements outlined in the Risk Management Policy 2025/26 and the Local Code of Corporate Governance.

Independent assurance from the council's internal and external auditors identifies weaknesses in the council's governance arrangements, and this report details the actions being taken to address these issues.

11 SUPPORTING INFORMATION

- 11.1 This report provides summary information regarding governance for the fourth quarter of the 2024/25 financial year.

Annual Governance Statement

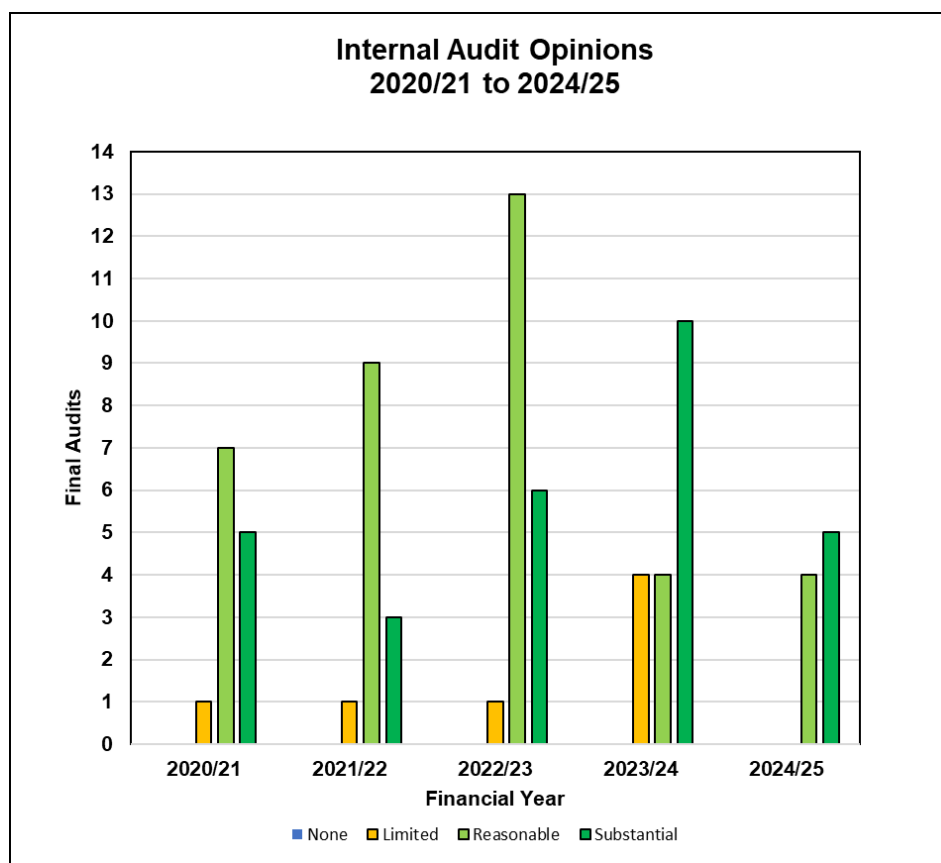
- 11.2 Progress against the actions included in the 2023/24 Annual Governance Statement is provided in Appendix 1 of this report.
- 11.3 Elsewhere on this Committee's agenda is the Annual Governance Statement (AGS) 24/25 (Report AG162 refers). Progress against the actions included in the AGS Action Plan will be provided in future quarterly Governance Monitoring reports.

Declarations of gifts and hospitality

- 11.4 During the period 1 January 2025 to 31 March 2025, there were three declarations of gifts and hospitality made by officers in accordance with the Employee Code of Conduct.
- 11.5 Members regularly update their register of interest forms. During the period from 1 January 2025 to 31 March 2025, there were no declarations of gifts or hospitality over the value of £50 made by members in accordance with the Members Code of Conduct.

Internal Audit

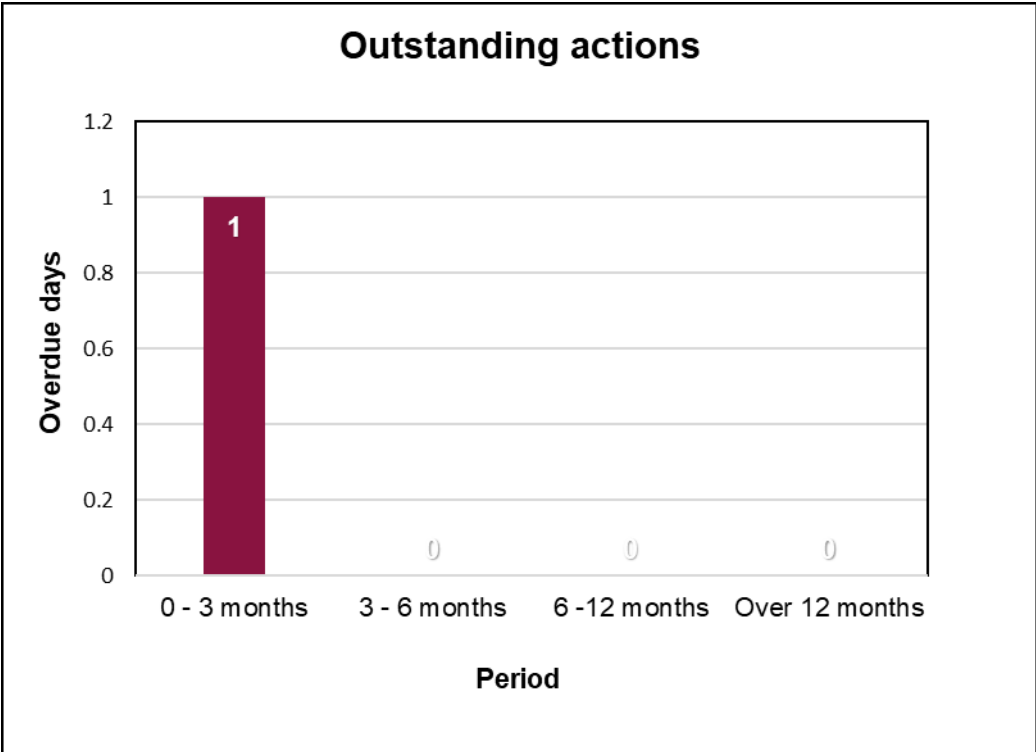
- 11.6 The council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.
- 11.7 Internal audit provides an evaluation, through a risk-based approach, on the effectiveness of governance, risk management, 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.
- 11.8 The formal internal audit reviews result in published reports and provide 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 in the service area under review.
- 11.9 The chart below shows the assurance opinions of the completed internal audits that were included in the audit plans from the years from 2020/21 to 2024/25.



- 11.10 Where reasonable or substantial audit opinions are provided following an audit review, this assures senior management, external auditors, and committee members that an appropriate system of governance, risk management, and control is in place, with internal controls and processes operating effectively in the audited area.
- 11.11 To assist members to monitor the progress of actions where audit opinions are either limited or no assurance, additional commentary summarising the observed weaknesses and the progress being made to address them can be found in section 12 of this report.
- 11.12 Since the Q3 2024/25 Governance Monitoring report was considered by this Committee on 25 February 2025, five internal audit reports have been finalised and issued before the end of March 2025. One report concluded with substantial assurance, while four reports concluded with reasonable assurance.
- NNDR (Substantial)
 - Governance Framework (Reasonable)
 - Microsoft Licensing (Reasonable)
 - Information Governance – Records Retention (Reasonable)
 - Disabled Facilities Grant (Reasonable)

Internal Audit Management Actions Tracking

- 11.13 Corporate Heads of Service (CHoS), Service Leads, and the Executive Leadership Board (ELB) regularly review the progress of the actions included in the internal audit reports.
- 11.14 A summary table showing the status of these actions is reported on a quarterly basis. This table is regularly reviewed to assess progress and to consider where actions might become superseded or obsolete due to external or internal factors.
- 11.15 To assist members' 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.
- 11.16 As of the current date, there is one overdue action, one of which is classified as high priority. This is a reduction of three actions compared to the number reported at the last committee meeting held on 25 February 2025.
- 11.17 The chart below presents an analysis of the overdue management actions categorised by the duration since their target completion dates.



| Audit Review | Report Date | Audit Sponsor | Assurance Opinion | Reported | Not Accepted | Management Actions | | | LOW | MEDIUM | HIGH |
|--|-------------|---------------|-------------------|----------|--------------|--------------------|---------|---------|-----|--------|------|
| | | | | | | Pending | Cleared | Overdue | | | |
| New Homes Programme | 08/07/2024 | SDP | Substantial | 1 | 0 | 0 | 0 | 1 | | | 1 |
| Progress update: The Housing Development Strategy, which now includes a new section on Rural Strategy, is currently under review. Due to staff resource constraints and a high volume of ongoing projects, the updated strategy will be presented to the Cabinet Committee: Housing in November 2025. | | | | | | | | | | | |

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

12.1 The following section provides background information and an update on the progress of management actions where an internal audit concluded with a limited assurance opinion. This section supports members in monitoring the progress of actions taken to address the identified weaknesses observed during the audit review.

12.2 ***Tree Management***

During this quarter, the following actions have been completed:

- WCC tree officers undertake one random site visit each year for each contractor to check compliance. The visit will be chosen to encompass as many tree works operations as possible (e.g., stump grinding, climbing, MEWP work, crane work, general tree work) to allow a representation of works to be assessed. The tree admin officer will obtain details from contractors to understand when they will be undertaking certain jobs and where they will be at that point in time to schedule these spot checks.
- All pre-start meetings will be followed up with an email confirming what was agreed and will be retained on record.

The only remaining action is to update historic records on Ezytreev. There are 1,000 historic records that need to be updated and “closed off” after they were incorrectly migrated from previous software with the wrong categorization. This task is being systematically undertaken by the tree officer and is expected to be completed by December 2025. Currently, this administrative task is 50% complete.

12.3 ***Information Governance – Records Management***

Following the successful archiving of all electronic documents that were required to be retained, all management actions included in the Information Governance – Records Management audit have now been completed.

During Q4, internal audit completed the planned audit covering Information Governance (Records Retention), reviewing the work that had been completed in response to the weaknesses identified as part of the previous audit review. The final report offered reasonable assurance opinion and concluded that there is generally a sound system of governance, risk management and control now in place.

13 ***Risk Management***

13.1 The council's Risk Management Policy 2025/26 sets out a timetable for this committee to review the policy and corporate risks (section 11 of the Risk Management Policy). The latest quarterly review of the Corporate Risk Register by the Executive Leadership Board (ELB) was carried out on 30 April 2025. All risks and their current controls were reviewed. The current Corporate Risk Register is at Appendix 3.

13.2 ELB considered the rapidly emerging risks (and opportunities) arising from the devolution agenda and Local Government Reorganisation (LGR) timetable. It was agreed that these would not be added as new risks to the register as devolution and LGR would contribute as a cause that might impact existing corporate risks, specifically CR001 and CR007. ELB noted that the expected significant resources required to deliver LGR would have an impact on several of the corporate risks however it was too early to fully understand the extent considering the limited information currently available. 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 causes that might impact this risk were updated to include Devolution and LGR as a new workstream over and above what the council was already working on. The current controls were updated to include the council closely following Government announcements and resources would be considered once more information had been made available.
- CR006 – Breakdown of effective partnership working – the risk owner was changed to Chief Executive, following the Strategic Director leaving the organisation at the end of March.
- CR007 – Ability to achieve a balanced budget – the causes were updated to include LGR and the current uncertainty that this places on the council.
- CR010 – Failure to effectively respond to the Climate Change Emergency and reduce the council and district emissions – the risk owner was changed to Chief Executive from Strategic Director.
- CR011 – Lack of preparedness and incapability to respond to events caused by climate change – the risk owner was changed from Strategic Director to Chief Executive.
- CR012 – Nutrient neutrality – Phosphates – change risk owner from Strategic Director (D Adey) to Strategic Director (S Hendey)

13.4 Other than the 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 continues to monitor the potential impacts to existing risks and any new or emerging risks.

- 13.6 Of the 71 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 to mitigate the risks and that the residual risk score was correct. ELB agreed that the risks did not require escalation to the Corporate Risk Register at this time.

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 referred to it by the Monitoring Officer.
- 14.2 Appendix 2 provides brief details of the Code of Conduct complaints received, in progress, and closed, as well as enquiries made to the Office of the Monitoring Officer.

15 ***Dispensation Requests***

- 15.1 At the Audit and Governance Committee meeting on 25 February 2025, members requested that the Monitoring Officer provide a quarterly update to the committee, detailing all dispensations granted or refused during the quarter.
- 15.2 During the period from 1 January 2025 to 31 March 2025, five individual dispensations were granted by Audit and Governance Committee, and these were to Cllr Porter, Cllr Tod, Cllr Wallace, Cllr Warwick, and Cllr Williams. as dual hatted Hampshire County Councillors. One further dispensation was granted to Cllr Scott (as a WCC HRA tenant) by the Legal Director in his capacity as Monitoring Officer.

16 **OTHER OPTIONS CONSIDERED AND REJECTED**

- 16.1 None

BACKGROUND DOCUMENTS: -

Previous Committee Reports: -

AG148 Governance Monitoring Quarterly update Q3 2024/25, 25 February 2025.

Other Background Documents:

None.

APPENDICES:

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

Appendix 2 - Code of Conduct complaints

Appendix 3 – Corporate Risk Register

Annual Governance Statement 2023/24 – Action Plan update – June 2025

| 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 IT department has successfully completed the secure archiving of all electronic documents within the server areas that are no longer required for retention. | Senior Policy & Programme Manager/ Corporate Heads of Service | Mar 2025 | Complete |

Code of Conduct Complaints

As of 7 May 2025, this update includes Code of Conduct complaints received by the Office of the Monitoring Officer since the previous meeting of the Audit & Governance Committee, along with updates on complaints previously reported.

Summary of current caseload:

- A. Number **Active Individual Complaints**: 0 complaints from 0 individual complainants (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: 0.
- E. Number of complaints received since last report: 2.
- F. Number of **complaints closed** since the last report: 3.
- 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 | Determined to be a breach of the code of conduct. Further details regarding this complaint are provided below. | 46 hours |

Breach of the Code of Conduct

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

On 3 June 2024, a complaint was made regarding Hursley Parish Councillor Eleanor Bell's conduct. The complaint was shared with the subject member who made a full response to the points raised.

The complaint essentially highlighted a concern that Cllr Bell had breached the Council's Code of Conduct in several respects relating to her failure to disclose interests and in actively participating in discussions with other Parish Council members and the Clerk on a planning application matter in which she had an interest.

Following the initial investigation the Monitoring Officer, having consulted with the Independent Person (IP) commissioned a further, external investigation into the matters raised. This included interviews with the complainant, the subject member, the Parish Council Chair and the Parish Council Clerk. The investigators report was submitted to the Monitoring Officer who accepted its findings and who then undertook further consultation with the Independent Person.

Councillor Bell had acknowledged that she should have avoided engaging in conversations and drafting statements on behalf of the Parish Council regarding the planning application submitted by the complainant. Additionally, the investigator concluded that she attempted to use her public office for personal gain by seeking support to oppose the planning application.

Councillor Bell accepted her mistakes at the initial assessment stage and acknowledged them in her subsequent statement. Although it was felt that she did not breach the code of conduct in relation to the disclosure of her interests, it was concluded that she did breach the code of conduct in relation to the general obligations of members, specifically paragraphs 3.2, 3.3, and 3.5 of the Council's Code of Conduct.

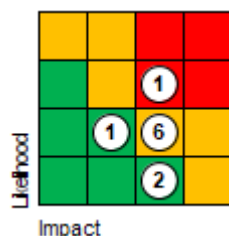
The Independent Person was consulted and agreed that there had been a breach of the Code of Conduct. Councillor Bell was asked to apologise, to the complainant for this breach and has since done so. Given the circumstances, the Monitoring Officer also recommended that he and the IP undertake a bespoke session regarding governance and code of conduct for Hursley Parish Councillors, which is scheduled for July 2025. The full decision notice was uploaded to the code of conduct pages of the council's website in April 2025.

Corporate Risk Register 2025/26



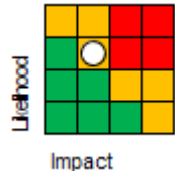
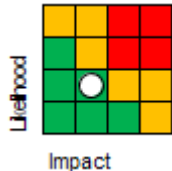
As of 30 April 2025

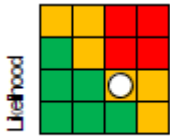
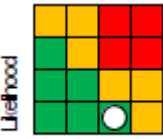
Residual Risk Summary:

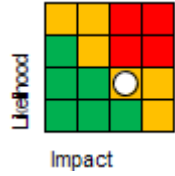
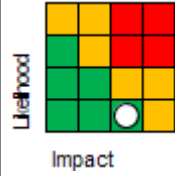


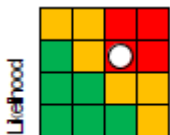

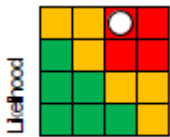
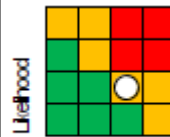
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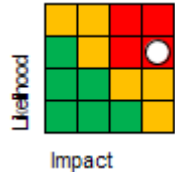
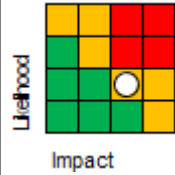
| Code | Risk Description | Risk Owner | What might go wrong? (cause) | What will happen? (consequence) | Original Risk Rating | Current Controls | Residual Risk |
|-------|--|-----------------|---|---|----------------------|--|---------------|
| CR001 | Given competing demands and multiple complex priorities, 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. | <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. | | <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 new Council Plan 25-30 adopted in January 2025 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. | |

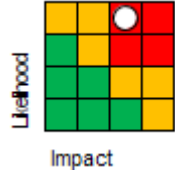
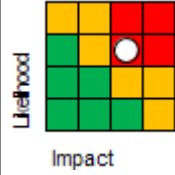
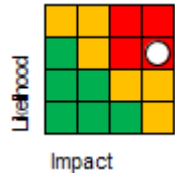
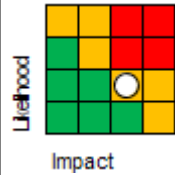
| Code | Risk Description | Risk Owner | What might go wrong? (cause) | What will happen? (consequence) | Original Risk Rating | Current Controls | Residual Risk |
|-------|--|------------------------------|---|--|---|---|---|
| | | | <ul style="list-style-type: none"> • Competition from the private sector for key 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 • Local Government Reorganisation | <ul style="list-style-type: none"> • If staff are diverted, then can't deliver on other lower-level priorities or day-to-day work. • Reputation is damaged as the council is not seen to be able to deliver projects. • Local members are not always kept informed of activity in their area. • Unable to deliver key council services | | <ul style="list-style-type: none"> • Regular meetings with relevant cabinet members • Positive use of fixed term contracts to aid flexible resourcing • Targeted use of external resource • Reallocation of human and financial resources across and within the organisation as required. • PAC Board regularly reviews available resources to deliver projects | |
| CR003 | Decisions made by the council are challenged due to a lack of a strong evidence base, customer insight and engagement with change or procedural errors | Monitoring Officer G John | <ul style="list-style-type: none"> • Lack of skill and/or time to identify evidence to support decision making • Lack of consultation with ward members and/ or parish councils 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 | <ul style="list-style-type: none"> • Lack of a robust and evidence-based approach to customer engagement can lead to: <ul style="list-style-type: none"> - Reputational damage - Views that the council is too 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 |  | <ul style="list-style-type: none"> • 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 completed, and results used to evidence and inform decision making. • A proactive open and transparent approach to |  |

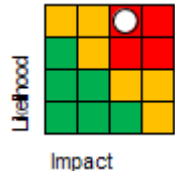

| Code | Risk Description | Risk Owner | What might go wrong? (cause) | What will happen? (consequence) | Original Risk Rating | Current Controls | Residual Risk |
|-------|---|-----------------|--|--|---|--|---|
| | | | <ul style="list-style-type: none"> • Lack of public awareness of the opportunity to engage • Council is not aware of the full range of interested stakeholders. • Council may only hear the loudest voices and not the silent majority or those that do not readily engage | | | <p>communication based on Gunning Principles</p> <ul style="list-style-type: none"> • Use of external specialist advice when appropriate • Listening and Learning priority included in the new Council Plan. • Equality, Diversity, and Inclusion Action Plan approved, and actions being progressed 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 | <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 |  <p>Uplift Impact</p> | <ul style="list-style-type: none"> • Business Continuity Plans reviewed and tested in 2024 and approved by ELB on 6 March 2024 • IT Disaster Recovery Plan exercise held on 20 March. • 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 |  <p>Uplift Impact</p> |

| Code | Risk Description | Risk Owner | What might go wrong? (cause) | What will happen? (consequence) | Original Risk Rating | Current Controls | Residual Risk |
|-------|--|-----------------|--|---|---|---|---|
| | | | functions and have plans in place | | | substantial opinion and no identified weaknesses. • Work programme in place for 2025 | |
| CR006 | Breakdown of effective partnership working | Chief Executive | <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 |  |

| Code | Risk Description | Risk Owner | What might go wrong? (cause) | What will happen? (consequence) | Original Risk Rating | Current Controls | Residual Risk |
|-------|--|-----------------------------|---|--|---|---|---|
| CR007 | Lack of sufficient funding and/or escalating costs over the medium term reducing financial viability and inability to achieve a balanced budget (General Fund and HRA) | Director of Finance L Keys | <ul style="list-style-type: none"> Reduced Government funding Reliance on strategic partners to deliver services and projects. Macro economy, including effects of Brexit, reduces locally generated Business Rates and parking income. Failure to achieve income targets. Inflation rises. Penalties are imposed on the Council due to falling standards in services. Impact of a Pandemic Local Government Reorganisation | <ul style="list-style-type: none"> Unable to balance the budget. Increased Council Tax Public's ability to pay for services. Reduce services provided. Demand/cost of services. Increased construction costs and impact on delivery and viability of key projects Over borrowing and avoidable cost |  <p>Likelihood</p> <p>Impact</p> | <ul style="list-style-type: none"> One year funding settlement in place MTFS approach setting out medium- and longer-term options. 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 reserve of at least £2m. Regular review of reserves Annual review of fees and charges Monthly budget monitoring and regular HRA business plan updates |  <p>Likelihood</p> <p>Impact</p> |
| 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 | <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 |  <p>Likelihood</p> <p>Impact</p> | <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 |  <p>Likelihood</p> <p>Impact</p> |

| Code | Risk Description | Risk Owner | What might go wrong? (cause) | What will happen? (consequence) | Original Risk Rating | Current Controls | Residual Risk |
|-------|---|----------------------------|--|---|---|---|---|
| | | | <ul style="list-style-type: none"> Increasing inflation and interest rates affecting supply | which will have a negative effect on income | | | |
| 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. 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 CESG 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 to see what |  |

| Code | Risk Description | Risk Owner | What might go wrong? (cause) | What will happen? (consequence) | Original Risk Rating | Current Controls | Residual Risk |
|-------|---|-----------------|---|--|--|---|--|
| | | | | | | further actions the councils can pro-actively take to mitigate this risk further | |
| CR010 | Failure to effectively respond to the Climate Change Emergency and reduce the council and district carbon emissions | Chief Executive | <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 |  <p>Likelihood Impact</p> | <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 |  <p>Likelihood Impact</p> |
| CR011 | Lack of preparedness and incapability to respond to events caused by climate change | Chief Executive | <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 |  <p>Likelihood Impact</p> | <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 |  <p>Likelihood Impact</p> |

| Code | Risk Description | Risk Owner | What might go wrong? (cause) | What will happen? (consequence) | Original Risk Rating | Current Controls | Residual Risk |
|-------|----------------------------------|--|---|--|--|--|--|
| | | | | | | <p>available to be deployed where there is a need.</p> <ul style="list-style-type: none"> • The Emerging Local Plan has clear objectives to support the council priority of Tackling the climate emergency and creating a greener district. • 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. • Extreme Weather Plan in place • HOIW LRF Multi-agency Flood Plan in place | |
| CR012 | Nutrient neutrality - Phosphates | Strategic Director S Hendey and Corporate Head of Planning and Regulatory (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 has signed the Inter Authority Agency (IAA) to enable all parties to benefit from nutrient mitigation projects. The IAA sets out how funding and future projects will be governed and managed. • Next stage of discussions in relation to further upgrades by HRA and through PfSH funding LNMF. • HRA Funding in place for four projects |  |

REPORT TITLE: EQUALITY, DIVERSITY & INCLUSION - ANNUAL EQUALITY
REPORT 2024/25

17 JULY 2025

REPORT OF CABINET MEMBER: CLLR BECKER – CABINET MEMBER FOR
HEALTHY COMMUNITIES

Contact Officer: Simon Howson Tel No: 01962 848 104 Email
showson@winchester.gov.uk

WARD(S): ALL

PURPOSE

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

Attached as Appendix 1 to this report is the Annual Equality Monitoring Report 24/25 which summarises the work undertaken across the council during the year demonstrating compliance with the requirements as set out in the Equality Act 2010.

RECOMMENDATIONS:

1. Notes the council's equality work undertaken during the past year and notes the progress achieved towards the council's Equality, Diversity Action Plan which moves the council forward towards reaching the 'achieving' standard of the LGA Equality Framework.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

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

2 FINANCIAL IMPLICATIONS

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

3 LEGAL AND PROCUREMENT IMPLICATIONS

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

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

To ensure continued compliance with our legal obligations, this report forms part of the annual workplan for the equality, diversity, and inclusion corporate workstream. There are no procurement implications arising from the content of this report. report

4 WORKFORCE IMPLICATIONS

No additional resources required.

5 PROPERTY AND ASSET IMPLICATIONS

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

6 CONSULTATION AND COMMUNICATION

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

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

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

7 ENVIRONMENTAL CONSIDERATIONS

There are no environmental implications arising directly from this report.

8 PUBLIC SECTOR EQUALITY DUTY

This report has been prepared to fulfil the council's requirements under the Public Sector Equality Duty and reports on the progress achieved during 2024/25 against the agreed objectives.

9 DATA PROTECTION IMPACT ASSESSMENT

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

10 RISK MANAGEMENT

| 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. | 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. | Equality impact assessments (EIAs) are used to systematically consider equality opportunities when making a decision and is a key mechanism that allows the council to understand and work with our communities. | Non-compliance could lead to challenge and litigation. |
| Reputation: Failure to comply with the Public Sector Equality Duty could result in legal challenge through Judicial Review which could cause adverse publicity | | Correct compliance results in due regard for all sectors of the community and enhances the council's reputation. |

| | | |
|---|--|---|
| and reputational damage to the council. | | |
| Achievement of outcome: Failure to comply with the Public Sector Equality Duty could result in legal challenge resulting in decisions being overturned by the courts. Policy implementation could also be delayed | | None. |
| Innovation | | Innovative ideas and design maybe required to ensure compliance. Increased innovation leads to a more inclusive community which is at the heart of the PSED |

11 SUPPORTING INFORMATION:

- 11.1 As a public sector organisation, the council has a statutory duty to ensure that equality and diversity are embedded into all its functions and activities as required by the Equality Act 2010.
- 11.2 The Equality Act 2010 introduced a Public Sector Equality Duty. This Duty includes the General Duty and the Specific Duties. The General Duty requires public bodies to consider how the decisions that they make and the services they deliver, affect people who share different protected characteristics. The General Duty has three main aims. It requires public bodies to have 'due regard' to:
- Eliminate unlawful discrimination, harassment, victimisation and any other unlawful conduct prohibited by the act
 - Advance equality of opportunity between people who share and people who do not share a relevant protected characteristic
 - Foster good relations between people who share and people who do not share a relevant protected characteristic
- 11.3 This Committee approved the updated Equality, Diversity and Inclusion Framework at its meeting on 25 February (Report AG149 refers) and with it the council's equality objectives which are:
- **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.

- **Leadership, partnership and organisational commitment.**
We are committed to delivering effective leadership at every level and developing partnerships which prioritise equality, diversity and inclusion.
- **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.
- **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.

11.4 This report provides an annual update on the progress that the council has achieved against its Equality Action Plan, adopted by this Committee on 25 February.

11.5 Appendix 1 provides a monitoring report that gives examples of the work undertaken across the council during the course of the year evidencing the council's commitment to integrating the principles of equality, diversity and inclusion into everything it does. An update is also provided against the actions included in the Equality, Diversity and Inclusion Action Plan.

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 Not applicable as the publication of an annual equalities report, at least every four years is a statutory requirement under the Equality Act 2010.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG115 Equality, Diversity & Inclusion – Annual Equality Report 2023/24, 18 July 2024

AG149 Equality, Diversity & Inclusion Policy Framework, 25 February 2025

Other Background Documents:-

Local Government Association Equality Framework for Local Government.

APPENDICES: Appendix 1: Equality, Diversity, and Inclusion Annual Monitoring Report 2024/25



Equality Monitoring Report 2024/25

Introduction

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

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

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

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

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

Equality objectives

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

- (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.

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

Progress against our equality objectives

Objective 1: Understanding and working with our communities

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

- The Live Longer Better project involves ongoing consultation with older adults to ensure that services address social isolation, physical inactivity, and health inequality.
- Half-term activity programmes delivered in partnership with ActiveMe 360 are designed following community insight, ensuring affordability and relevance for families from diverse socio-economic backgrounds.
- Feedback from attendees at Park Yoga is regularly used to adapt the sessions to ensure accessibility and cultural inclusion.
- 'Adopt a school' scheme launched by Everyone Active in 2024, which allows free access to the leisure centres for a trial period for staff, parents and pupils associated with a specific school.
- Our engagement work to support an emerging Community Resilience and Wellbeing Strategy saw consultants engage with a representative sample of our district communities. In particular, sessions with the Winchester Muslim Cultural Association and the University of Winchester Students Union sought the views of people whose voice might not always be heard.

- The Community Safety team use a variety of methods to enhance our understanding of the communities we support via citizen space (QR codes), direct survey's (Fresher's Fayre), street briefs, neighbourhood forums, dedicated inbox's i.e. neighbourhood services and community safety to gain a greater understanding of any issues as they raised with the team.
- When designing any play area refurbishment, the council actively engages with local communities through the Citizen Space platform to gather feedback and understand the specific needs and preferences of residents. This consultation process is a key step before any play area refurbishment, ensuring that the resulting design serves all users effectively and inclusively.
- Our Sustainability and Natural Environment team has participated in seminars hosted by the *Make Space for Girls* movement. Insights gained from these sessions have been integrated into our design approach, helping to create play areas and open spaces that are more welcoming and functional for girls and young women.
- Every play area refurbishment includes a thorough review of accessibility and inclusive design. We consider the needs of individuals with a range of disabilities and incorporate appropriate equipment and access features. This process is supported by guidance and training, including from Plan Inclusive Play Areas (PiPA), a specialist consultancy in inclusive play design.
- The Tenant Partnership Team offer a wide range of engagement activities to enable Tenants, Shared-Owners and Leaseholders to contribute towards Housing Services design, delivery and improvement. These include the Tenant and Council Together (TACT) Board, Housing Improvement Workshops, Complaints Scrutiny Panel, Readers Panel, and soon to be launched Housing Policy Co-Production Group, Armchair Reviews (digital engagement) and Tenant Voice Scrutiny Panel.
- Additionally, Tenants can easily contact Housing Officers and the Tenant Partnership Team via monthly Community Hubs which 'pop-up' in 4 locations across the district. The Hubs provide opportunities for tenants to raise/ report any issues of concern or access signposting to supporting partner agencies. Locating the Hubs in the community, close to (or in) major Council Estates promotes accessibility and meets tenants in trusted locations frequently visited, such as Community Food Pantries.

Equality Impact Assessments (EIAs)

An equality impact assessment (EIA) is a way of systematically taking equality, inclusion and diversity into consideration when making a decision and is a key mechanism that allows the council to understanding and work with our communities. With an established and effective EIA process in place for many years, consistency of assessments across the council has improved through use of workshops and training sessions held with officers responsible for completing EIAs. A toolkit, policy, and guidance to help with completing the form is also provided to support officers.

The Policy Team continues to provide support to officers and review EIAs to not only ensure consistency, but also to identify and action any overarching trends.

During 2024, we published 17 equality impact assessments on the council's website as part of committee, cabinet and council reports.

Case Study:

Central Winchester Regeneration

The Council's regeneration team together with partners have continued to understand what our communities want from development and ensure this is reflected in our plans. Workshops were held with local groups and stakeholders including students at Peter Symonds College to refine and agree priority opportunities for the Station Approach Concept Masterplan. This built upon agreed development principles which themselves were borne out of initial public consultation. This shaped the design of proposals which were presented back to the community during a six-week consultation using different methods of engagement. Likewise, Jigsaw (the council's development partner for central Winchester regeneration) has continued the process of engagement with face-to-face interviews, public events, on-line engagement, interactive sessions and workshops designed to encourage high levels of attendance and participation. This has included a project with Winchester School of Art and local schools to ensure the voice of young people is heard.

Objective 2: Leadership, partnership, and organisational commitment

During 2024/25, the council has demonstrated leadership, partnership and organisational commitment to equality, diversity and inclusion through the following actions:

- Winchester has a strong and partnership focused community safety partnership that prides itself on cross authority collaboration. As a city council we have instigated co-location within housing services with STOP Domestic abuse to enhance 'the conversation' between ourselves and specialist officers as part of the Domestic Abuse Housing Accreditation (DAHA).
- The city council/community safety team continue to lead and support local, and government directives aimed at reducing violence against women and girls. A new strategy has been launched for 2025 which will see both council

and member support being committed to annual campaigns (stalking, domestic abuse) and ultimately the sign off of DAHA accreditation.

- The Live Longer Better initiative is delivered in collaboration with health partners to embed a whole-system approach to inclusive ageing and wellness.
- Strategic partnerships with local schools, voluntary groups and coaching providers strengthen the council's commitment to inclusive physical activity promotion for young people and families and ensure consistent EDI standards in programme delivery, including inclusive language and accessible venues.
- The Winchester Personal Bests event demonstrates cross-sector collaboration to promote inclusion in sport, particularly for adults who may not ordinarily access sporting opportunities.
- The council led a collaboration with Winchester City Football Club that secured more than £1M from the Football Foundation to install a £1.5M 3G artificial turf pitch that has created significantly increased opportunity for participation in sport, particularly amongst women, young people and people with a disability.
- Spaces of sanctuary – leadership and facilitation to recruit and establish a number of businesses and community spaces across the district. A Space of Sanctuary provides a physical and emotionally safe environment where people can go to seek peace and guidance to address their concerns without fear or prejudice.
- Stanmore community network was established through engagement with various local partners and key influencers to encourage collaboration that improve local connections and ultimately delivering the best services to one of our more deprived neighbourhoods.
- The Housing Improvement Workshops are designed with accessibility in mind. Each quarter, 4 workshops rotate around the major council estates. Days of the week, times and venues are varied (to include weekends and evenings) to ensure a wide demographic of tenants can attend. Venues are chosen with disability access in mind. Sessions are designed to be accessible, with one Saturday session offered as a 'family-friendly' event with a play area for children, and a BSL Interpreted session. Tailored support is offered for tenants with different access requirements such as large print materials issued ahead of time, and travel costs reimbursed. The *Actions & Outcomes* of each workshop are written in plain English and sent directly to all attendees after the sessions as well as being made available via our website. Plans to offer these as 'Easy Read' versions. A digital HIW is launching in September to further improve accessibility.

- The council's participation in networks such as the older persons partnership and Dementia Friendly Winchester improves awareness and education, internally/externally and also improves communication reach and connections.
- An Equality, Diversity and Inclusion tool has recently been implemented for our grant administration system. The tool enables the analysis of demographics and other characteristics, providing insights into the diversity of our grant applicants and the recipient. Also, in line with our Public Sector Equality Duty we ensure that all community grant applicants have an equality and diversity policy.

Equality, Diversity and Inclusion Forum

The Cabinet approved a cross-party members' Equality, Diversity and Inclusion Forum in 2022 which has continued to meet quarterly during 2024/25. During the year the forum focussed on researching and understanding the current support that exists across the district for underrepresented groups including LGBTQ+ communities, older and disabled residents. The outcome from this piece of work was to understand more about the work of the groups, what they do and whether they face any particular barriers to effectively supporting underrepresented communities in the district.

The forum learned how the council might be able to support groups through the grant funding process as well as raising awareness and signposting to other voluntary organisations.

This work is ongoing and will continue into the 2025/26 and consideration will be given to the potential for inviting representatives from groups to give a short talk to the forum or wider group of elected members to raise the profile and awareness of the good work that they do. Officers would also explore the possibilities of staff to use their volunteering days to support these organisations.

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

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

Objective 3: Responsive services and customer care

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

- The Live Longer Better programme offers low-cost activities tailored to older people with mobility limitations or long-term health conditions, delivered in accessible community settings.
- Our community outreach programmes delivered by ActiveMe 360, provides targeted community sessions in areas identified through local data as having low physical activity rates, such as Winnall, Highcliffe and Stanmore.
- The Health Walks Programme offers weekly, free walks led by trained volunteers, catering to different fitness levels and reducing isolation for participants.
- WCC Saver card scheme was taken up by 300 residents, allowing affordable access to our leisure facilities for people who might otherwise be unable to do so. There is also a variety of programme including SEN swimming sessions, junior gym, over 50s programming designed to complement not compete
- Virtual tours and routes of WSLP available on their website to help people be familiar with the centre before attending.
- The Homes for Ukraine programme offers support to Ukrainian guests that is shaped and led by need. Support includes cultural awareness, British Council English speaking courses, employment support, and increasing access to local services.
- The Community Safety Team are often the eyes and ears of the council when out on patrol/site visits so often the first port of call to members of the public about community safety concerns i.e. safe guarding, ASB crime and it is our mission to ensure the service most appropriate (internal and external) to manage those concerns, are put in touch with the individual to help with a resolution.
- Proactively providing documents in alternative formats, including translating documents into Ukrainian and providing Easy Read versions of information such as Voter ID changes.
- Ensuring consultation and engagement activities are accessible for all residents, for example by providing paper copies of online surveys and developing Easy Read explanations of local plan proposals.
- Working to ensure 100% completion rate of EDI training for employees and councillors, as well as supporting additional training opportunities in response to issues identified by employees e.g. autism awareness.
- Providing accessible buildings and sites through dedicated disabled parking bays, ramps at entrances and exits, power assisted doors, a hearing loop in the city offices reception and an accessible lift in both the city offices and Guildhall.

- The Tenant Partnership Team have a strong commitment to EDI and collaboratively designing engagement activities for council tenants in direct response to their expressed needs.

Objective 4: Diverse and engaged workforce

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

- Volunteer walk leaders in the Health Walks programme come from a wide range of backgrounds and are trained to deliver welcoming, safe, and inclusive walks.
- The Winchester Personal Bests event involves volunteers from community groups and day centres encouraging people from diverse backgrounds to gain experience in event delivery.
- An EDI Officer Group continues to meet regularly with participants from HR, housing, community teams, community safety, corporate communications etc. The group has strategic oversight of equality, diversity and inclusion across the council's activities both internally and externally, complementing the work of the member's forum and monitors the council's progress against its equality objectives, ensures consistency across the council in its approach to applying EDI principles and work to reduce any duplication and provides subject specific knowledge on EDI issues when called upon e.g. as part of equality impact assessments or consultations on new policies.

In addition, the council continues to:

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

Equality, Diversity and Inclusion Action Plan

Monitoring report – June 2025

| No. | Action | Responsible | Target date | RAG | Progress updates |
|--|---|------------------|-------------|-----|---|
| Objective 1: Understanding and working with our communities | | | | | |
| 1.1 | Develop and publish updated housing consultation and engagement plan | Charlotte Bailey | March 2025 | | Tenant Engagement Self-Assessment nearing completion. First Session with Tenant Co-production Group scheduled for 24 th July to determine the best format and key priorities for the redraft of the engagement plan, as well as agreeing how best to work together. An EqIA is underway. |
| 1.2 | Finalise and launch Listening Better Toolkit | Simon Howson | March 2025 | | There has been a delay in progressing the guidance which builds on our existing approaches to engagement owing to staff vacancies and available resources. This work will be completed by September 2025 |
| 1.3 | Work in partnership with the police and other partners to tackle serious violence, anti-social behaviour domestic abuse and hate crime. | Sandra Tuddenham | Ongoing | | <ul style="list-style-type: none"> Annual Audit of crime & disorder undertaken, the subsequent Strategy and Action Plan 2025-26 is due to be published. Summer ASB patrol plan in place, with £20K secured from the OPCC for bespoke patrols in hot spot locations. £30k secured via an external partner/OPCC to provide intervention and diversion to young people who are coming to partners attention or at risk of offending. Violence Against Women and Girls (VAWG) and Stalking Strategies in place for 2025-26. |

| No. | Action | Responsible | Target date | RAG | Progress updates |
|---|--|-------------------------------|---------------|-----|---|
| 1.4 | Put in place processes to collect more data on the protected characteristics of our service users, including on complaints data where possible. | Simon Howson Steve Lincoln | June 2025 | | This work is ongoing and wherever possible processes are being put in place to collect equality data. Further work is required to update our complaints form to collect equality data |
| 1.5 | Development of Community Action Programmes for our most deprived local areas and communities, co-produced with local people and including a review of the social determinants of health. | Steve Lincoln | March 2026 | | Community action programme for Stanmore included in Service Plan 2025/26. Initial work started to pull together content based on existing activity across the council. |
| Objective 2: Leadership, partnership and organisational commitment | | | | | |
| 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. | Simon Howson | December 2024 | | Officer group established with organisation wide representation. The group has met regularly since the first meeting in December 2024. |
| 2.2 | Develop guidance for officers on using inclusive language, including training opportunities. | Simon Howson/ Jade Mizen | March 2025 | | Guidance given to senior managers and service leads. |
| 2.3 | Continue to work with the Winchester Social Inclusion Partnership. | Charlotte Bailey | Ongoing | | The Social Inclusion Partnership continues to meet regularly. The most recent quarterly members meeting was held in June 2025. 3 subgroups are continuing activities in Health Inequalities, Food Resilience and Financial Inclusion. |

| No. | Action | Responsible | Target date | RAG | Progress updates |
|---|--|----------------------------------|----------------|-----|---|
| 2.4 | Equality training opportunities for members | David Blakemore/ Simon Howson | December 2025 | | All Councillors are required to complete a suite of online compliance training modules, including on Equality, Diversity & Inclusion. As of the end of March 2025, 95% of councillors had successfully completed this module. |
| Objective 3: Responsive services and customer care | | | | | |
| 3.1 | Develop and deliver internal training on understanding and completing equality impact assessments. | Simon Howson | January 2025 | | Three training sessions delivered in January 2025 to 26 officers from across the council. Positive feedback received and appetite for “network” of trained officers to share expertise and act as critical friends. |
| 3.2 | Review our Procurement Policy and processes to ensure equality standards are embedded. | Julie Mahoney | September 2025 | | The council’s Contract Procedure Rules (updated February 2025) explicitly require that all procurement activities and contract management processes comply with obligations to eliminate unlawful discrimination and promote equality of opportunity. |
| 3.3 | Provide guidance and advice to Corporate Heads of Service on integrating equality objectives into their 2025-26 service plans. | Simon Howson | January 2025 | | Actions in service plans are aligned to the Council Plan priorities, which include the priority to be a Listening and Learning council. |
| 3.4 | Implement a set of equality questions into our grant application process. | Jane Chuhan | Spring 2025 | | New EDI questions implemented for new grant applicants from March 2025. |
| 3.5 | Continued support for the City of Sanctuary movement and for refugees to our district. | Melissa Fletcher | Ongoing | | Project ongoing and we’re continuing to look for organisations to join the scheme – produced downloadable poster to promote the scheme and |

| No. | Action | Responsible | Target date | RAG | Progress updates |
|-----|--|----------------|-------------|-----|--|
| | | | | | advertised to parish councils in March Parish Connect. |
| 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. | Calum Drummond | Ongoing | | <ul style="list-style-type: none"> WCC's sports coaching provider (ActiveMe 360) continue to provide regular physical activity and sport sessions to disadvantaged groups. In particular children at; <ul style="list-style-type: none"> - Stanmore - Wickham - Winnall - All Saints - Weeke primary schools AM360 also provide sports activities during February, October and May half term to children within disadvantaged communities. WCC work in partnership with Everyone Active and the University of Winchester to organise a day of sports activities to adults with physical and learning disabilities which takes every September at the Winchester Sport & Leisure Park. |
| 3.7 | To develop a Live Longer Better Programme within sheltered housing schemes to provide opportunities for tenants aged 65+ to be more active. | Calum Drummond | August 2026 | | <ul style="list-style-type: none"> Consultations have taken place with residents to understand what activities interest them. Activities and instructors have now been confirmed and are running for 10 weeks at three sheltered housing schemes in Winchester and Denmead, providing: <ul style="list-style-type: none"> - Tai chi (QIGong) - Steady and strong dance - Better balance We are working with Everyone Active and other instructors to provide additional classes |

| No. | Action | Responsible | Target date | RAG | Progress updates |
|-----|--|------------------|----------------|-----|---|
| | | | | | to the general public at care homes and community venues, including: <ul style="list-style-type: none"> - Unit 12 (Winnall) - Carroll Centre (Stanmore) - Wickham Community Centre - Whiteley Community Centre - Methodist Homes Association (MHA) in Winchester and Alresford - Winchester Heights Care Home Weeke St Giles |
| 3.8 | Targeted support and assistance for Ukrainian guests living in the district under the Homes for Ukraine programme. | Melissa Fletcher | September 2026 | | Providing a programme of support which includes: <ul style="list-style-type: none"> • Employment support • Access to English language intensive courses • Integration support: housing/communities – resettlement, cultural, enabling access to services, building links with HCC, supporting hosts and enabling Ukrainians to live independently • Financial support to enable community integration and increase employment opportunities |
| 3.9 | Continuation of a targeted cost of living programme both directly and via the voluntary sector and local charities, including Council Tax hardship grants. | Simon Howson | Ongoing | | Working with partners, the council continues to provide information and signposting to residents who need help with the cost of living. |

| No. | Action | Responsible | Target date | RAG | Progress updates |
|---|---|-------------|-------------|-----|--|
| Objective 4: Diverse and engaged workforce | | | | | |
| 4.1 | Refresh our Learning and Development Policy to improve consistency in access to training for all employees. | Jamie Cann | March 2026 | | The Learning and Development Plan was reviewed and agreed by ELB in July 2025. |
| 4.2 | Review Disability Confident status for the organisation. | Jamie Cann | March 2026 | | There has been a delay in progressing this action owing to staff vacancies and available resources. |
| 4.3 | Trial numerical, clerical and literacy aptitude tests for recruitment to lower graded posts (adjusted for neurodiverse applicants). | Jamie Cann | March 2026 | | There has been a delay in progressing this action owing to staff vacancies and available resources |
| 4.4 | To promote the council as a Dementia Friendly employer using training and communication campaigns. | Jamie Cann | Ongoing | | E-learning is available for all staff and members. The Communities team recently hosted a "Dementia Awareness Bus" to promote awareness of dementia within the community |
| 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. | Jamie Cann | March 2026 | | Four new mental health first aiders have been trained to provide resilience across the council. HR are working with the Change Enablement Lead to scope work to increase resilience and provide refresher training for managers to support colleagues through change |

| No. | Action | Responsible | Target date | RAG | Progress updates |
|-----|---|-------------|----------------|-----|--|
| 4.6 | To consider establishing staff-led equality networks for employees. | Jamie Cann | September 2025 | | This is a staff-led initiative, enabled by HR. Colleagues are exploring options for a faith-based peer support group (due to launch July 2025) |

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REPORT TITLE: ANNUAL GOVERNANCE STATEMENT 2024/25

17 JULY 2025

REPORT OF CABINET MEMBER: CLLR BECKER – CABINET MEMBER FOR
HEALTHY COMMUNITIES

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

Email: showson@winchester.gov.uk

WARD(S): ALL

PURPOSE

This report sets out the annual governance statement for 2024/25 and the actions that will be undertaken during the coming year to address the issues arising.

RECOMMENDATIONS:

1. That the Audit and Governance Committee approves the annual governance statement for 2024/25 as set out in Appendix 1 for inclusion in the Annual Financial Report 2024/25.
2. That the issues arising, and actions identified in Appendix 1 be noted and that progress against the actions be brought back to the Audit and Governance Committee as an appendix to the quarterly governance monitoring report.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 The annual governance statement is a statutory document and integral to the governance framework at the council that supports the achievement of the outcomes included in the Council Plan 2025-30.

2 FINANCIAL IMPLICATIONS

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

3 LEGAL AND PROCUREMENT IMPLICATIONS

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

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

There are no legal and procurement implications arising directly in this report. Where further work is required to respond to the issues identified these will be subject to review by Legal Services and Procurement, and in particular will require consideration of the council's Contract Procedure Rules and The Procurement Act 2023 (PA23) and governance where required.

4 WORKFORCE IMPLICATIONS

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

5 PROPERTY AND ASSET IMPLICATIONS

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

6 CONSULTATION AND COMMUNICATION

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

7 ENVIRONMENTAL CONSIDERATIONS

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

8 PUBLIC SECTOR EQUALITY DUTY

None arising from the content of the report, although officers will need to consider the council's Public Sector Equality Duty and if required complete an Equality Impact Assessment on any specific recommendations or future decisions to be made arising from the action plan.

9 DATA PROTECTION IMPACT ASSESSMENT

There are no data protection impact assessments required.

10 RISK MANAGEMENT

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

11 SUPPORTING INFORMATION:

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

This report presents the AGS for the year 2024/25 for consideration by the committee.

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

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

The council must at least annually conduct a review of the effectiveness of its systems on internal control and report its findings in the annual governance statement. The annual review of governance arrangements was completed by Corporate Heads of Service and Service Leads during April 2025.

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

In preparing the 2024/25 AGS, the S151 officer has reviewed the CIPFA Financial Management Code 2019 (FM Code) which sets out the principles of sound financial management; introduces an overarching framework of assurance; and sets out standards to ensure a local authority is financially sustainable. The council's governance arrangements for budgeting; the accounts; financial decision making; and compliance with codes of practice and legislation are in accordance with the financial management standards set out in the FM Code.

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

In July 2024, an LGA Peer Challenge took place, where the review explored a number of core themes, including the council's organisational and place leadership, governance and culture, financial planning and management and capacity for improvement. Following the review the Peer Team's view was that strong governance is in place at the council.

As part of the External Auditors planning procedures for the audit of the council's accounts, a risk of significant weakness has been identified relating to how the council ensures that it makes informed decisions and properly manages its risks and this has been considered when developing this Annual Governance Statement and identifying the issues for inclusion in the AGS.

The following issue was included in the previous year's AGS for addressing during 2024/25.

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

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

Actions relating to Records Retention and Disposal have been completed and are referred to in the Annual Governance Statement (AGS) Action Plan update, as detailed in the Quarter 4 Governance Monitoring Report (Appendix 1, Report AG160 refers).

Included in the 2024/25 Internal Audit Plan, a review was undertaken to assess the progress made in addressing the weaknesses identified in the previous audit. The final audit report issued in May 2025 offered a *reasonable assurance* opinion, concluding that there is now generally a sound system of governance, risk management, and internal control in place in relation to records management.

Following a review of the completed statements of assurance, the issues that have been identified as requiring consideration and action during 2025/26 are:

- **Regulator of Social Housing Consumer Standards for Landlords**

Following self-referral to the Regulator of Social Housing a Regulator Judgement was issued that found serious failings in how the council is delivering the outcomes of the consumer standards in relation to the Safety and Quality Standard and the Transparency, Influence and Accountability Standard.

- **Local Government Reorganisation**

Capacity to deliver services to our residents and customers while working collaboratively with our local authority partners to deliver local government reorganisation at pace.

Accordingly, these issues are included in the AGS 2024/25 which is attached as appendix 1 to this report. A plan that sets out the actions to address these issues is included in Appendix 2 and progress against these will be included in future quarterly governance monitoring reports.

12 OTHER OPTIONS CONSIDERED AND REJECTED

As a statutory requirement no other options have been considered

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG131 – Annual Governance Statement 2023/24

Other Background Documents:-

None.

APPENDICES:

Appendix 1 Annual Governance Statement 2024/25

Appendix 2 Annual Governance Statement 2024/25 Action Plan

ANNUAL GOVERNANCE STATEMENT 2024/25

1. Scope of Responsibility

- 1.2 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.
- 1.3 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.
- 1.4 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*.
- 1.5 This governance statement explains how Winchester City Council has complied throughout 2024/25 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.
- 1.6 The council undertook a full and detailed review of its constitution between 2017 and 2019 and was adopted by Full Council in March 2019.
- 1.7 A full and detailed review to ensure the Constitution remains fit for purpose was undertaken during 2023 with a cross-party Constitution Working Party assisting with the review. Eleven meetings of the working party were held in total. Consideration and outcomes of the final meeting of the Constitution Working Party was held on 16 November 2023 to consider the recommendations from Audit and Governance Committee. Special regard was also had to existing and emerging legislation as well as how decisions are taken as this is a key part of the Constitution which sets the tone for the culture the Council wishes to operate. The updated Constitution 2024 was adopted by Full Council on 30 November.

2 The purpose of governance framework

- 2.1 The purpose of the governance framework is to ensure that the council directs and controls its activities in a way that meets standards of good governance and is accountable to the community. It does this by putting in place an organisational culture and values which drive a responsible approach to the management of public resources, supported by appropriate systems and processes ensuring they 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 2025 and remains in place up to the date of approval of the Statement of Accounts.

3 The principles of good governance

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

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

Principle 2 – Ensuring openness and comprehensive stakeholder engagement.

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

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

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

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

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

4 Methodology for preparing the Annual Governance Statement.

- 4.1 The annual governance statement has been prepared using a process similar to that used in previous years, including.
- Service leads completing a statement of assurance providing details as to the extent and quality of internal control arrangements operating within their teams during the previous year. Furthermore, they were also asked to declare any weaknesses in the governance arrangements in their service areas, including overdue and significant internal audit actions.

- An internal control checklist is provided to Service Leads to support the completion of their statement of assurance. The checklist requires the manager to self-assess the arrangements in their team against a number of criteria including risk and performance management, financial control, and staffing.
- Review of the Annual Internal Audit report and Opinion 2024/25 report and quarterly internal audit progress reports.
- The council's Audit and Governance Committee considers the draft governance statement at its meeting in early summer and before approving it determines whether it accurately reflects the council's internal control environment.
- The approved governance statement is signed off by the Chief Executive and Leader of the council.

5 The Governance Framework

- 5.1 There are a number of key elements to the systems and processes that comprise the council's governance arrangements and these are underpinned by the core principles of good governance which are: -
- Focusing on the purpose of the council and on outcomes for the local community and creating and implementing a vision for the local area.
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles.
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
 - Taking informed and transparent decisions which are subject to effective scrutiny and managed risk.
 - Developing the capacity and capability of members and officers to be effective.
 - Engaging with local people and other stakeholders to ensure robust public accountability.
- 5.2 The council's constitution explains existing policy making and delegation procedures and the matters which must be dealt with by Full Council. It documents the role and responsibilities of Cabinet, each committee and members and officers. The council has approved a protocol governing relationships between members and officers as part of its constitution and has adopted codes of conduct for both officers and members which facilitate the promotion, communication and embedding of proper standards of behaviour. All officers have job descriptions and there are clearly defined schemes of delegation, all of which are reviewed from time to time.
- 5.3 The council's constitution incorporates clear guidelines to ensure that business is dealt with in an open manner except in circumstances when issues should be kept confidential. Meetings are open to the public except where personal or confidential matters are being discussed. All cabinet

/committee agendas, minutes and cabinet member decisions are published promptly on the council's website. In addition, senior officers of the council can make decisions under delegated authority. The over-arching policy of the council is decided by the Full Council.

- 5.4 The Scrutiny Committee and Audit and Governance Committee hold cabinet members to account for delivery of the council's policy framework within the agreed budget, and protocols are in place for any departure from this to be properly examined.
- 5.5 The council engages with its communities through a number of channels, including community planning, consultation events, surveys and campaigns relating to specific initiatives.
- 5.6 The Council Plan 2025-30 was adopted at Council on 15 January 2025 and sets out what the council wants to achieve and informs other strategies and plans including the Local Plan and individual service plans. A range of consultation and engagement took place during 2024 in support of developing the new Council Plan and included businesses, members, council staff and parish councils. A district wide residents' survey was undertaken to better understand the opinions and views of our residents. 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 13 March, report CAB3500 refers) which also includes a Risk Appetite Statement and is reviewed annually.

6 Review of governance

- 6.1 The authority has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Strategic Leads who have responsibility for the development and maintenance of a sound governance environment.
- 6.2 Mandatory awareness training for all staff has been undertaken to ensure the council complies adequately with the provisions of the General Data Protection Regulation (GDPR) and Freedom of Information Act 2000 requirements.
- 6.3 The council has appointed the Director 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 Director 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 Director (Legal) as the statutory "Monitoring Officer" and has procedures to ensure that he is aware of any issues which may have legal implications.
- 6.5 All cabinet reports are reviewed by the S151 Officer and Monitoring Officer and are required to demonstrate how the subject matter links to the Council Plan and highlight resource implications. Report authors are also asked to draw out risk, equality, environmental, management and legal and procurement 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 In July 2024, an LGA Peer Challenge took place, where the review explored a number of core themes, including the council's organisational and place leadership, governance and culture, financial planning and management and capacity for improvement. Following the review the Peer Team's view was that strong governance is in place at the council.

6.9 Key roles in maintaining and reviewing the 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 audit reports and opinions and periodic progress reports, approves the annual governance statement, and keeps an overview of arrangements for risk management. It also approves this governance statement and the Statement of Accounts. |
| 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 provide the council with an internal audit service which includes the council's entire control environment. The Head of the Southern Internal Audit Partnership takes account of the council's assurance and monitoring mechanisms, including risk management arrangements, for achieving the council's objectives.</p> <p>The Internal Audit Plan is based on the Corporate Risk Register and identifies Internal Audit's contribution to the review of the effectiveness of the control environment. Progress reports for the Audit and Governance Committee on progress of audits refer to the opinion assigned to each internal audit review and include a summary of findings for reviews that give 'Limited Assurance' together with data on the implementation status of all recommendations. Internal audit provides an annual opinion on the internal control environment and issues that should be included in this governance statement.</p> <p>There is a requirement for internal audit to undertake an annual self-assessment and independent external assessment every five year. Any areas of non-conformance must be reported as part of their annual report and opinion.</p> |

| | |
|--|---|
| | Based upon the work completed to date the Internal Audit Opinion for 2024/25 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:

- **Regulator of Social Housing Consumer Standards for Landlords**

Following self-referral to the Regulator of Social Housing, a Regulator Judgment was issued that found serious failings in how the council is delivering the outcomes of the consumer standards in relation to the Safety and Quality Standard and the Transparency, Influence and Accountability Standard.

- **Local Government Reorganisation**

Capacity to deliver services to our residents and customers while working collaboratively with our local authority partners to deliver local government reorganisation at pace.

7.2 An action plan is attached to this Statement and details the actions that will be undertaken during the next 12 months and address these issues. Each action is assigned to a senior officer who has responsibility for delivering the relevant actions.

8 Assurance summary

8.1 Good governance is about operating properly. It is the means by which the council shows that it is taking decision for the good of its residents, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness, and honesty. It is the foundation for the effective delivery of good quality services that meet the needs of the users. It is fundamental to demonstrating that public money is well spent. Without good governance, the council would find it difficult to operate services successfully.

8.2 We have discussed with the Chief Internal Auditor who has indicated, based upon the work completed to date the Annual Internal Audit Conclusion for 2024/25 on the adequacy and effectiveness of the internal control environment, is that the council's framework of governance, risk management and control are reasonable, and audit testing has demonstrated controls to be working in practice. Where weaknesses have been identified through internal audit review, the auditor has worked with management to agreed appropriate corrective actions and a timescale for improvement.

- 8.3 The auditor's Annual Internal Audit Report and Conclusion 2024/25 will be presented to Audit & Governance Committee at its meeting on 17 July 2025.
- 8.4 As part of the External Auditors planning procedures for the audit of the council's accounts, a risk of significant weakness has been identified relating to how the council ensures that it makes informed decisions and properly manages its risks and this has been considered when developing this Annual Governance Statement and identifying the issues for inclusion in the AGS.

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:

Signed:

Laura Taylor
Chief Executive
Winchester City Council

Councillor M. Tod
Leader of the Council
Winchester City Council

Dated:

Dated

Annual Governance Statement 2024/25 – Action Plan

| No | Issue | Actions | Lead Officer | Target Date | Method of Assurance |
|----|---|---|---|-------------|---|
| 1 | Landlord Health and Safety Compliance – to ensure that our responsibilities under the consumer standard for Safety and Quality are being met, specifically in relation to regulatory compliance for gas, electrical, asbestos, fire, water, and lift safety. | Establish an appropriate Governance and assurance structure | Simon Hendey Gillian Knight | Feb 2025 | A planned internal audit review will provide assurance that the compliance plan actions have been completed. The scope of the audit review will include all areas of the compliance plan. Compliance reporting information shared with TACT board for scrutiny. Reporting monthly to PAC Board as a Tier 1 project. |
| | | Undertake a data validation exercise across our asset data, compliance areas and inspection records | Adrian Wilgoss Sarah Hobbs Heather Gibson | Sept 2025 | Regular validation meetings are being held, and planned work is on track |
| | | Compliance reporting review | Adrian Wilgoss | June 2025 | A Scorecard template has been created and is actively being used across teams. A reporting template has been devised to support consistent and structured updates. |
| | | Undertake a policy principle and strategic direction workshop for each compliance area and develop and finalise each policy | Sarah Hobbs Adrian Wilgoss | Sept 2025 | Procurement process underway to engage external consultants for drafting policies for 'the big 6' compliance areas. Progressing contract award. |

| No | Issue | Actions | Lead Officer | Target Date | Method of Assurance |
|----|---|--|----------------|-------------|---|
| | | Review and update our procedures | Adrian Wilgoss | June 2026 | All procedures have been reviewed and updated where required. |
| 2 | Local Government Reorganisation - capacity to deliver services to our residents and customers while working collaboratively with our local authority partners to deliver local government reorganisation at pace | Establish an appropriate governance structure and clearly define the programme scope, including emerging workstreams and designated lead officers. | Liz Keys | June 2025 | PAC Board review organisational capacity and resources on a regular basis and prioritise as required. Update scope of the Transformation Board to include LGR. Robust programme management of LGR that can adapt as required. |
| | | Prepare for change with the council organising itself to achieve as much as possible and ensures that staff, services and assets that are being transferred are in the best possible position to be integrated into the new authority. | Liz Keys | Ongoing | Quarterly Performance and Finance reporting. Robust programme management. |

AG167
AUDIT & GOVERNANCE COMMITTEE

REPORT TITLE: ANNUAL FINANCIAL REPORT 2024/25

17 JULY 2025

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

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

WARD(S): ALL

PURPOSE

The draft Annual Financial Report 2024/25 was published on the council's website on 30 June 2025. The document contains the council's unaudited Statement of Accounts 2024/25 which have been certified by the Chief Financial Officer as giving a true and fair view of the financial position of the council as at 31st March 2025. It is brought to Committee at this time for information only.

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

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

RECOMMENDATIONS:

That the Audit and Governance Committee:

1. Note the report in respect of the council's Draft Statement of Accounts for 2024/25.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 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 scale fee for the audit of the 2024/25 accounts set by Public Sector Audit Appointments (PSAA) 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 was published with the unaudited Annual Financial Report.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None

8 PUBLIC SECTOR EQUALITY DUTY

8.1 None

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required

10 RISK MANAGEMENT

10.1 A risk, outside of the council's control, to publication of the audited Annual Financial Report by the 30th June 2025 target date (set out in the *Accounts and Audit (Amendment) Regulations (2024)*) exists in so much as the audit may not have concluded by this deadline.

| Risk | Mitigation | Opportunities |
|--|--|----------------------|
| Reputation The financial statements receive an adverse external audit opinion | The statements are prepared in accordance with the CIPFA code of practice. Accounts staff attend regular public sector accounting workshops delivered by CIPFA. | |

11 SUPPORTING INFORMATION

11.1 Only 1% of local government bodies received an auditor's opinion on their 2022/23 accounts by the publishing deadline 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 2024/25 financial statements must be published by 27th February 2026 and if the audit is not finalised by this deadline disclaimers of opinion will be issued.

11.2 The council is one of the 75% of local authorities that published the draft accounts for 2024/25 by the 30th June 2025.

12 OTHER OPTIONS CONSIDERED AND REJECTED

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

BACKGROUND DOCUMENTS:

Previous Committee Reports:

None

Other Background Documents:

None

APPENDICES:

Appendix 1 – Draft Annual Financial Report 2024/25



ANNUAL FINANCIAL REPORT 2024/25

FOR THE YEAR ENDED 31 MARCH 2025

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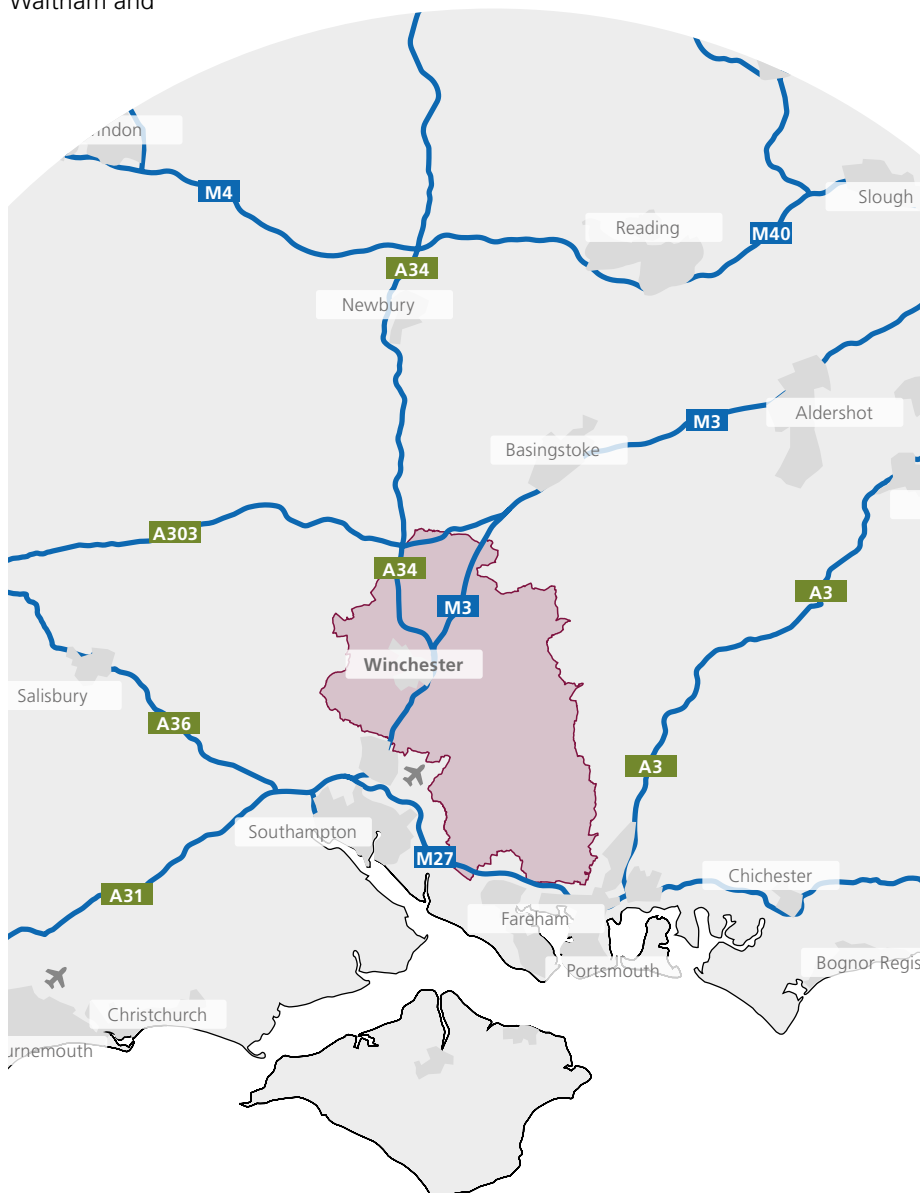
WINCHESTER CITY COUNCIL NARRATIVE STATEMENT 2024/25

THE WINCHESTER DISTRICT

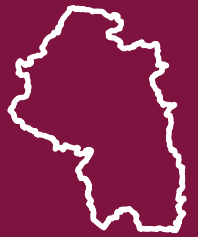
Winchester City Council is one of 11 district and borough councils in Hampshire and serves an estimated population of 138,212 residents.

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
138,212
(Population estimate
source HCC 2025)

87%
OF RESIDENTS
AGED 16-64 YRS
IN EMPLOYMENT



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



8,095
BUSINESSES
(2024 source ONS)



58,219
HOMES
HCC 2023 Forecast

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 two 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 | 32 Councillors |
| Conservative | 8 Councillors |
| Green | 4 Councillors |
| Independent | 1 Councillor |

EMPLOYEES

Chief Executive

2 Strategic Directors

2 Directors

7 Corporate Heads/ Programme Leads

460 employees (415 full time equivalents)

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

DEVOLUTION & LOCAL GOVERNMENT REORGANISATION

The Government published the English Devolution White Paper in December 2024 setting out proposals for devolution and Local Government Reorganisation across England. The vision outlined by Government is that all parts of England are to be part of regional Strategic Authorities that have a regional Mayor. These Strategic Authorities will have responsibility for driving growth and shaping public services across wider regional geographical areas and the elected mayor would then promote the interests of the region at central government level.

The proposal submitted by Hampshire County Council, Southampton City Council, Portsmouth City Council and Isle of Wight Council was accepted for inclusion in the Devolution Priority programme. This will see the creation of a combined strategic authority across the Hampshire and Solent region to be led by an elected mayor.

The County Council elections were postponed in 2025 to plan for a move towards the election of a mayor for the new strategic combined authority across Hampshire and the Solent in 2026. The new mayoral strategic authority will work closely with the local authorities in the region to develop and deliver plans which focus on responsibilities that are currently held centrally at Whitehall, covering strategic leadership of key place shaping responsibilities such as economic regeneration and growth, strategic planning, skills and employment and strategic transport.

Separately, the Deputy Prime Minister announced that a legal invitation will be sent to councils in two tier areas to bring forward proposals for local government reorganisation. The government has outlined that only unitary authorities, and not two tiers (i.e. a county council and districts and boroughs) sit within a strategic combined authority area. Full proposals for local government reorganisation are required to be submitted by 26 September 2025. The invitation then says that if the Secretary of State decides to implement the proposals, we will move to elections for a shadow Unitary Council as soon as possible and it is widely anticipated that shadow elections are likely to be held in the period 2026 to 2027. The new council 'becomes live' 12 months later.



COUNCIL PLAN ACHIEVEMENTS 2024/25



THE COUNCIL HAS DECLARED A

CLIMATE EMERGENCY



TACKLING THE CLIMATE EMERGENCY AND CREATING A GREENER DISTRICT

PROGRESS AGAINST PLANS

| COMPLETED ACTIONS | ONGOING |
|--|--|
| <ul style="list-style-type: none">• Installed EV rapid chargers where they were needed across the district | <ul style="list-style-type: none">• Develop an electric vehicle strategy |
| <ul style="list-style-type: none">• Completed the final phase of the repairs to the Weirs | <ul style="list-style-type: none">• Deliver programme of retrofit carbon reduction measures to our housing stock |
| <ul style="list-style-type: none">• Adopted an air quality strategy, complying with National Air Quality Standards | <ul style="list-style-type: none">• Review and implement nutrient neutrality mitigation measures |
| <ul style="list-style-type: none">• Switched our buses and waste collection lorries to low or no carbon fuels | <ul style="list-style-type: none">• Introduce doorstep food waste collections and increase recycling |
| <ul style="list-style-type: none">• Adopted and implemented an Active Travel Plan | <ul style="list-style-type: none">• Increase our recycling rates by introducing a simpler approach in line with Government programme for waste reforms |

COUNCIL PLAN ACHIEVEMENTS 2024/25



LIVING WELL

PROGRESS AGAINST PLANS

COMPLETED ACTIONS

- Developed a network of private and public sector spaces throughout the district to support a Spaces of Sanctuary scheme
- Delivered a wide range of physical activities through school and community sports coaching programmes
- Supported residents with the cost-of-living crisis with the roll out of Council Tax Hardship Grants

ONGOING

- Work with developers at each major development area to provide public facilities, green spaces, and areas to play
- Develop a Community and Wellbeing Strategy
- Deliver a programme supporting residents to live longer better



HOMES FOR ALL

PROGRESS AGAINST PLANS

COMPLETED ACTIONS

- Reviewed HRA Business Plan in light of the economic circumstances and reviewed current planned services and programmes.
- Collaborated with partners to deliver the aims set out in the Winchester Community Safety Delivery Plan 24/25
- Developed a Temporary Accommodation Strategy

ONGOING

- Deliver the outcomes and expectations of the standards set by the Regulator of Social Housing
- Deliver council housing retrofit carbon reduction programme

COUNCIL PLAN ACHIEVEMENTS 2024/25 - CONTINUED



VIBRANT LOCAL ECONOMY

PROGRESS AGAINST PLANS

| COMPLETED ACTIONS | ONGOING |
|---|--|
| <ul style="list-style-type: none"> Produced an event toolkit and associated event management guidance | <ul style="list-style-type: none"> Support independent business (food and drink, retail) and market towns across the district |
| <ul style="list-style-type: none"> Installed new information boards with maps and wayfinding information | <ul style="list-style-type: none"> Support employment and skills projects and plans |
| <ul style="list-style-type: none"> Undertaken consumer marketing activity including production of a public art trail leaflet | <ul style="list-style-type: none"> Deliver the Green Economic Development Strategy Action Plan 2024 - 2027 |
| <ul style="list-style-type: none"> Developed and delivered a programme of Jane Austen 2025 PR and marketing | <ul style="list-style-type: none"> Explore future uses of the Guildhall and Abbey House |
| <ul style="list-style-type: none"> Supported local investment through both the UK Shared Prosperity and Rural Prosperity Funding programme | <ul style="list-style-type: none"> Develop a Sustainable Tourism Tactical Plan |



YOUR SERVICE YOUR VOICE

PROGRESS AGAINST PLANS

| COMPLETED ACTIONS | ONGOING |
|--|---|
| <ul style="list-style-type: none"> Undertaken a district wide Residents' and Young Persons' survey | <ul style="list-style-type: none"> Modernise the contact channels our residents and businesses use to contact and do business with the council to improve the customer journey |
| <ul style="list-style-type: none"> Developed a corporate digital strategy that drives innovation across the council | <ul style="list-style-type: none"> Review our complaints policy and processes and demonstrate learning from complaints to drive service improvements |
| <ul style="list-style-type: none"> Established and introduced a new tenant/leaseholder engagement programme | <ul style="list-style-type: none"> Deliver customer focussed digital transformation of housing services |
| <ul style="list-style-type: none"> Installed improvements to the audio/visual systems for public facing meetings | <ul style="list-style-type: none"> Further promotion of self-serve and digital services including the increased take-up of electronic billing (rollout of "Digital by Default") and notifications for Council Tax, Business Rates and Housing Benefits services, and the further roll out of SMS for the issue of electronic payment alerts and reminders. |
| <ul style="list-style-type: none"> Increased subscription take up to the Your Council News email newsletter | |

WINCHESTER CITY COUNCIL'S FIVE YEAR PLAN 2025 - 2030



Priority: Greener Faster

What we want to achieve

- The Winchester District to be carbon neutral by 2030
- Reduced waste and increased recycling, exceeding national targets
- Cleaner air than national targets
- Better protection against extreme climate events
- Increased proportion of journeys by public transport, foot or bike
- Reversing the long-term decline in nature and biodiversity

How we will achieve this

- To support this we have detailed strategies and plans in place which include: Carbon Neutrality Roadmap; Local Area Energy Plan, Biodiversity Action Plan, Hampshire Local Nature Recovery Strategy; Winchester Movement; Strategy Air Quality and Action Plan.
- Measures include:
 - Energy efficiency measures in homes and commercial buildings
 - Carbon sequestration through nature-based solutions
 - Further expansion of EV charging
 - Maintaining and enforcing robust planning policies in Local Plans that eliminate the risks of pollution from new developments and reduce flood risk
 - Upgrading our wastewater treatment works and working with others to secure upgrades to public and private sewage and water treatment plants
- Significant improvements to walking, cycling and bus provision
- Further decarbonise our buildings, vehicles and operations
- Increase what can be recycled, support reuse, and help residents and businesses prevent and reduce waste
- Embed the strongest achievable environmental standards in Local Plans
- Audit our buildings, homes and operations against the impacts of climate change, implement necessary actions,

WINCHESTER CITY COUNCIL'S FIVE YEAR PLAN 2025 - 2030

Priority: Thriving Places

What we want to achieve

- Strong, sustainable business growth
- More young people living and working in the district
- Strong footfall in all our centres with lower than regional vacancy rates
- Attractive, clean public spaces and facilities
- Less fly-tipping and graffiti
- Improved facilities within 20 minutes of people's homes
- Increased investment in our district
- Full gigabit broadband and mobile coverage by 2030

How we will achieve this

- Work with partners to implement our Green Economic Development Strategy. Key elements include:
 - Increasing solar PV installation of large commercial and industrial buildings
 - Deliver a Digital Growth Factory for small and medium sized enterprises
- Work to secure investment via the Hampshire Prosperity Partnership, and other public/private sector partners to:
 - Regenerate our run-down areas, especially the Central Winchester Regeneration area
 - Support new business and create new jobs
 - Strengthen public transport
 - Improve our energy infrastructure
 - Fix our digital connectivity
- Work with further and higher education, alongside local business, to support skills and enable research and knowledge transfer
- Revitalise our street markets and support local festivals
- Invest in cleaning our city and market town centres
- Work with partners to promote and develop our unique cultural, heritage and natural environment assets across the district
- Prosecute fly-tippers and clear fly-tipping faster

Priority: Healthy Communities

What we want to achieve

- Support for those most affected by the increased cost of living
- Improved health and wellbeing in our most deprived communities
- Increasing participation in physical activity for all ages and abilities, including active travel
- Access to attractive and well-maintained public facilities, green and natural spaces with space to play and gather for all ages
- Strong health and community infrastructure across the district
- Thriving local voluntary, and community sector – tackling isolation, building community cohesion and supporting those in need

How we will achieve this

- Targeted cost of living support programme, directly and via the voluntary sector and local charities, including Council Tax hardship grants
- Close working with the police and other partners to tackle anti-social behaviour and domestic abuse
- Community Action Programmes for our most deprived areas and communities
- Updated Sports Provision Strategy, incorporating growth sports that support greater inclusion and new participation
- Continued investment in our leisure centres, sports grounds, parks and play areas
- Work with the NHS to protect local health provision and encourage increased investment across primary and secondary care
- Continued support for the City of Sanctuary movement and for refugees to our district
- Local Plan policies and other measures to support healthy lifestyles in healthy places

WINCHESTER CITY COUNCIL'S FIVE YEAR PLAN 2025 - 2030

Priority: Good Homes for All

What we want to achieve

- Continue to increase the number of affordable homes across the district, including our 2023 commitment to delivery 1,000 more council homes by 2032.
- Every homeless person to secure a permanent home
- Policy-led planning to deliver National Planning Policy Framework objectives, ensuring the right mix of homes for all, including young people and key workers.
- Ensure all council homes are decent, safe, energy efficient and resilient to the effects of climate change.
- Decarbonisation of district homes, consistent with our net zero goal.

How we will achieve this

- Buying homes and building homes, in sustainable locations
- Ensure a Local Plan remains in place for the district — and ensuring a minimum requirement of affordable homes across the district:
- Support homeless and most vulnerable people working directly and in partnership with the voluntary sector
- Providing the right mix of support and high-quality temporary accommodation to help people progress to permanent, secure housing
- Pilot and expand council-house decarbonisation plan, including fabric-first reduction in energy use and bills, expanded local energy generation and replacement of gas boilers with zero carbon alternatives
- New maintenance and repair contract, improving quality and responsiveness of council house repairs and retrofit
- Work with partners to drive wider residential decarbonisation across all housing types, including historic and heritage buildings

Priority: Efficient & Effective

What we want to achieve

- Improved satisfaction for our services
- Good value compared to other similar authorities
- High accessibility and usage of our services – with a strong shift to digital for those who prefer it
- A balanced budget and stable council finances

How we will achieve this

- New Digital Strategy and Action Plan to:
 - Improve online customer experience
 - Improve internal collaboration and efficiency
 - to support decision-making
- 2-yearly transformation programmes embedded in the council's work – reducing cost and improving efficiency.
- Test and deploy new technologies capable of improving efficiency and reducing cost

Priority: Listening & Learning

What we want to achieve

- Improved resident survey results for involvement, contact and response
- Improved engagement with under-represented groups
- Above average Tenant Satisfaction Measures

How we will achieve this

- Satisfaction tracking and analysis across our services
- New Tenant Engagement Strategy
- Early and ongoing stakeholder engagement designed into all major projects
- Work with neighbouring authorities to ensure that our communities are involved and heard on major out-of-area developments and initiatives that impact them
- Support a learning culture

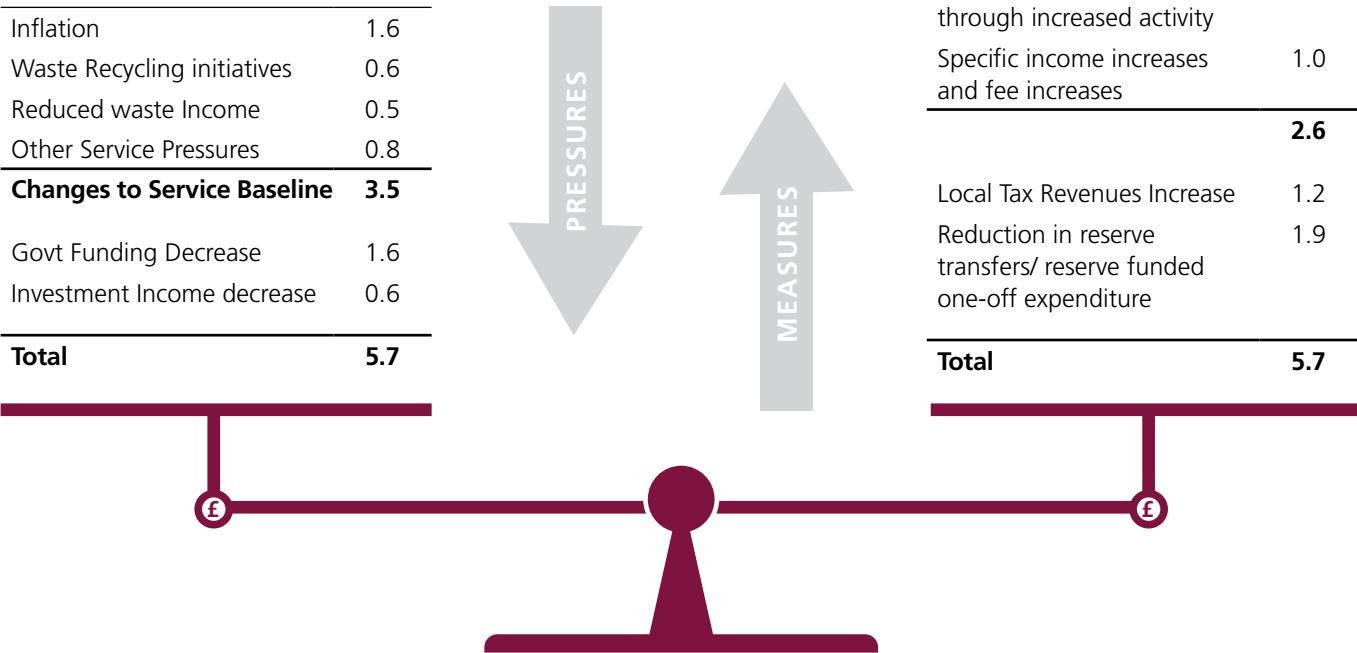
2024/25 GENERAL FUND BUDGET

The financial landscape is particularly challenging for local government with a number of councils at risk of financial failure if they do not make substantial cuts to services or receive significant additional income. However due to sound financial management in the difficult previous five years, the council is in a strong and stable position in the short term and was able to produce a balanced budget in 2024/25, whilst supporting the delivery of the key priorities of the Council Plan. The budget was able to include "one off" reserve allocation proposals to support the delivery of the Council Plan. There is particular focus on the Greener Faster priority by investing in enhanced recycling and food waste collection, and decarbonisation of our waste vehicle fleet, which will cut the Council's carbon emissions by 25%.

The pay inflationary costs were forecast to total £1.6m in excess of the original base budget. The annual waste income budget was also reduced to reflect proposed changes to the Hampshire Inter Authority Agreement on waste. The level of Government general grant funding reduced with the council expecting to receive less New Burdens funding. Whilst fees reduced significantly in certain areas (Building Control, Land Charges and Pest Control) this was offset by increases in Garden Waste, Car Parking and general fee increases in line with inflation. The council also expected to benefit significantly from the continuing trend of fee recovery post COVID. The council's Transformation Challenge 2025 (TC25) initiative identified £0.6m of savings which have been removed from the base line budget. Other measures taken to balance the budget included a 2.6% Council Tax increase.

| 2024/25 | £m |
|------------------------------------|------------|
| Inflation | 1.6 |
| Waste Recycling initiatives | 0.6 |
| Reduced waste Income | 0.5 |
| Other Service Pressures | 0.8 |
| Changes to Service Baseline | 3.5 |
| Govt Funding Decrease | 1.6 |
| Investment Income decrease | 0.6 |
| Total | 5.7 |

| 2024/25 | £m |
|--|------------|
| Transformation challenge identified fee increases & savings | 0.6 |
| Reduced NDR liability on council properties | 0.2 |
| General income recovery through increased activity | 0.8 |
| Specific income increases and fee increases | 1.0 |
| | 2.6 |
| Local Tax Revenues Increase | 1.2 |
| Reduction in reserve transfers/ reserve funded one-off expenditure | 1.9 |
| Total | 5.7 |



MEDIUM TERM FINANCIAL STRATEGY

The financial pressures faced by local authorities remain particularly challenging, additional funding for specific purposes (such as homelessness) has been made available, but the medium-term outlook continues to show that the baseline funding position is unlikely to improve. The government has indicated that new and future funding will focus on 'need' and this will therefore benefit higher need, lower tax base authorities. This redistribution in funding will create significant challenges for authorities, such as Winchester.

The MTFP is showing a sound and stable position for Winchester for the next two financial years through to April 2027. This gives us a small window of opportunity to tackle the forecast shortfall from 2027 onwards based on the expected review and redistribution of funding. The MTFP is showing a predicted annual budget shortfall of £1.2m in 2027/28 rising to £4.4m in 2029/30.

MEDIUM TERM FINANCIAL PROJECTIONS (£M)

| | 25/26 | 26/27 | 27/28 | 28/29 | 29/30 |
|--|----------|----------|----------|----------|----------|
| Council Tax | (10.347) | (10.694) | (11.053) | (11.425) | (11.809) |
| Business Rates | (7.931) | (4.385) | (4.696) | (5.024) | (5.364) |
| Business Rates Pooling | (1.25) | | | | |
| Gov't Funding | (4.591) | (5.784) | (4.288) | (2.777) | (1.323) |
| Investment Activity | (2.110) | (2.373) | (2.101) | (1.770) | (1.741) |
| Baseline Resource Requirement | 20.381 | 21.186 | 22.191 | 22.998 | (23.812) |
| One-off budget & reserve related movements | 5.848 | 2.050 | 1.145 | (1.032) | 0.883 |
| (Surplus)/ Shortfall | 0 | 0 | 1.198 | 3.034 | 4.458 |

TRANSFORMATION CHALLENGE 2025 (TC25)

The long-term financial challenge for the council continues to be of a different magnitude to the previous rounds of savings since the mid-2000s. Although the scale of the budget gap may not appear as significant as others in the sector, a £3m budget gap per annum represents approximately 7.5% of the gross general fund revenue budget or an approximate 30% increase in council tax.

To prepare for a more restricted budget situation an organisation-wide transformation programme was launched in 2023 to seek and deliver transformational changes to the way we deliver services to save £3m a year within 3 years. Transformation Challenge (TC25) is a tier one strategic project sponsored by the Transformation Programme 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 have been seconded to drive the programme and ensure success can be achieved and measured. Progress on TC25 work is monitored and reported through the quarterly performance reports.

To establish the first areas for action, 'Star Chamber' meetings with Corporate Heads of Services and their responsible Cabinet Members were conducted during November and December 2023 which resulted in £607K immediate budget efficiencies and a set of activity for action over the three subsequent years.

In addition to this cross organisational approach, all staff and members were invited to submit proposals for service change and improved customer service, which have been collated into the following six themes:

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

Improving customer service is a founding principle of the TC25 work and three priority areas for action have been determined:

- Digitisation of planning - ensuring the service and processes are as efficient and automated as possible while remaining adaptive to national planning requirements.
- Improving our customers' experience – aiming to build a legacy of 'digital first' and 'digital by choice.'
- Maximising income from the council's assets - driving income from our council properties.

MEDIUM TERM FINANCIAL STRATEGY

To date, TC25 has secured total budget reductions of £857,000. In addition to the budget savings that have and will be removed from the MTFs, there have been cost reductions (that would otherwise have resulted in an overspend) as a direct result of TC25 totalling £173,000. This is a solid start to meeting the £3m target but further effort will be required to continue to meet the budget challenge.

A core element of the TC25 programme is around digital transformation of council services. Delivering customer centred, data-driven digital solutions will streamline our internal operations, make us more efficient and elevate our customers' experience. The council is aiming to make intelligent use of data to optimise decision making; to reduce carbon emissions by printing and posting less; and to provide intuitive and easy to use digital solutions to access our services when it is convenient for customers. Our Digital Vision and Strategy is being developed and a Digital Programme Manager was appointed in the summer to lead this.

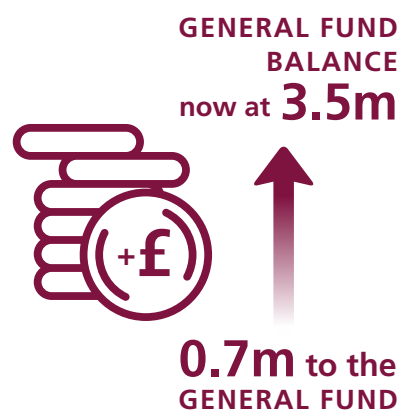
It is recognised that an ongoing transformation programme is required to deliver the service change and savings needed. The next phase of TC25 is being developed to ensure the council has a robust plan for dealing with the medium-long term budget shortfalls. A detailed review of the operating model for the delivery of all our services, including the HRA, is required if the transformation is to deliver the necessary savings and protect our services for those residents and customers in the greatest need. This strategic review will give us an organisation-wide picture and will allow for a prioritisation exercise to inform a plan for deployment.



GENERAL FUND 2024/25 OUTTURN

The outturn underspend has enabled the council to increase the General Fund minimum balance by £0.7m to £3.5m, and to also increase the net transfer movement to earmarked general fund revenue reserves by £1.7m. The council maintains a general fund balance to mitigate against any potential financial risks. As a general guide the minimum balance will be 15% of net revenue expenditure and so the increased balance of £3.5m will give additional cushioning particularly against the uncertainty of government funding over the medium term projections.

The Funding and Other Activity favourable outturn of £4.8m above budget was largely related to £3.5m of CIL funding billed during the year and £1.7m additional government funding than was budgeted for. The use of CIL monies is restricted and can only be used to fund infrastructure that is needed as a result of development. The additional government funding was largely from specific grants for Preventing Homelessness, Rough Sleeping, and Simpler Recycling implementation.



| SERVICE BUDGET (excluding depreciation) | ORIGINAL BUDGET | OUTTURN | VARIANCE |
|---|-----------------|----------|----------|
| | £'000 | £'000 | £'000 |
| ENVIRONMENT | 6,945 | 6,851 | (94) |
| LIVING WELL | 3,348 | 2,669 | (679) |
| HOMES FOR ALL | 2,512 | 2,364 | (148) |
| VIBRANT LOCAL ECONOMY | 981 | 1,159 | 178 |
| YOUR SERVICES, YOUR VOICE | 6,518 | 6,470 | (48) |
| TOTAL | 20,304 | 19,514 | (790) |
| FUNDING AND OTHER ACTIVITY | (23,139) | (27,908) | (4,769) |
| TRANSFER TO (FROM) EARMARKED RESERVES | 2,835 | 5,958 | 3,123 |
| UNDERSPEND | | (2,436) | (2,436) |

HRA 2024/25 OUTTURN

The HRA outturn resulted in an increase in the HRA balance of £1.85m, against a £1.7m decrease that was originally budgeted for. Significant adverse variances related to the cost of responsive repairs and depreciation, whilst there were significant favourable variances for interest payable and Housing Management Expenditure.

Key variances within Housing Management included staffing restructure savings of £0.4m and one-off vacancy savings of £0.5m. Utilities and cleaning contract costs were £0.5m below budget. An investment of £1m to support the repairs contract procurement and associated IT infrastructure was included in the budget, of which £0.8m will be returned to the working balance to support ongoing investment in 2025/26. There was also increased rental income from shared ownership properties as a result of a lower than expected average of shares sold of £0.2m.

The cost of responsive repairs was over budget largely as a result of the ongoing impact of prior year price inflation (£1.6m) and creation of provision for disrepair claims (£0.2m). This is partially offset by reversing provision for an Extension of Time claim relating to new build flats at Winnall, which was capitalised to the project budget and not expensed. Similarly, the depreciation cost is higher than budgeted for because of higher replacement costs for the components of housing stock.

Net interest costs were lower than budgeted due to overall underspends in the capital programme, continuing internal borrowing, and better than expected interest rates applied on cash balances.

| SERVICE | ORIGINAL BUDGET | OUTTURN | VARIANCE |
|--|-----------------|----------|----------|
| | £'000 | £'000 | £'000 |
| RENT, SERVICE CHARGES AND OTHER INCOME | (34,511) | (34,658) | (147) |
| HOUSING MANAGEMENT GENERAL | 7,918 | 6,088 | (1,830) |
| HOUSING MANAGEMENT SPECIAL | 2,125 | 1,362 | (763) |
| REPAIRS (INCLUDING ADMINISTRATION) | 8,505 | 9,648 | 1,143 |
| EXTERNAL INTEREST PAYABLE | 8,102 | 5,223 | (2,879) |
| DEPRECIATION | 9,973 | 10,542 | 569 |
| OTHER INCOME AND EXPENDITURE | (407) | (98) | 309 |
| TRANSFERS TO (FROM) EARMARKED RESERVES | 0 | 38 | 38 |
| (INCREASE)/DECREASE IN HRA BALANCE | 1,705 | (1,855) | (3,560) |



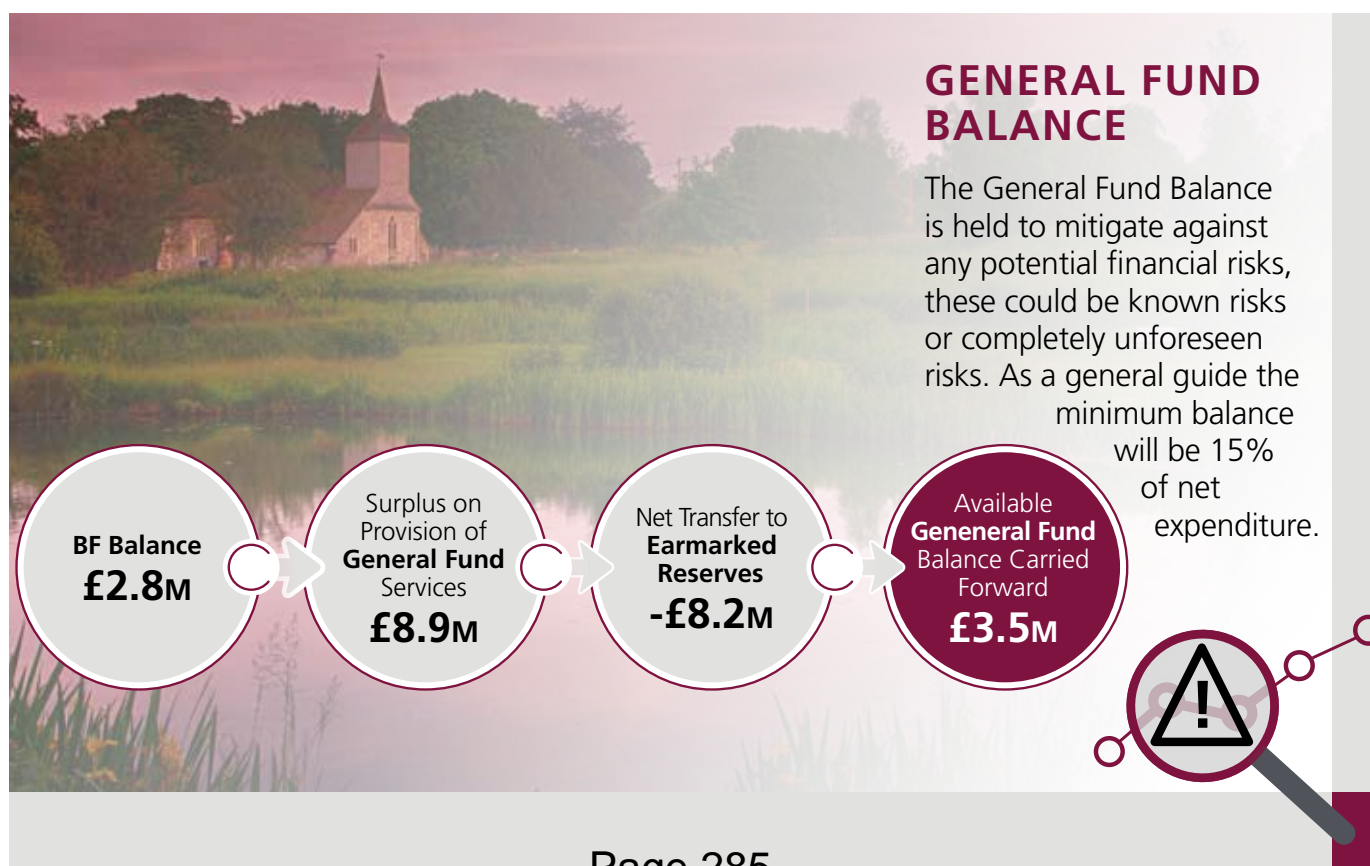
GENERAL FUND MOVEMENT

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 £19.3m. However, once the surplus on HRA services is adjusted for there is a surplus for General Fund services of £9.3m.

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 £8.9m.

Net £8.2m has been transferred to earmarked reserves, the carry forward General Fund balance has been revised to £3.5m representing 15% of baseline service expenditure.

| | £m | £m | £m |
|--|-------|-------|-------|
| Brought Forward Balance | | | 2.8 |
| Surplus (deficit) on provision of all services | 19.3 | | |
| Adjust for HRA related (surplus)/deficit | (9.3) | | |
| | | 10 | |
| Apply Accounting Adjustments | | (1.1) | |
| In year surplus on Provision of General Fund Services | | | 8.9 |
| Net Movements (to)/ from Earmarked Reserves | | | |
| CIL Receipts (not budgeted for) | (3.5) | | |
| Net Planned Reserve Transfer | (2.3) | | |
| Unplanned Surplus (Transfer to Major Investment Reserve) | (2.4) | | |
| Net movement reserves | | (8.2) | |
| Net Earmarked Reserves transfer | | | (8.2) |
| Available General Fund Balance | | | 3.5 |



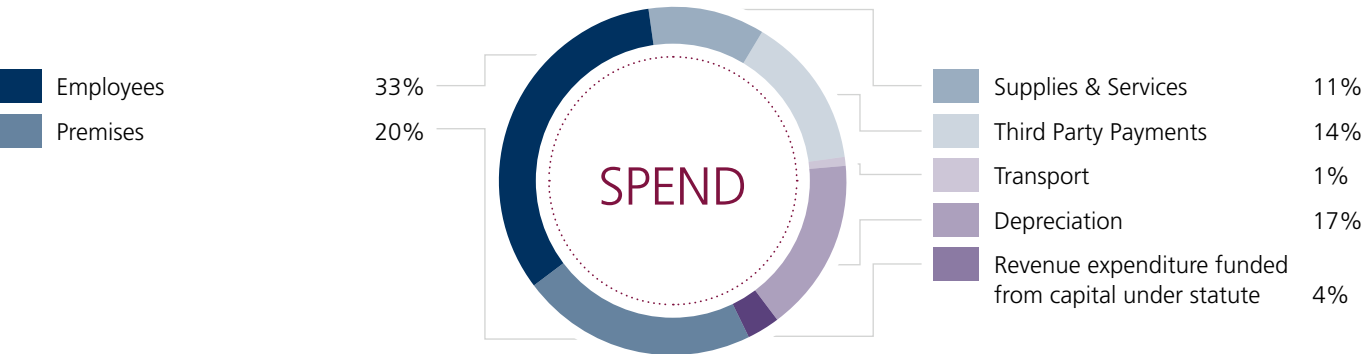
WHERE THE COUNCIL'S FUNDING CAME FROM

(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

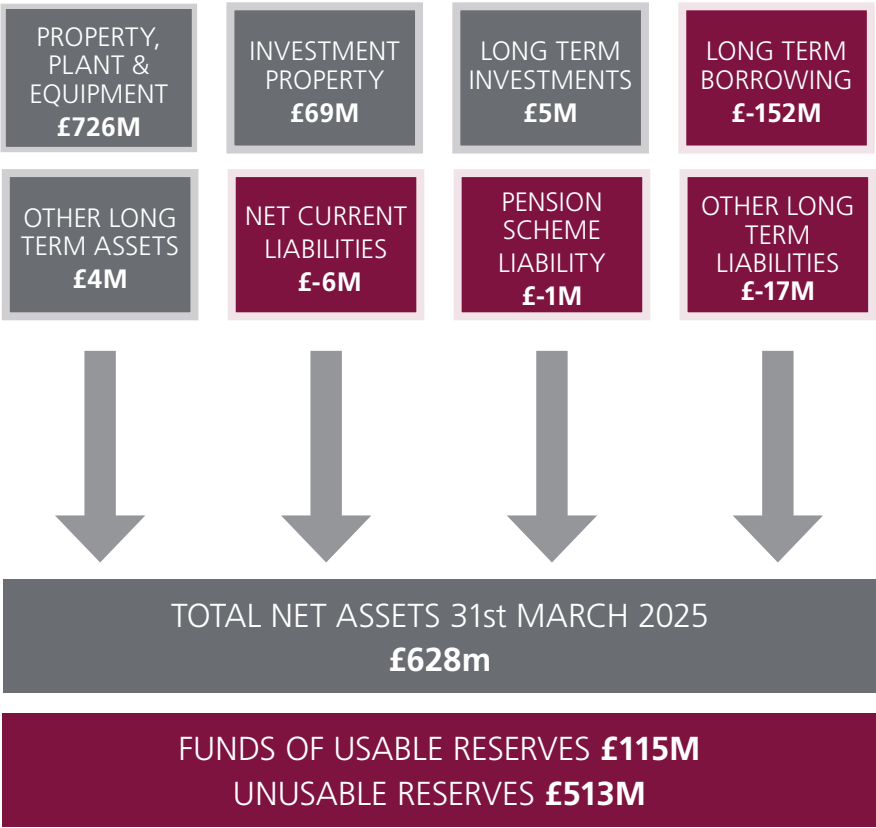
THE COUNCIL'S BALANCE SHEET
SHOWS IT HAS A **NET WORTH**
OF **£628M**.

TOTAL LONG TERM **ASSETS** OF **£804M** AT THE
BALANCE SHEET DATE INCLUDE:

- Council dwellings £582m
- Other operational land and buildings £107m
- Investment property £69m.

TOTAL LONG TERM **LIABILITIES** OF **£170M**
INCLUDE:

- Long term borrowing of £152m
- The pension scheme potential future liability of £1m.



The council's balance sheet includes £115m of usable reserves available to fund future spending plans and programmes.

The overall increase in the council's net worth of £35m, is primarily due to the inclusion of Right of Use assets, the reduction in the Pension Fund deficit and increases to reserves.

IMPLEMENTATION OF IFRS 16

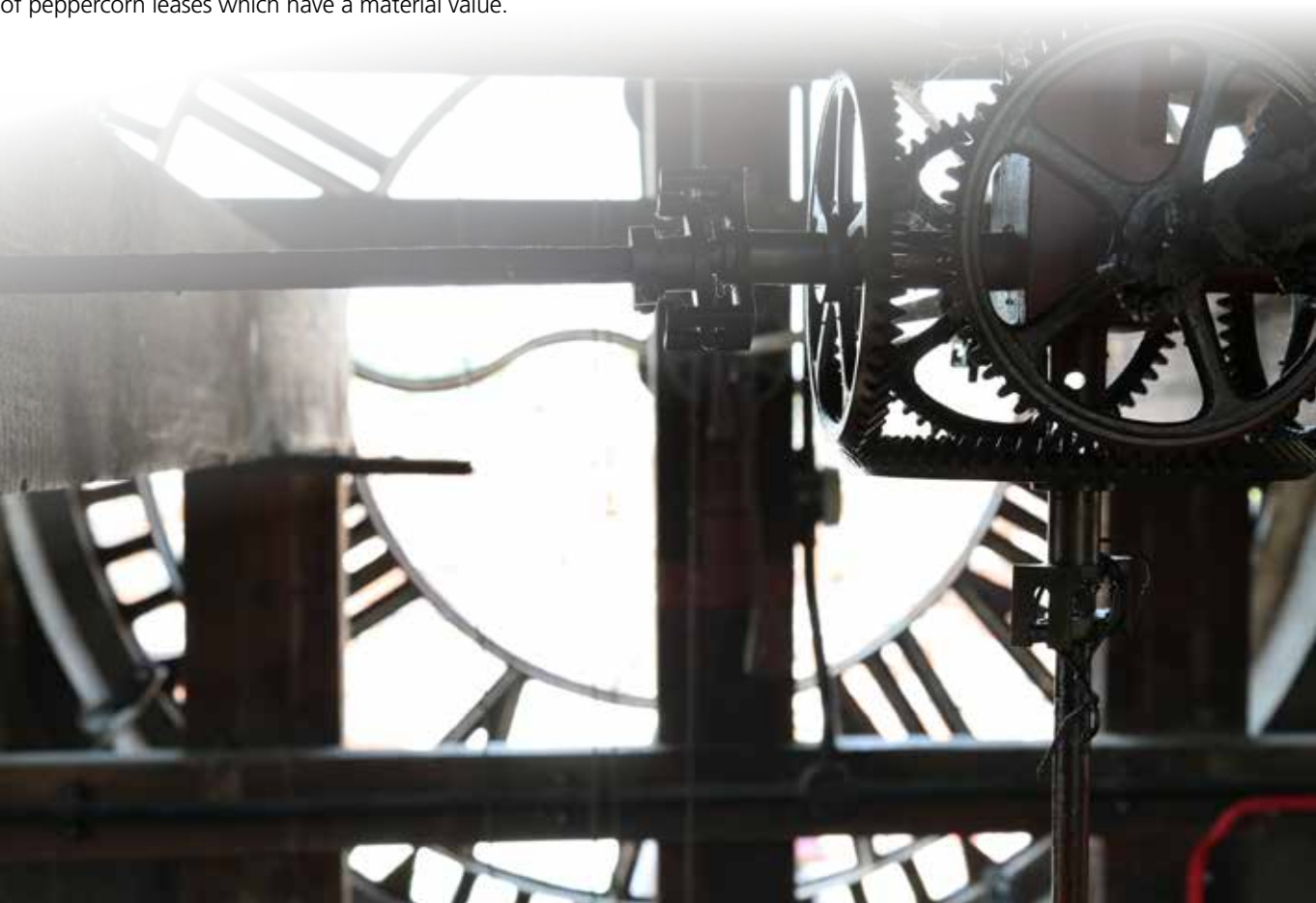
The implementation of IFRS 16 Leases was deferred from that of the rest of the public sector and is mandatorily implemented in the Code for 2024/25. All transactions taking place in 2024/25 are accounted for wholly in accordance with new IFRS 16 accounting policies.

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 material leases with more than a year to run have been 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.

The definition of a lease has been extended to include arrangements where only peppercorn rents are payable. Although these arrangements 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 leases which have a material value.

NEW RIGHT OF USE ASSETS ADDED FOLLOWING IMPLEMENTATION OF IFRS 16

| Change to "Right of Use Assets" as at 31 March 2025 | £m |
|---|-------------|
| Property leases (previously accounted for as operating leases) | 1.5 |
| Vehicle leases (previously accounted for as finance leases) | 1.8 |
| Nil consideration leases (not previously part of the council's balance sheet) | 13.5 |
| | 16.8 |



THE PENSION FUND DEFICIT

The Pension Fund deficit has reduced significantly since 2021/22 and as at 31 March 2025 the fund position is a deficit of £1.4m.

| Pension Fund Surplus/(Deficit) | £m |
|--------------------------------|--------|
| 31 March 2022 | (60.8) |
| 31 March 2023 | (13.8) |
| 31 March 2024 | (7.8) |
| 31 March 2025 | (1.4) |

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.

As at 31 March 2025 the net liability stands at £1.4m and this represents the present value of unfunded obligations.

| Change to Pension Fund Balance as at 31 March 2025 | |
|--|-----------|
| | £m |
| Fair value of plan assets | 157,037 |
| Present value of funded obligations | (139,646) |
| Effect of the asset ceiling | (17,391) |
| Present value of unfunded obligations | (1,418) |
| Net asset/ (liability) | (1,418) |

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 2025 the council held £49.7m 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 2025 the council held £11.4m 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.

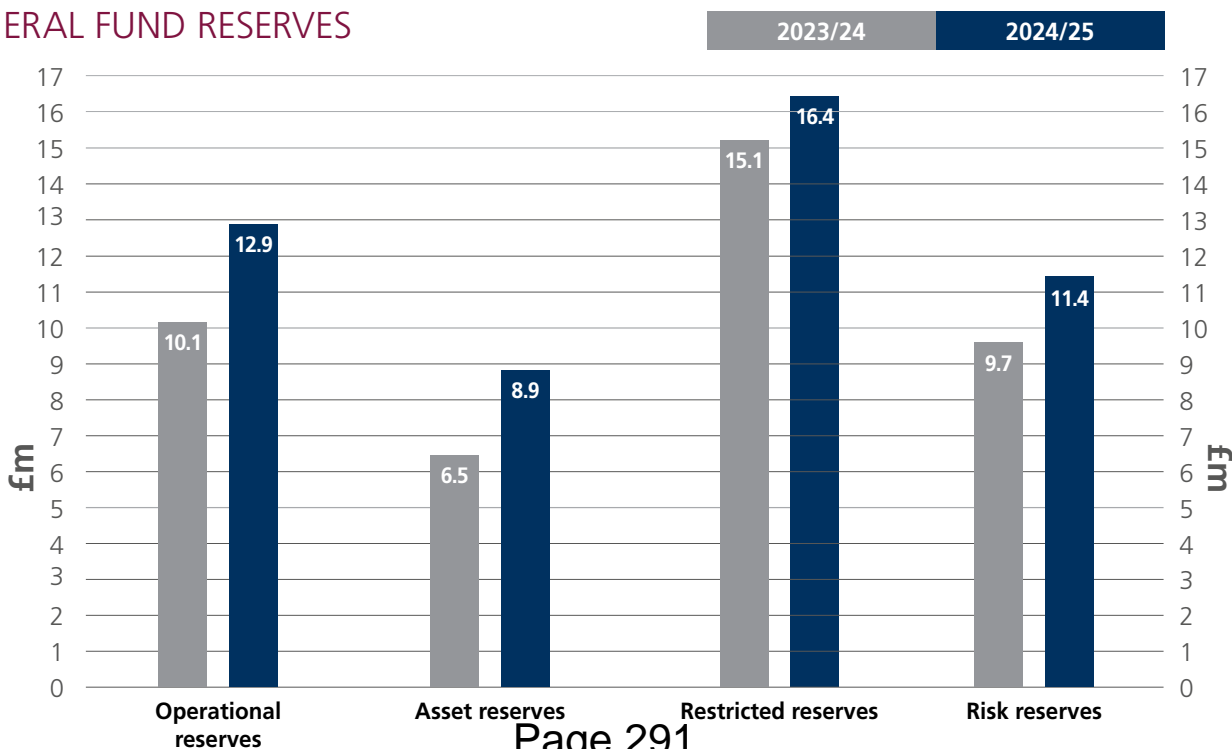
The council currently holds a balance of £3.5m to mitigate the risk of exceptional inflationary pressures.

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 £16.4m of restricted reserves as at 31 March 2025. Of these £14.2m 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. 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 2034/35 totals £421.1 million of which £37.9 million is General Fund and £383.2 million is Housing Revenue Account. Within the HRA Capital Programme £229m relates to New Build Housing, £104m is for Major repairs to Housing stock, and £38m for additional investment in the council's housing stock to improve energy efficiency and help reduce carbon emissions.

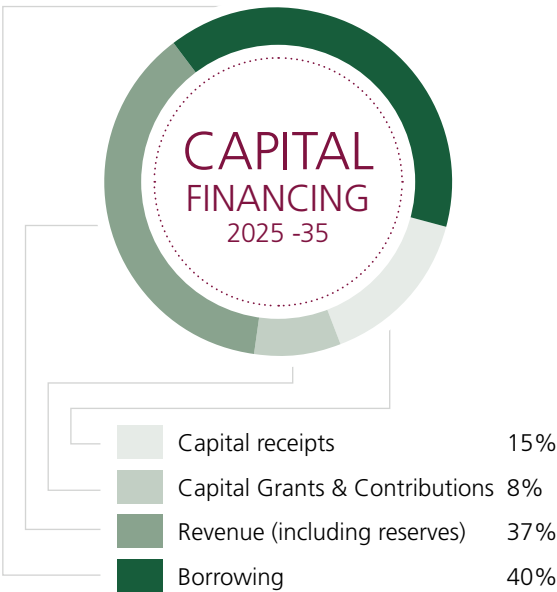
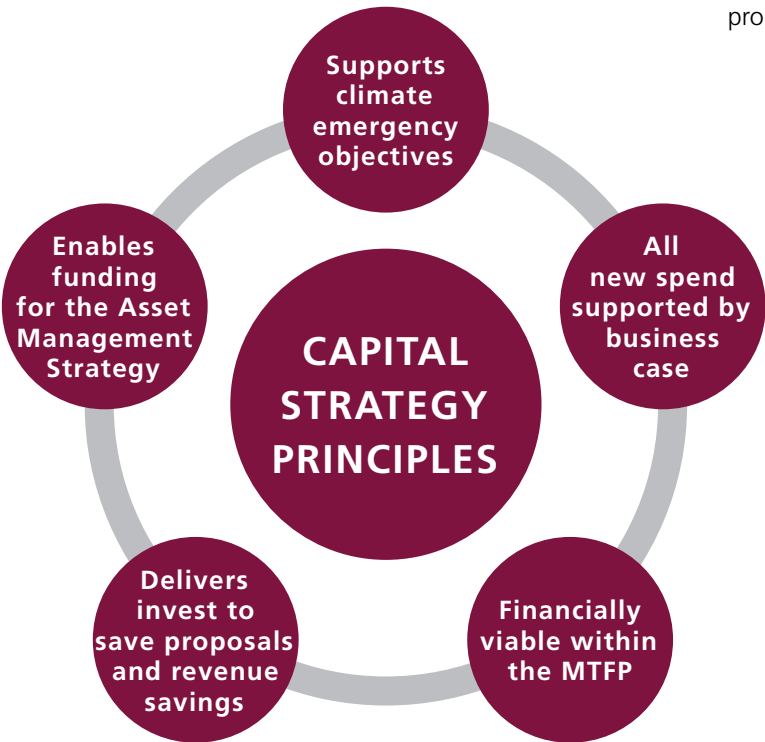
The main sources of finance for capital projects are as follows:

- 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 £62m 15%
- Capital grants and contributions £35m 8%
- Revenue (including reserves) £157m 37%
- Borrowing £167m 40%

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 £154.6m 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 2024/25

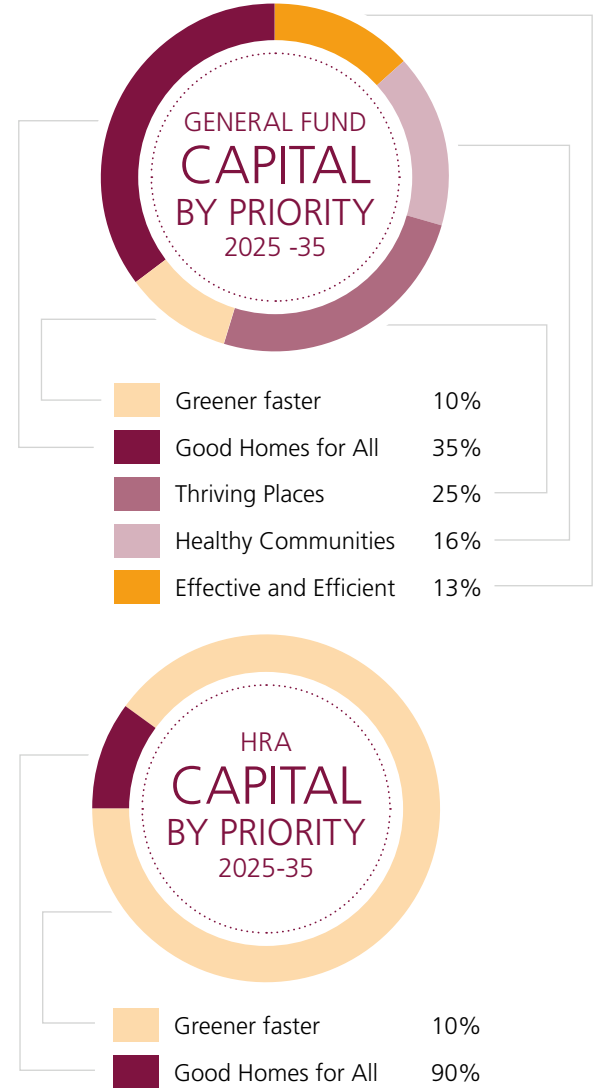
The council has made further progress in 2024/25 in delivering its capital programme. In the General Fund, projects completed or substantially complete this year include:

- 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.
- The establishment of a Housing Company, based on a leasing model, which will support the delivery of alternative tenures.
- 9 Colebrook Street has been refurbished for use as temporary accommodation. Bringing this property back into use will reduce the need for the council to secure emergency accommodation in the form of bed and breakfast for those households on resettlement schemes and provides a better housing option for our guests who would otherwise be threatened with homelessness.
- Following the demolition of Friarsgate Medical Centre, an enhanced quality public realm (Friarsgate Park) has been completed on the site and includes soft landscaping, planters, seed parks, and provides a multi-use space for events and exhibitions.
- A 3G artificial turf pitch at Winchester City Football Club has been completed alongside some stadium improvement. The project will deliver on aims and commitments such as reduced health inequalities, a wide range of physical and cultural activities for all ages and abilities and supporting communities to extend the range of sports and cultural facilities across the district.

The HRA Capital Programme includes the required investment in major works to the existing stock to maintain decent homes standards, the ambitious retrofit programme to improve energy efficiency and reduce utility costs to tenants, fire safety improvements and upgrades to sewage treatment works. In addition to investment in the existing stock, significant resources are in place to fund a challenging new build and property acquisition programme to achieve the Council's objective of 1000 new homes for local people. Major projects include:

- Winnal flats with 76 units (35 Shared Ownership, 41 market rent), now complete
- Southbrook Cottages (6 units for affordable rent) to passive house standard, now complete
- Acquisition of 10 units at Hazeley Road, Twyford, in progress
- Acquisition of 146 units at Kings Barton

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



| | Total funding | £21M |
|------------|---|-------------|
| | Increased financing requirement | £2M |
| FUNDING | Capital Receipts | £4.4m |
| | Government Grants and Other Contributions | £5.3m |
| | General Fund Reserves | £2.5m |
| | Major Repairs Reserve | £8.8m |
| | | £21m |
| INVESTMENT | HRA New Build | £2.7m |
| | HRA Major Repairs | £8.1m |
| | HRA Property Acquisitions | £1.4m |
| | HRA Other | £0.8m |
| | General Fund Other | £8m |
| | | £21m |

CAPITAL PROGRAMME

HOUSING BUILD

£229m is planned for the HRA new build programme over 10 years (2025-2035).



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.

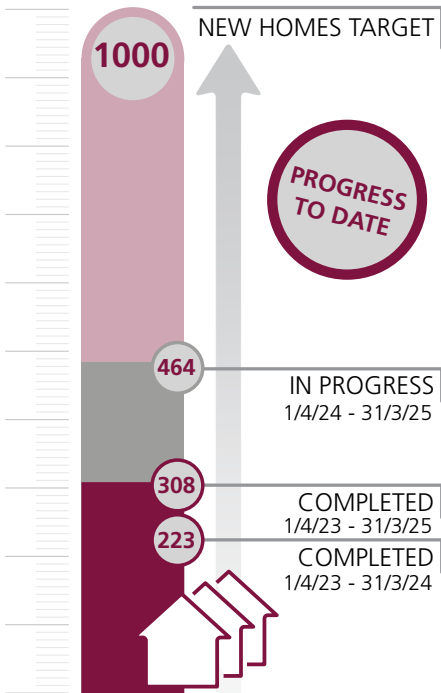
A major feature of the scheme is the upgrading of the public open space around the existing four blocks on the site by changing the previous car-dominated areas to a more people focussed environment – making it more pleasant to walk around the site and also making space for a new pocket park to encourage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

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

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

| NEW HOMES TARGET | COMPLETED 1/4/23 - 31/3/24 | COMPLETED IN YEAR 1/4/24 - 31/3/25 | IN PROGRESS 1/4/24 - 31/3/25 |
|------------------|-------------------------------|---------------------------------------|---------------------------------|
| 1000 | 223 | 85 | 156 |

| | MARKET RENT | AFFORDABLE RENT | SHARED OWNERSHIP | TOTAL |
|-------------------------------------|-------------|-----------------|------------------|-------|
| COMPLETED IN YEAR 1/4/24 - 31/3/25: | | | | |
| Southbrook cottages | | 6 | | |
| Other acquisitions | | 3 | | |
| Winnall flats | 41 | | 35 | |
| Total | 41 | 9 | 35 | 85 |
| IN PROGRESS 1/4/24 - 31/3/25: | | | | |
| Hazeley road | | 6 | 4 | |
| Kings barton road | | 95 | 51 | |
| Total | | 101 | 55 | 156 |



CAPITAL PROGRAMME



KINGS BARTON

The council has agreed to acquire 146 affordable homes to use as council housing at King's Barton. The proposed new housing forms part of a much larger multi-phase development by Cala Management Limited at Barton Farm. The scheme will be a mix of 95 affordable rent properties and 51 shared ownership properties.

The 146 units are to be acquired across three phases of development with completions expected between 2025 and 2028.

The council will own the property freehold, will manage and maintain the homes and have control over their use so that they meet identified housing needs and are managed and maintained to an acceptable standard

The new homes will be built to Building Regulation energy efficiency standards but with the addition of air source heat pumps, thus supporting the Greener FASTER Council Plan priority.

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. In 2024/25 the company leased 41 one-bedroom flats from the council, as at year end the flats were fully occupied with private tenants.

LOCAL AUTHORITY HOUSING FUND

The Local Authority Housing Fund (LAHF) grant programme provides grants to local authorities by the Dept for levelling up, communities and housing (subsequently Ministry of Housing Communities and local govt) to acquire or build properties for the resettlement of Ukraine and Afghan refugees.

Between the 3 rounds government LAHF grant allocation the Council has completed the acquisition and refurbishment of 49 units 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 allocation of £7.3m, which represents 40% of acquisition costs and an additional allowance of £20,000 per property towards refurbishment and repairs. As part of the conditions for receiving the grant, the Council is required to provide match funding for the remaining 60% acquisition costs and any additional capital refurbishment costs.

The council made an application to the next round of LAHF funding in February 2025, and was successful in securing funding towards an additional 4 properties in 2025/26.



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.

The final version of the Concept Master Plan (CMP) and technical document is now complete, and was submitted for Cabinet approval in June 2025.

To accompany the completion of the CMP a comprehensive views study was commissioned to gather a wide range of perspectives. The feedback from the consultation process has now been thoroughly reviewed and analysed.



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. 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’.

In March 2025, the Development Delivery Plan (DDP) was approved. The DDP will continue to be reviewed and updated as the scheme progresses. A request for CIL funding totalling £4.5m was approved, to meet the costs of CIL eligible infrastructure that will form part of the CWR scheme.

This will include highway works, bus infrastructure, exemplary public realm and green/blue infrastructure and will be delivered over all phases of the CWR scheme.



WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
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 2025 and its income and expenditure for the year then ended.

Signature:

Date:

Chief Financial Officer, Section 151 Officer

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2025

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.

| 2023/24 | | | 2024/25 | | |
|---------------------|-----------------|---------------|--|-----------------|-----------------|
| Expenditure £000 | Income £000 | Net £000 | Expenditure £000 | Income £000 | Net £000 |
| 17,996 | (11,457) | 6,539 | 19,997 | (12,373) | 7,624 |
| 7,130 | (1,596) | 5,534 | 5,869 | (2,095) | 3,774 |
| 13,851 | (9,713) | 4,138 | 14,500 | (9,835) | 4,665 |
| 29,566 | (33,210) | (3,644) | 30,304 | (37,255) | (6,951) |
| 2,266 | (667) | 1,599 | 3,145 | (1,144) | 2,001 |
| 21,494 | (12,273) | 9,221 | 18,898 | (11,733) | 7,165 |
| 92,303 | (68,916) | 23,387 | 92,713 | (74,435) | 18,278 |
| (4,816) | 0 | (4,816) | (6,418) | 0 | (6,418) |
| 87,487 | (68,916) | 18,571 | 86,295 | (74,435) | 11,860 |
| | | | | | |
| | | | Other Operating Income and Expenditure | | |
| | | | 4,045 | | 4,403 |
| | | | (926) | | (358) |
| | | | 0 | | (15) |
| | | | Financing and Investment Income and Expenditure | | |
| | | | 5,287 | | 5,292 |
| | | | 508 | | 371 |
| | | | (1,671) | | (1,655) |
| | | | (2,235) | | (2,801) |
| | | | 182 | | (106) |
| | | | Taxation and Non-Specific Grant Income | | |
| | | | (8,082) | | (7,296) |
| | | | (5,358) | | (5,168) |
| | | | (10,034) | | (9,495) |
| | | | (13,549) | | (14,355) |
| | | | (13,262) | | (19,323) |
| | | | Other Comprehensive (Income) and Expenditure | | |
| | | | (6,995) | | 2,262 |
| | | | (6,611) | | (6,658) |
| | | | (26,868) | | (23,719) |

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2025

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 2024 | (2,789) | (41,306) | (14,096) | (182) | (32,323) | (8,398) | (1,218) | (100,312) | (492,420) | (592,732) |
| Adjustment to 31 March 2024 Closing Balance for Nil Consideration Leases | | | | | | | | | (11,618) | (11,618) |
| Movement in Reserves during 2024/25 | | | | | | | | | | |
| (Surplus) or Deficit on Provision of Services | (9,974) | 0 | (9,349) | 0 | 0 | 0 | 0 | (19,323) | 0 | (19,323) |
| Other Comprehensive (Income) and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (4,396) | (4,396) |
| Total Comprehensive (Income) and Expenditure | (9,974) | 0 | (9,349) | 0 | 0 | 0 | 0 | (19,323) | (4,396) | (23,719) |
| Adjustments between Accounting Basis and Funding Basis under Regulations (Note 8) | 1,060 | 0 | 7,457 | 0 | (1,796) | (1,007) | (735) | 4,979 | (4,979) | 0 |
| Net (Increase)/Decrease before Transfers to Earmarked Reserves | (8,914) | 0 | (1,892) | 0 | (1,796) | (1,007) | (735) | (14,344) | (9,375) | (23,719) |
| Transfers to/(from) Earmarked Reserves (Note 23) | 8,202 | (8,202) | 38 | (38) | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase)/Decrease in Year | (712) | (8,202) | (1,854) | (38) | (1,796) | (1,007) | (735) | (14,344) | (9,375) | (23,719) |
| Balance at 31 March 2025 Carried Forward | (3,501) | (49,508) | (15,950) | (220) | (34,119) | (9,405) | (1,953) | (114,656) | (513,413) | (628,069) |

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2025

| | 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 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 & 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 2024/25
BALANCE SHEET AS AT 31 MARCH 2025

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 24 £000 | | Note | 31 Mar 25 £000 |
|-------------------|-------------------------------------|------|-------------------|
| 708,288 | Property, Plant and Equipment | 14 | 726,136 |
| 2,820 | Heritage Assets | 15 | 2,820 |
| 69,667 | Investment Property | 16 | 68,735 |
| 35 | Intangible Assets | | 10 |
| 5,236 | Long-Term Investments | 18 | 5,296 |
| 761 | Long-Term Debtors | | 717 |
| 786,807 | Long-Term Assets | | 803,714 |
| 4,129 | Short-Term Investments | 18 | 1,021 |
| 83 | Inventories | | 83 |
| 6,955 | Short-Term Debtors | 20 | 9,574 |
| 1,946 | Cash and Cash Equivalents | | 9,975 |
| 13,113 | Current Assets | | 20,653 |
| (5,522) | Short-Term Borrowing | 18 | (5,922) |
| (21,504) | Short-Term Creditors | 21 | (18,369) |
| (1,154) | Provisions | 22 | (1,746) |
| (28,180) | Current Liabilities | | (26,037) |
| (156,466) | Long-Term Borrowing | 18 | (151,984) |
| (7,755) | Pension Scheme Liability | 13 | (1,418) |
| (14,787) | Grants and Contributions in Advance | 9 | (16,859) |
| (179,008) | Long-Term Liabilities | | (170,261) |
| 592,732 | Net Assets | | 628,069 |
| 100,312 | Usable Reserves | | 114,656 |
| 492,420 | Unusable Reserves | 25 | 513,413 |
| 592,732 | Total Reserves | | 628,069 |

Signature:

Date:

Chief Financial Officer, Section 151 Officer

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2025

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.

| 2023/24 | | | 2024/25 | | |
|----------|-----------------|--|----------|-----------------|--|
| £000 | £000 | | £000 | £000 | |
| | | <u>Cash Flows from Operating Activities</u> | | | |
| | (13,262) | Surplus on the Provision of Services | | (19,323) | |
| | | <u>Adjustments for Non-Cash Movements</u> | | | |
| (12,579) | | Depreciation of Property, Plant and Equipment | (13,231) | | |
| 1,520 | | Revaluation gains on Property, Plant and Equipment and Investment Property | 5,809 | | |
| (26) | | Amortisation of Intangible Assets | (18) | | |
| (543) | | Pension Fund Adjustments | (321) | | |
| 9 | | (Increase)/Decrease in Impairment for Bad Debts | 148 | | |
| 2,350 | | Contributions (to)/from Provisions | (592) | | |
| (4,315) | | Carrying Amount of Property, Plant and Equipment sold | (4,876) | | |
| 0 | | Carrying Amount of Intangible Assets Sold | (7) | | |
| (182) | | Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services | 106 | | |
| | | <u>Accruals adjustments:</u> | | | |
| 61 | | Increase in Inventories | 1 | | |
| (1,993) | | Decrease/(Increase) in Short-term and Long-term Debtors | 2,427 | | |
| 3,487 | | Increase/(Decrease) in Short-term Creditors | 3,135 | | |
| (4,561) | (16,772) | Decrease/(Increase) in Grants and Contributions | (2,072) | (9,491) | |
| | (30,034) | | | (28,814) | |
| | | <u>Adjust for Items that are Investing and Financing Activities</u> | | | |
| 5,241 | | Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets | 5,234 | | |
| | 5,241 | | | 5,234 | |
| | (24,793) | Net Cash Flows from Operating Activities | | (23,580) | |
| | | <u>Cash Flows from Investing Activities</u> | | | |
| 40,277 | | Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets | 18,153 | | |
| 3,000 | | Purchase of Short Term and Long Term Investments | 150 | | |
| | | Other Payments for Investing Activities | | | |
| (5,241) | | Proceeds from the Sale of Property, Plant, Equipment, Investment Property and Intangible Assets | (5,234) | | |
| (6,010) | | Proceeds from the Sale of Short Term and Long Term Investments | (3,305) | | |
| | 32,026 | Net Cash Flows from Investing Activities | | 9,764 | |
| | | <u>Cash Flows from Financing Activities</u> | | | |
| 2,001 | | Cash receipts from Short & Long Term Borrowing | | | |
| | | Other receipts from financing activities | 8 | | |
| | | Repayments of Short and Long term borrowings | 5,231 | | |
| 444 | | Cash Payments for the Reduction of the Outstanding Liabilities Relating to Leases | 548 | | |
| | 2,445 | Net Cash Flows from Financing Activities | | 5,787 | |
| | 9,678 | Net (Increase)/Decrease In Cash and Cash Equivalents | | (8,029) | |
| | 11,624 | Cash and cash equivalents at the beginning of the year | | 1,946 | |
| | 1,946 | Cash and cash equivalents at the end of the year | | 9,975 | |

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 2024/25 the value of dwellings has increased by £6.209m, decreasing the overall reduction to the 2007/08 historic cost as set in April 2007.

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 2024/25
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

| <u>2024/25</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 | 6,852 | 742 | 30 | 0 | 7,624 |
| Living Well | 2,669 | 1,099 | 6 | 0 | 3,774 |
| Homes for All | (14,971) | 6,280 | (13) | 0 | (8,704) |
| Vibrant Local Economy | 1,159 | 839 | 3 | 0 | 2,001 |
| Your Services, Your Voice | 6,470 | 772 | (77) | 0 | 7,165 |
| Cost of Services | 2,179 | 9,732 | (51) | 0 | 11,860 |
| Other income & expenditure | (31,786) | 232 | 371 | 0 | (31,183) |
| Other General Fund & HRA items | 16,897 | (18,954) | 0 | 2,057 | 0 |
| (Surplus)/deficit on the General Fund & HRA | (12,710) | (8,990) | 320 | 2,057 | (19,323) |

| | |
|---|------------------|
| Opening General Fund & HRA balance as at 1 April 24 | (90,696) |
| Surplus on General Fund and HRA | (12,710) |
| Loss on valuation (to Pooled Fund Adjustment Account) | 106 |
| Other | 2 |
| Closing General Fund & HRA balance 31 March 25 | (103,298) |

| <u>Analysis of Reserve Balance</u> | General Fund £000 | HRA £000 | Total £000 |
|---|------------------------------|---------------------|-----------------------|
| General Fund Balance | (3,501) | | (3,501) |
| Earmarked Reserves | (49,508) | (220) | (49,728) |
| HRA balance | | (15,950) | (15,950) |
| Major Repairs Reserve | | (34,119) | (34,119) |
| Total | (53,009) | (50,289) | (103,298) |

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

| <u>2023/24</u> | Net charge to the General Fund & HRA under statutory funding provisions | Adjustments for Capital Purposes | Net change for Pensions Adjustments | Other | Net costs in the Comprehensive Income and Expenditure Statement |
|--|--|---|--|----------------|--|
| | £000 | £000 | £000 | £000 | £000 |
| Environment | 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 & HRA balance as 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 as at 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 2024/25
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

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

| 2023/24 | | 2024/25 |
|---------------|-------------------------|---------------|
| £000 | | £000 |
| 24,250 | Employees | 25,573 |
| 15,047 | Premises | 14,529 |
| 403 | Transport | 378 |
| 8,203 | Supplies & services | 8,616 |
| 10,055 | Third party payments | 10,348 |
| 18,516 | Transfer payments | 17,820 |
| 11,900 | Capital charges | 9,731 |
| (887) | Support services | (700) |
| (68,916) | External income | (74,435) |
| 18,571 | Cost Of Services | 11,860 |

| 2023/24 | <u>Analysis of External Income</u> | 2024/25 |
|-----------------|--|-----------------|
| £000 | | £000 |
| (19,776) | Government grants & contributions | (19,569) |
| (33,210) | HRA: rent, service Charges, & other income | (37,255) |
| (15,930) | General Fund: fees, charges & other income | (17,611) |
| <u>(68,916)</u> | | <u>(74,435)</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 2025, the council had a balance of sundry debtors of £4 million. A review of debtors, profiled by the age of the debt, suggested that a loss allowance of 12.5% (£0.5 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 £78k 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 2024/25 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 £3.9 million amounted to £1.55 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 £155k. |
| Valuation of operational property | The council's external valuer provided valuations as at 31 March 2025 for the whole portfolio. Asset valuations are based on market prices. | <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 operational properties reduced by 10% this would result in a £10.8m 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.</p> <p>An increase in estimated valuations would result in increases to the revaluation reserve and/ or reversals of previous</p> |

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|---|---|
| | | 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 £6.9m charge to the CIES. The charge to the CIES would be reversed out to the Capital Adjustment Account (CAA) and would not affect the 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 2025, 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 2024/25 budget was set in February 2024, and this included a forecast balanced position for 2025/26. 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 £2.4m favourable 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 2025/26 to 2026/27 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 £16.3m as at 31 March 2025. 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 2025/26 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 2027. The council has sufficient access to cash and borrowing to ensure its liquidity, plans to set a balanced budget for 2026/27, and has sufficient reserves throughout the period of its Medium Term Financial Strategy. Reserve balances are forecast to include £11.4m of risk reserves which are in addition to the general fund balance of £3.5m, giving high levels of assurance that the council is in a strong position to deal with any future unexpected events.

7. ACCOUNTING STANDARDS ISSUED BUT NOT ADOPTED

There are no other changes in accounting requirements for 2025/26 that are anticipated to have a material impact on the council's financial performance or financial position.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

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).

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| | 2023/24 | | | | | | 2024/25 | | | | |
|---|------------------------------|-------------------------------|----------------------------|------------------------------|---|---------------------------|------------------------------|-------------------------------|----------------------------|------------------------------|--|
| General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unappl'd £000 | Adjustments between Accounting Basis and Funding Basis | 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 | | | | | | | | | | | |
| (550) | 7 | 0 | 0 | 0 | Pensions (transfers to/ from Pensions Reserve) | (344) | 23 | 0 | 0 | 0 | |
| 2,511 | 0 | 0 | 0 | 0 | Council Tax and Business Rates (transfers to/ from the Collection Fund Adjustment Account) | (2,057) | 0 | 0 | 0 | 0 | |
| (5,829) | (2,872) | 0 | 0 | (238) | Reversal of entries included in the Surplus or Deficit on Provision of Services in relation to Capital Adjustment Account | (1,164) | (8,198) | 0 | 0 | (735) | |
| (182) | 0 | 0 | 0 | 0 | Fair value gains/losses of pooled investment funds | 106 | 0 | 0 | 0 | 0 | |
| 402 | (402) | 0 | 0 | 0 | Other adjustments | 114 | (114) | 0 | 0 | 0 | |
| (3,648) | (3,267) | 0 | 0 | (238) | Total Adjustments to Revenue Resources | (3,345) | (8,289) | 0 | 0 | (735) | |
| Adjustments between Revenue & Capital Resources | | | | | | | | | | | |
| 101 | 5,122 | (5,223) | 0 | 0 | Transfer of non current sale proceeds from revenue to the Capital Receipts Reserve | 201 | 5,204 | (5,405) | 0 | 0 | |
| 0 | 10,214 | 0 | (10,213) | 0 | Funding set aside to Major Repairs Reserve | 0 | 10,542 | 0 | (10,542) | 0 | |
| 1,591 | 0 | 0 | 0 | 0 | Statutory provision for the Financing of Capital | 1,737 | 0 | 0 | 0 | 0 | |
| 0 | 87 | 600 | 0 | 0 | Voluntary provision for the Financing of Capital | 0 | 0 | 0 | 0 | 0 | |
| 1,931 | 47 | 0 | 0 | 0 | Capital Expenditure financed from revenue | 2,467 | 0 | 0 | 0 | 0 | |
| 3,623 | 15,470 | (4,623) | (10,213) | 0 | Total Adjustments between Capital and Revenue Resources | 4,405 | 15,746 | (5,405) | (10,542) | 0 | |
| Adjustments to Capital Resources | | | | | | | | | | | |
| 0 | 0 | 14,254 | 0 | 0 | Use of Capital Receipts Reserve to finance capital | 0 | 0 | 4,398 | 0 | 0 | |
| 0 | 0 | 0 | 4,030 | 0 | Use of Major Repairs Reserve to finance capital | 0 | 0 | 0 | 8,746 | 0 | |
| 0 | 0 | 14254 | 4030 | 0 | Total Adjustments to Capital Resources | 0 | 0 | 4,398 | 8,746 | 0 | |
| (25) | 12,203 | 9,631 | (6,183) | (238) | Total Adjustments | 1,060 | 7,457 | (1,007) | (1,796) | (735) | |

9. GRANT INCOME

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

| 2023/24 | Credited to Services | 2024/25 |
|-----------------|-----------------------------|-----------------|
| £000 | | £000 |
| (9,578) | Rent Allowances | (8,864) |
| (8,895) | Rent Rebates | (8,825) |
| (513) | Contributions | (955) |
| (790) | Other Grants | (925) |
| (19,776) | Total | (19,569) |

| 2023/24 | Credited to Taxation and Non Specific Grant Income | 2024/25 |
|-----------------|---|-----------------|
| £000 | | £000 |
| | Non Domestic Rates Income and Expenditure | |
| (25,340) | Retained Business Rates | (26,566) |
| 3,599 | Levy Payment | 1,892 |
| 21,912 | Tariff Payment | 22,894 |
| (1,792) | Share of (surplus)/deficit | 862 |
| (621) | Allowances | (641) |
| (5,831) | S31 Grants | (5,721) |
| (9) | Other | (16) |
| (8,082) | | (7,296) |
| | Capital Grants and Contributions | |
| (7,456) | Other Capital Grants and Contributions | (4,493) |
| (1,240) | Community Infrastructure Levy | (3,474) |
| (1,338) | Disabled Facilities Grant | (1,528) |
| (10,034) | | (9,495) |
| | Non-Ringfenced Government Grants | |
| (2,456) | New Burdens Grant | (2,095) |
| (1,629) | New Homes Bonus | (1,645) |
| (156) | Revenue Support Grant | (166) |
| (885) | Funding Guarantee | (1,193) |
| (232) | Other | (69) |
| (5,358) | | (5,168) |
| (23,474) | Total | (21,959) |

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:

| 31/3/24 | Grants and Contributions in Advance | 31/3/25 |
|-----------------|---|-----------------|
| £000 | | £000 |
| (10,515) | Developers' Contributions - Social Housing | (12,841) |
| (1,513) | Developers' Contributions - West of Waterlooville | (1,474) |
| (483) | Developers' Contributions - North Whiteley | (1,004) |
| (774) | LA Housing Fund | (353) |
| 0 | Partnership fund for South Hampshire | (235) |
| (718) | Developers' Contributions - Open Spaces | (616) |
| (784) | Other | (336) |
| (14,787) | Total | (16,859) |

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

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.

| 2023/24 | | 2024/25 |
|----------------|---|----------------|
| £000 | | £000 |
| 158 | Fees payable to External Auditor with regard to the External Audit Services Carried Out by the Appointed Auditor for the year | 173 |
| 46 | Fees payable to the External Auditor for the Certification of Grant Claims and Returns for the year | 27 |
| 0 | Fees payable in respect of the Other Services provided by the External Auditor during the Year | 0 |
| 204 | Total | 200 |

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 2024/25. 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.

| 2023/24 | | | | 2024/25 | | |
|-------------------|------------------------|-----------------|-------------------|-------------------|------------------------|-----------------|
| Ongoing employees | Employees left in year | Total Employees | Remuneration Band | Ongoing employees | Employees left in year | Total Employees |
| 21 | 2 | 23 | £50,000-£54,999 | 36 | 2 | 38 |
| 15 | 1 | 16 | £55,000-£59,999 | 11 | 2 | 13 |
| 11 | | 11 | £60,000-£64,999 | 8 | 2 | 10 |
| 3 | 1 | 4 | £65,000-£69,999 | 10 | | 10 |
| 7 | | 7 | £70,000-£74,999 | 6 | | 6 |
| 1 | | 1 | £75,000-£79,999 | | | 0 |
| 4 | | 4 | £80,000-£84,999 | 2 | | 2 |
| | | 0 | £85,000-£89,999 | 2 | | 2 |
| 2 | | 2 | £90,000-£94,999 | | | 0 |
| 1 | | 1 | £95,000-£99,999 | 1 | | 1 |
| | | 0 | £100,000-£104,999 | 1 | | 1 |
| 1 | | 1 | £105,000-£109,999 | | | 0 |
| 2 | | 2 | £110,000-£114,999 | | | 0 |
| | | 0 | £115,000-£119,999 | 2 | | 2 |
| | | 0 | £120,000-£124,999 | 1 | | 1 |
| 1 | | 1 | £135,000-£139,999 | | | 0 |
| | | 0 | £145,000-£149,999 | 1 | | 1 |
| 69 | 4 | 73 | | 81 | 6 | 87 |

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

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 2024/25.

| 2024/25 | Salary | Taxable expenses & benefits | Pension payments | Total |
|---|---------------|--|-----------------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Chief Executive - Laura Taylor ¹ | 146 | 1 | 26 | 173 |
| Strategic Director: Place | 119 | 1 | 21 | 141 |
| Strategic Director: Services | 116 | 1 | 21 | 138 |
| Director: Finance ² | 95 | 1 | 17 | 113 |
| Director: Regeneration | 121 | 1 | 22 | 144 |
| Director: Legal ³ | 52 | 0 | 9 | 61 |
| Monitoring Officer ⁴ | 22 | 1 | 4 | 27 |

¹. The Chief Executive also received payments of £20,108 as Returning Officer in 2024/25, that are excluded above.

². The S151 Officer is the Director: Finance.

³. The Director: Legal was appointed 16th September 2024 and became the Monitoring Officer from 6th November 2024.

⁴. Monitoring Officer until 5th November 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.

12. TERMINATION BENEFITS AND EXIT PACKAGES

The council terminated the contracts of 7 employees, incurring liabilities (for compensation for loss of office; employer's pension contributions for enhanced benefits; and other costs) in 2024/25 of £117,926 (£39,921 in 2023/24).

| 2023/24 | | | | 2024/25 | | | |
|--------------------------|----------------------|-----------------------|-------------------|--------------------------|----------------------|-----------------------|--|
| Compulsory Redundancy | Other Termination | Amount Paid (£) | Total Package | Compulsory Redundancy | Other Termination | Amount Paid (£) | |
| 0 | 4 | 17,456 | £0 - £20,000 | 0 | 5 | 42,152 | |
| 0 | 1 | 22,465 | £20,001 - £40,000 | 1 | 0 | 22,924 | |
| 0 | 0 | 0 | £40,001 - £60,000 | 0 | 1 | 52,850 | |
| 0 | 5 | 39,921 | | 1 | 6 | 117,926 | |

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 2024/25 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 2024/25
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

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

| 2023/24 | | 2024/25 |
|----------------|--|----------------|
| £000 | | £000 |
| | <u>Included in the Cost of Services</u> | |
| 3,109 | Current Service Cost | 3,172 |
| 0 | Past Service Cost | 0 |
| 0 | Settlement Cost | 0 |
| | <u>Included in Financing and Investment Income and Expenditure</u> | |
| 508 | Net Interest on the Net Defined Benefit Liability | 371 |
| | <u>Included in Other Comprehensive Income and Expenditure</u> | |
| 6,611 | Remeasurement of the Net Defined Benefit Liability | 6,658 |
| 10,228 | Total Included in Comprehensive Income and Expenditure | 10,201 |
| | <u>Included in the Movement in Reserves</u> | |
| (3,617) | Removal of Notional Charges Made for Retirement Benefits | (3,543) |
| 3,074 | Inclusion of Actual Employer's Contributions Payable | 3,222 |
| (543) | Total Included in the Movement in Reserves | (321) |
| | <u>Actual Employer's Contributions Charged Against Council Tax</u> | |
| 2,915 | Normal Funded Contributions | 3,053 |
| 0 | Lumps Sums for Early Retirements | 0 |
| 159 | Discretionary / Unfunded Added Years | 169 |
| 3,074 | Total Amount Charged to Council Tax | 3,222 |

Assets and liabilities in relation to post-employment benefits

The movement in scheme liabilities was:

| 2023/24 | | 2024/25 |
|------------------|--|------------------|
| £000 | | £000 |
| | Opening Present Value of Liabilities | |
| (155,316) | Funded | (160,568) |
| (1,625) | Unfunded | (1,554) |
| (3,109) | Current Service Cost | (3,172) |
| (7,197) | Interest Expense on Benefit Obligation | (7,731) |
| (1,146) | Contributions by Scheme Participants | (1,194) |
| (53) | Actuarial Gains / (Losses) - Financial Assumptions | 24,911 |
| 3,108 | Actuarial Gains / (Losses) - Demographic Assumptions | 283 |
| (2,623) | Actuarial Gains / (Losses) - Experience | 1,660 |
| 0 | Actuarial Gains / (Losses) on Liabilities | 0 |
| 5,839 | Net Benefits Paid Out | 6,301 |
| 0 | Past Service Cost | 0 |
| 0 | Settlements | 0 |
| (162,122) | Closing Present Value of Liabilities | (141,064) |
| (160,568) | Funded | (139,646) |
| (1,554) | Unfunded | (1,418) |

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

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

| 2023/24 | | 2024/25 |
|----------------|---|----------------|
| £000 | | £000 |
| 143,118 | Opening Fair Value of Assets | 154,367 |
| 6,689 | Interest Income on Assets | 7,360 |
| 1,146 | Contributions by Scheme Participants | 1,194 |
| 2,915 | Contributions by the Employer | 3,053 |
| 159 | Contributions in respect of unfunded benefits | 169 |
| 6,179 | Remeasurement Gains / (Losses) on Assets | (2,805) |
| (5,839) | Net Benefits Paid Out | (6,301) |
| 0 | Settlement | 0 |
| 154,367 | Closing Fair Value of Assets | 157,037 |

The closing position of the fund as at 31 March 2025 was (£1.4m).

| | 2024/25 |
|---|----------------|
| | £000 |
| Fair Value of Plan Assets | 157,037 |
| Present Value of Funded Obligations | (139,646) |
| Effect of the Asset Ceiling | (17,391) |
| Present Value of Unfunded Obligations | (1,418) |
| Closing Position as at 31 March 2025 | (1,418) |

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 2024/25 was a gain of £4.6 million (£12.8 million gain in 2023/24).

Impact on the council's cash flow

A 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 2026 is £3 million.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

Basis for estimating assets and liabilities

The latest actuarial valuation of the Council's liabilities took place as at 31 March 2025. Liabilities have been estimated by the independent actuary, Hymans Robertson LLP, on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the valuation were:

| 2023/24 £000 | | 2024/25 £000 |
|-------------------------------|--|-------------------------------|
| | <u>Principal Financial Assumptions</u> | |
| 4.8% | Rate for Discounting Scheme Liabilities | 5.8% |
| 2.8% | CPI Inflation Rate | 2.8% |
| 2.8% | Pension Increases | 2.8% |
| 3.8% | Rate of General Increases in Salaries | 3.8% |
| | <u>Mortality Assumptions</u> | |
| | Future lifetime from 65 for members aged 65 at 31 March | |
| 22.1 | Males | 22.0 |
| 24.7 | Females | 24.7 |
| | Future lifetime from 65 for members aged 45 at last formal valuation | |
| 22.6 | Males | 22.5 |
| 25.7 | Females | 25.6 |

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

| | 2024/25 | | |
|-------------------------------|----------------|-----------------|--------------|
| | Quoted | Unquoted | Total |
| Equity Securities | 33% | 0% | 33% |
| Private Equity | 0% | 9% | 9% |
| UK Property | 0% | 9% | 9% |
| Corporate Bonds | 5% | 5% | 10% |
| UK Government Bonds | 15% | 0% | 15% |
| Other Debt Securities | 9% | 2% | 11% |
| Cash | 2% | 0% | 2% |
| Investment Funds/ Unit Trusts | 0% | 11% | 11% |
| | 64% | 36% | 100% |

| | 2023/24 | | |
|-------------------------------|----------------|-----------------|--------------|
| | Quoted | Unquoted | Total |
| Equity Securities | 43% | 0% | 43% |
| Private Equity | 0% | 7% | 7% |
| UK Property | 0% | 7% | 7% |
| Corporate Bonds | 0% | 5% | 5% |
| UK Government Bonds | 15% | 0% | 15% |
| Other Debt Securities | 6% | 7% | 13% |
| Cash | 1% | 0% | 1% |
| Investment Funds/ Unit Trusts | 0% | 9% | 9% |
| | 65% | 35% | 100% |

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 2025.

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 2025 | Approximate % increase to Defined Benefit Obligation | Approximate Monetary Amount £000 |
|---|---|---|
| 0.1% decrease in Real Discount Rate | 2% | 2,271 |
| 0.1% increase in the Salary Increase Rate | 0% | 52 |
| 0.1% increase in the Pensions Increase Rate (CPI) | 2% | 2,282 |
| 1 year increase in member life expectancy | 4% | 5,643 |

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

14. PROPERTY, PLANT AND EQUIPMENT (PPE)

| Movements in 2024/25 | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Right of Use Assets | Total Property, Plant and Equipment |
|--|--------------------------|---------------------------------|---|------------------------------|-------------------------|-----------------------|----------------------------------|----------------------------|--|
| <u>Cost or Valuation</u> | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| At 1 April 2024 | 558,912 | 107,181 | 14,845 | 11,512 | 1,073 | 5,118 | 23,846 | 12,219 | 734,706 |
| Additions | 9,797 | 1,888 | 1,583 | 1,118 | 0 | 0 | 3,672 | 1,190 | 19,248 |
| Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve | 0 | (5,396) | 0 | 0 | 0 | (298) | 0 | 1,785 | (3,909) |
| Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services | (4,073) | 215 | 0 | 0 | 0 | 15 | 0 | (25) | (3,868) |
| Derecognition - Disposals | (1,571) | 0 | (5,997) | 0 | 0 | 0 | (3,094) | 0 | (10,662) |
| Declassifications | 19,378 | 3,372 | (3,496) | 0 | 0 | 0 | (22,583) | 3,497 | 168 |
| At 31 March 2025 | 582,443 | 107,260 | 6,935 | 12,630 | 1,073 | 4,835 | 1,841 | 18,666 | 735,683 |
| <u>Accumulated Depreciation and Impairment</u> | | | | | | | | | |
| At 1 April 2024 | 0 | 0 | (9,599) | (4,423) | (177) | 0 | 0 | 0 | (14,199) |
| Depreciation Charge | (10,282) | (1,491) | (404) | (353) | 0 | 0 | 0 | (701) | (13,231) |
| Accumulated Depreciation Written-Out to the Gross Carrying Amount on Depreciation Written-Out to the Revaluation Reserve | 0 | 1,491 | 0 | 0 | 0 | 0 | 0 | 157 | 1,648 |
| Depreciation Written Out to the Surplus/Deficit on the Provision of Services | 10,282 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10,282 |
| Derecognition - Disposals | 0 | 0 | 5,953 | 0 | 0 | 0 | 0 | 0 | 5,953 |
| Other Movements in Depreciation and Impairment | 0 | 0 | 1,311 | 0 | 0 | 0 | 0 | (1,311) | 0 |
| At 31 March 2025 | 0 | 0 | (2,739) | (4,776) | (177) | 0 | 0 | (1,855) | (9,547) |
| <u>Net Book Value</u> | | | | | | | | | |
| At 31 March 2025 | 582,443 | 107,260 | 4,196 | 7,854 | 896 | 4,835 | 1,841 | 16,811 | 726,136 |
| At 31 March 2024 | 558,912 | 107,181 | 5,246 | 7,089 | 896 | 5,118 | 23,846 | 0 | 708,288 |

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

| 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 |
| Depreciation | | | | | | | | |
| 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 |
| Other Movements in Depreciation and Impairment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 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 |

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 – 20 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 2025, the council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2025/26 and future years. The total commitments at 31 March 2025 were £5,352,000 (similar commitments at 31 March 2024 were £3,862,000) made up as follows: -

| | £000 |
|---|-------------|
| HRA - Major Works | 2,065 |
| GF - Land and Buildings (River Park Pavilion) | 2,035 |
| General Fund Grants | 464 |
| GF - Plant vehicles and equipment | 432 |
| HRA - Other | 185 |
| GF - Land and Buildings (other) | 103 |
| HRA - Infrastructure | 68 |
| | 5,352 |

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 2024/25, 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 28/02/2025
- PPE (with the exception of car parks and Winchester Sport & Leisure Park) – valuation date 28/02/2025
- Car parks & Winchester Sport & Leisure Park - valuation date 31/03/2025
- HRA dwellings and Garages - valuation date 31/03/2025

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

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

| | 2024/25 | 2023/24 | 2022/23 | 2021/22 | 2020/21 | Historic Cost | Total |
|---------------------------------|----------------|----------|----------|----------|----------|------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Council Dwellings | 582,443 | 0 | 0 | 0 | 0 | 0 | 582,443 |
| Land & Buildings | 107,260 | 0 | 0 | 0 | 0 | 0 | 107,260 |
| Plant / Vehicles / Equipment | 0 | 0 | 0 | 0 | 0 | 4,196 | 4,196 |
| Infrastructure | 0 | 0 | 0 | 0 | 0 | 7,854 | 7,854 |
| Community | 0 | 0 | 0 | 0 | 0 | 896 | 896 |
| Surplus | 4,835 | 0 | 0 | 0 | 0 | 0 | 4,835 |
| Assets Under Construction | 0 | 0 | 0 | 0 | 0 | 1,841 | 1,841 |
| Right of Use | 16,811 | 0 | 0 | 0 | 0 | 0 | 16,811 |
| Total | 711,345 | 0 | 0 | 0 | 0 | 14,787 | 726,136 |

15. HERITAGE ASSETS

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

| | Art Collection | Civic Regalia | Archaeology | Total |
|--|-------------------|------------------|-------------|--------------|
| Cost or Valuation | £000 | £000 | £000 | £000 |
| Balance as at 1 April 2023 | 750 | 1,500 | 500 | 2,750 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (150) | 220 | 0 | 70 |
| Balance as at 31 March 2024 | 600 | 1,720 | 500 | 2,820 |
| Balance as at 31 March 2025 | 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 were no revaluations in the current financial year. In 2023/24 there was a single revaluation 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 no revaluations in the current financial year. In 2023/24 there were two revaluation increases 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:

- Gold and gem earring from 16th – 17th Century
- Silver Twyford and Shawford Golf Club medal with original case dated 1891
- Early Medieval Silver Pin
- Polychromic glass bead of Iron Age date
- Set of six apostle-type spoons with King Alfred knops
- Early medieval / Anglo-Saxon gilded copper alloy button broach

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:

| 2023/24 £000 | | 2024/25 £000 |
|-----------------|--|-----------------|
| | <u>Income and Expenditure in Relation to Investment Properties</u> | |
| (4,272) | Rental Income from Investment Property | (4,160) |
| 756 | Direct Operating Expenses of Investment Property | 754 |
| 0 | (Gain)/Loss on Disposal of Investment Property | 0 |
| 1,281 | Net (Gain)/Loss on Revaluation of Investment Property | 605 |
| (2,235) | Net (Income)/Expenditure on Investment Properties | (2,801) |

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

| 2023/24 £000 | | 2024/25 £000 |
|-----------------|--|-----------------|
| 71,033 | Balance at the start of the year | 69,667 |
| 0 | Additions - Acquisitions | 0 |
| 2 | Additions - Enhancements | 1 |
| (87) | Disposals | (160) |
| (1,281) | Net Gains/(Losses) from Fair Value Adjustments | (605) |
| | Transfers: | |
| 0 | (To)/From Property, Plant and Equipment | (168) |
| 69,667 | Balance at the end of the year | 68,735 |

Investment Properties Fair Value (FV) Measurements

| | Retail | Offices | Industrial | Residential / Garages | Other | Total |
|-------------------------|--------|---------|------------|--------------------------|-------|--------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Level 2 FV Measurements | 26,631 | 9,805 | 7,136 | 24,177 | 986 | 68,735 |

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

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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 £13.1m. Of this amount, £12.8m 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 2025, the council had not entered into any contracts for the enhancement or acquisition of Investment Properties in 2025/26 and future years. The total commitment at 31 March 2025 was £nil (similar commitments at 31 March 2024 were £82,000).

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. As well as investment properties the council 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:

| 2023/24 | | 2024/25 |
|----------------|---|----------------|
| £000 | | £000 |
| 3,713 | Due within one year | 3,871 |
| 12,221 | Due later than one year and not later than five years | 11,731 |
| 70,139 | Due after five years | 68,664 |
| 86,073 | Total future minimum lease rentals receivable | 84,266 |

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. LEASES

Change in Accounting Policies for Leases – council as Lessee

In 2024/25, the council has changed its accounting policies to align with those in IFRS 16 Leases as adopted by the Code of Accounting Practice. In previous years, property, plant and equipment was only brought onto the Balance Sheet as an asset where the council secured substantially all the risks and rewards incidental to ownership of the leased item (finance leases). For all other leases (operating leases), no assets were recognised and rents were charged as expenses when they became payable.

From 1 April 2024, an asset representing the right to use the item over the lease term will be recognised for all leases (except for those that are for low value items or whose term is less than one year). Liabilities are also recognised in the Balance Sheet for the obligations that the council has to pay rents for the rights acquired, discounted to their present value.

The transitional provisions of the Code are for the following amounts to be brought onto the Balance Sheet by adjusting the opening balances at 1 April 2024:

- Liabilities for leases previously accounted for as operating leases, calculated as the present value of the remaining lease payments fixed at 1 April 2024, discounted by the Council's incremental borrowing rate at that date
- Right-of-use assets for the leased items, measured at the amount of the lease liability, adjusted for any prepaid or accrued lease payments that were in the Balance Sheet on 31 March 2024.

The adjustments to opening balances were as follows:

| | Property, Plant & Equipment £'000 | Non Current Lease Creditors £'000 | Current Lease Creditors £'000 |
|--|--|--|--|
| Balance at 31 March 2024 | 708,288 | (1,744) | (452) |
| Assets/ Liabilities recognised on transition | 12,219 | (506) | (95) |
| Balance at 1 April 2024 | 720,507 | (2,250) | (547) |

In calculating the liabilities, the weighted average of the incremental borrowing rate used in discounting the future payments was 4.87%.

Council as lessee

Right of use assets

The table shows the change in the carrying amount of right-of-use assets held under leases by the council:

| | Land & Buildings £'000 | Vehicles, Plant and Equipment £'000 | Total £'000 |
|---------------------------------|---------------------------------------|--|------------------------|
| Balance as at 1 April 2024 | 12,219 | 2,185 | 14,404 |
| Additions | 1,190 | 0 | 1,190 |
| Revaluations | 1,760 | 0 | 1,760 |
| Depreciation | (106) | (437) | (543) |
| Balance at 31 March 2025 | 15,063 | 1,748 | 16,811 |

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 council operates a small number of vehicles under lease arrangement these are not material in value and are not further disclosed

Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments):

| | 31 March 2025 £'000 |
|---------------------------------------|--------------------------------------|
| Less than 1 year | 731 |
| 1 to 5 years | 2,127 |
| More than 5 years | 995 |
| Total Undiscounted Liabilities | 3,853 |

Expenses and cashflows incurred in relation to leases are not material.

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:

- cash in hand,
- bank current and deposit accounts,
- fixed term deposits with banks and building societies,
- loans to other local authorities,
- certificates of deposit and covered bonds issued by banks and building societies,
- treasury bills and gilts issued by the UK Government, and
- trade receivables for goods and services provided.

Fair value through profit and loss (all other financial assets) comprising:

- money market funds managed by fund managers, and
- 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 24</u> | <u>31 Mar 24</u> | | <u>31 Mar 25</u> | <u>31 Mar 25</u> |
| <u>£000</u> | <u>£000</u> | | <u>£000</u> | <u>£000</u> |
| | | <u>Investments</u> | | |
| 0 | 3,129 | Amortised Cost | 0 | 21 |
| 5,236 | 1,000 | Fair Value through Profit or Loss | 5,296 | 1,000 |
| | | <u>Cash and Cash Equivalents</u> | | |
| 0 | (415) | Amortised Cost | 0 | 2,497 |
| 0 | 2,320 | Fair Value through Profit or Loss | 0 | 7,470 |
| | | <u>Debtors</u> | | |
| 761 | 3,293 | Amortised Cost | 717 | 5,675 |
| 5,997 | 9,327 | Total Financial Assets | 6,013 | 16,663 |
| | | <u>Borrowings</u> | | |
| (154,722) | (5,070) | Amortised Cost | (149,260) | (5,299) |
| | | <u>Other Liabilities</u> | | |
| (1,744) | (452) | Finance Lease-Amortised Cost | (2,724) | (623) |
| | | <u>Creditors</u> | | |
| 0 | (8,949) | Amortised Cost | 0 | (7,806) |
| (156,466) | (14,471) | Total Financial Liabilities | (151,984) | (13,728) |

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

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 |
| 2024/25 | | | | |
| Interest Expense | 5,292 | 0 | 0 | 5,292 |
| (Gain)/loss on valuation | 0 | 0 | (106) | (106) |
| Interest Income | 0 | (460) | (1,195) | (1,655) |
| Net (Gain)/Loss for the Year | 5,292 | (460) | (1,301) | 3,531 |
| 2023/24 | £000 | £000 | £000 | £000 |
| 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 |

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 2025, 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 2024/25
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

| Balance Sheet 31/03/24 £000 | Fair Value 31/03/24 £000 | | FV Level | Balance Sheet 31/03/25 £000 | Fair Value 31/03/25 £000 |
|-----------------------------------|--------------------------------|---|----------|-----------------------------------|--------------------------------|
| | | Financial assets held at fair value: | | | |
| 2,320 | 2,320 | Money market funds | 1 | 7,470 | 7,470 |
| 5,048 | 5,048 | Property funds | 2 | 5,146 | 5,146 |
| 1,002 | 1,002 | Bond funds | 1 | 1,011 | 1,011 |
| 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 |
| 8,370 | 8,370 | Total | | 13,627 | 13,627 |
| 2,941 | | Assets for which fair value is not disclosed | | 2,665 | |
| 11,311 | | Total financial assets | | 16,292 | |
| | | <i>Recorded on balance sheet as:</i> | | | |
| 5,236 | | Long-term investments | | 5,296 | |
| 4,129 | | Short-term investments | | 1,021 | |
| 1,946 | | Cash & cash equivalents | | 9,975 | |
| 11,311 | | Total financial assets | | 16,292 | |

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

| Balance Sheet 31/03/24 £000 | Fair value 31/03/24 £000 | | FV Level | Balance Sheet 31/03/25 £000 | Fair value 31/03/25 £000 |
|-----------------------------------|--------------------------------|---|----------|-----------------------------------|--------------------------------|
| | | Financial liabilities at amortised cost: | | | |
| (159,792) | (133,139) | Loans from PWLB | 2 | (154,559) | (119,173) |
| (2,196) | | Liabilities for which fair value not disclosed | | (3,347) | |
| (161,988) | | Total Financial Liabilities | | (157,906) | |
| | | <i>Recorded on balance sheet as:</i> | | | |
| (156,466) | | Long-term borrowing | | (151,984) | |
| (5,522) | | Short-term borrowing | | (5,922) | |
| (161,988) | | Total | | (157,906) | |

19. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The council has adopted CIPFA's Code of Practice on Treasury Management and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in December 2021). In line with the Treasury Management Code, the council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the 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.

| 31/3/24 | Exposure Category | 31/3/25 |
|----------------|-----------------------------------|----------------|
| £000 | | £000 |
| 6,680 | Treasury Investments | 9,757 |
| 2,609 | Trade Receivables | 4,106 |
| 9,289 | Total Credit Risk Exposure | 13,863 |

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-. A3 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. | 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 2024/25
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

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

| Long Term | Short Term | Credit Rating | Long Term | Short Term |
|--------------|--------------|-----------------------------|--------------|---------------|
| 31/3/24 | 31/3/24 | | 31/3/25 | 31/3/25 |
| £000 | £000 | | £000 | £000 |
| 0 | 0 | AAA | 0 | 0 |
| 0 | 1,045 | AA- | 0 | 1,086 |
| 0 | 0 | A+ | 0 | 1,003 |
| 0 | 10 | A | 0 | 10 |
| 0 | 0 | A- | 0 | 0 |
| 0 | 2,320 | AAA Money Market Funds | 0 | 7,470 |
| 188 | 3,117 | Unrated local authorities | 0 | 0 |
| 5,048 | 1,002 | Credit risk not applicable* | 5,146 | 1,011 |
| 5,236 | 7,494 | Total Investments | 5,146 | 10,580 |

*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.

| | 31/03/2024 | | 31/03/2025 | |
|----------------------|-------------------|----------------|-------------------|----------------|
| | Trade receivables | Loss Allowance | Trade receivables | Loss Allowance |
| | £000 | £000 | £000 | £000 |
| Not past due | 536 | 4 | 1,929 | 4 |
| Past due < 3 months | 819 | 26 | 1,316 | 23 |
| Past due 3-12 months | 762 | 52 | 426 | 118 |
| Past due 12+ months | 492 | 430 | 435 | 356 |
| Total | 2,609 | 512 | 4,106 | 501 |

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

The maturity analysis of the council's borrowing is as follows:

| 31/03/24 | | Time to maturity (years) | 31/03/25 | |
|-----------------------------------|--|--------------------------|-----------------------------------|--|
| Discounted (principal) £000 | Undiscounted (principal plus interest) £000 | | Discounted (principal) £000 | Undiscounted (principal plus interest) £000 |
| (5,301) | (10,478) | < 1 | (5,299) | (10,327) |
| (5,231) | (10,327) | 1-2 | (10,230) | (15,171) |
| (20,692) | (34,569) | 2-5 | (10,692) | (23,926) |
| (26,154) | (45,545) | 5-10 | (41,154) | (59,665) |
| (35,692) | (61,933) | 10-20 | (20,462) | (45,472) |
| (56,722) | (85,957) | 20-40 | (56,722) | (83,972) |
| (10,000) | (11,400) | > 40 | (10,000) | (11,200) |
| (159,792) | (260,209) | Total | (154,559) | (249,733) |

The Council holds £9.55m (2024: £3.4m) 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:

| 31/03/2024 £000 | | 31/03/2025 £000 |
|--------------------|---|--------------------|
| 1 | Increase in interest payable on variable rate borrowing | 1 |
| (64) | Increase in interest receivable on variable rate investments | (98) |
| 12 | Decrease in fair value of investments held at FVPL | 21 |
| (51) | Impact on Surplus or Deficit on the Provision of Services | (76) |
| 7 | Decrease in fair value of loans and investments at amortised cost | 0 |
| (12,817) | Decrease in fair value of fixed rate borrowing | (10,251) |

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 2025 would result in a £0.2m (2024: £0.2m) 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 24 £000 | | 31 Mar 25 £000 |
|-------------------|--------------------------------|-------------------|
| 258 | Central Government Bodies | 513 |
| 516 | Other Local Authorities | 436 |
| 4,634 | Other Entities and Individuals | 5,967 |
| 109 | NHS Bodies | 97 |
| 326 | Council Tax | 333 |
| 301 | Housing Rents | 1,389 |
| 811 | Prepayments | 839 |
| 6,955 | Total | 9,574 |

21. SHORT-TERM CREDITORS

| 31 Mar 24 £000 | | 31 Mar 25 £000 |
|-------------------|-----------------------------|-------------------|
| (7,234) | Central Government Bodies | (4,967) |
| (1,727) | Other Local Authorities | (1,578) |
| (2,138) | Other | (2,265) |
| (8,005) | Trade Creditors | (6,514) |
| (2,400) | Amounts Received in Advance | (3,045) |
| (21,504) | Total | (18,369) |

22. PROVISIONS

The 2024/25 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 | Redundancy £000 | NNDR £000 | Total £000 |
|---------------------------------------|-------------------|--------------------|----------------|----------------|
| Balance at 1 April 2023 | (74) | 0 | (3,430) | (3,504) |
| Additional Provisions made in 2023/24 | 0 | 0 | (316) | (316) |
| Amounts Used in 2023/24 | 0 | 0 | 2,666 | 2,666 |
| Balance at 1 April 2024 | (74) | 0 | (1,080) | (1,154) |
| Additional Provisions made in 2024/25 | 0 | (170) | (1,416) | (1,586) |
| Amounts Used in 2024/25 | 49 | 0 | 945 | 994 |
| Balance at 31 March 2025 | (25) | (170) | (1,551) | (1,746) |

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 2024/25.

| | Balance at 1/4/2023 | Net Transfers | Balance at 31/3/2024 | Transfers Out | Transfers in | Balance at 31/3/2025 |
|---------------------------------|---------------------------|------------------|----------------------------|------------------|-----------------|----------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| General Fund | | | | | | |
| Operational Reserves | | | | | | |
| Major Investment Reserve | (7,687) | 1,336 | (6,351) | 827 | (2,877) | (8,401) |
| Local Development Framework | (911) | 113 | (798) | 243 | (425) | (980) |
| Other | (1,547) | (1,363) | (2,910) | 1,061 | (1,653) | (3,502) |
| Asset Reserves | | | | | | |
| Car Parks Property | (2,044) | 6 | (2,038) | 444 | (1,052) | (2,646) |
| Property Reserve | (3,817) | (176) | (3,993) | 697 | (2,250) | (5,546) |
| Other | (468) | 16 | (452) | 139 | (380) | (693) |
| Restricted Reserves | | | | | | |
| CIL General Fund | (11,584) | (110) | (11,694) | 1,442 | (3,176) | (13,428) |
| CIL Winchester Town | (1,143) | 442 | (701) | 30 | (156) | (827) |
| Homes for Ukraine | (462) | (979) | (1,441) | 530 | (364) | (1,275) |
| Other | (794) | (474) | (1,268) | 655 | (214) | (827) |
| Risk Reserves | | | | | | |
| Business Rates Retention | (1,000) | 0 | (1,000) | 0 | (838) | (1,838) |
| Exceptional Inflation Pressures | (2,902) | 0 | (2,902) | 902 | 0 | (2,000) |
| Transitional Reserve | (3,751) | (1,868) | (5,619) | 525 | (2,312) | (7,406) |
| Other | (139) | 0 | (139) | 0 | 0 | (139) |
| Total General Fund | (38,249) | (3,057) | (41,306) | 7,495 | (15,697) | (49,508) |
| HRA Earmarked Reserves | (174) | (8) | (182) | 0 | (38) | (220) |
| Total Earmarked Reserves | (38,423) | (3,065) | (41,488) | 7,495 | (15,735) | (49,728) |

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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.

| 2023/24 | | 2024/25 | |
|----------|---|---------|-----------------|
| £000 | £000 | £000 | £000 |
| | 271,430 | | 282,706 |
| | Opening Capital Financing Requirement | | |
| | <u>Capital Expenditure</u> | | |
| 40,278 | Property, Plant and Equipment | 19,248 | |
| 2 | Investment Properties | 0 | |
| 0 | Intangible Assets | 0 | |
| 2,094 | Revenue Expenditure Funded from Capital Under Statute | 2,882 | |
| 0 | Acquisition of Share Capital | 150 | |
| 0 | Right of Use Assets - transitional adjustment | 602 | |
| | 42,374 | | 22,882 |
| | <u>Sources of finance</u> | | |
| (14,254) | Capital Receipts | (4,398) | |
| (8,558) | Government Grants and other contributions | (5,286) | |
| (4,030) | HRA Major Repairs Reserve | (8,746) | |
| (47) | HRA Revenue | 0 | |
| (1,931) | GF Reserves | (2,467) | |
| | (28,820) | | (20,897) |
| | 13,554 | | 1,985 |
| | Unfinanced capital expenditure in year | | |
| (1,591) | Statutory provision for the financing of capital investment | (1,737) | |
| (687) | Voluntary provision for the financing of capital investment | 0 | |
| | 282,706 | | 282,954 |
| | Closing Capital Financing Requirement | | |
| | <u>Explanation for Movement in year</u> | | |
| 11,276 | Increase/(decrease) in underlying need to borrow | | 248 |

25. UNUSABLE RESERVES

The unusable reserves contain unrealised gains and losses, timing differences and adjustments between the accounting basis and funding basis under regulations.

| 31/3/24 | | 31/3/25 |
|------------------|--|------------------|
| £000 | | £000 |
| (45,558) | Revaluation Reserve | (42,982) |
| (51) | Pooled Investment Funds Adjustment Account | (158) |
| (452,732) | Capital Adjustment Account | (471,914) |
| 7,755 | Pensions Reserve | 1,418 |
| (35) | Deferred Capital Receipts Reserve | (35) |
| (1,799) | Collection Fund Adjustment Account | 258 |
| (492,420) | Total Unusable Reserves | (513,413) |

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

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.

| | | |
|-----------------|---|-----------------|
| (38,823) | Balance at 1 April 24 | (45,558) |
| (7,298) | Upward Revaluation of Assets | (3,576) |
| 303 | Downward Revaluation of Assets and Impairment Losses not Charged to the Surplus/Deficit on the Provision of Services | 5,838 |
| (6,995) | Surplus or Deficit on Revaluation of Non-Current Assets not Posted to the Surplus or Deficit on the Provision of Services | 2,262 |
| 248 | Difference between Fair Value Depreciation and Historical Cost Depreciation | 314 |
| 12 | Accumulated Gains on Assets Disposed of or Transferred Between Funds | 0 |
| 260 | Amount Written Off to the Capital Adjustment Account | 314 |
| (45,558) | Balance at 31 March 25 | (42,982) |

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.

| 2023/24 | | 2024/25 |
|----------------|--|----------------|
| £000 | | £000 |
| 13,823 | Balance at 1 April 24 | 7,755 |
| (6,611) | Actuarial Gains or Losses on Pensions Assets and Liabilities | (6,658) |
| 3,617 | 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) | 3,543 |
| (3,074) | Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year (Note 13) | (3,222) |
| 7,755 | Balance at 31 March 25 | 1,418 |

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

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.

| 2023/24 | | 2024/25 |
|------------------|--|------------------|
| £000 | | £000 |
| (438,871) | Balance at 1 April 24 | (452,732) |
| | <u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:</u> | |
| 0 | Adjustment to 31 March 2024 Closing Balance for Nil Consideration Leases | (11,618) |
| 12,579 | Charges for Depreciation and Impairment of Non-Current Assets | 13,232 |
| (2,801) | Revaluation (Gains)/Losses on Property, Plant and Equipment | (6,414) |
| 27 | Amortisation of Intangible Assets | 15 |
| 2,094 | Revenue Expenditure Funded from Capital Under Statute | 2,882 |
| 4,316 | 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 | 5,064 |
| 16,215 | | 3,161 |
| (260) | Adjusting Amounts Written-Out of the Revaluation Reserve | (314) |
| 15,955 | Net Written Out Amount of the Cost of Non-Current Assets Consumed in the Year | 2,847 |
| | <u>Capital Financing Applied in the Year:</u> | |
| (14,254) | Use of the Capital Receipts Reserve to Finance New Capital Expenditure | (4,398) |
| (4,030) | Use of the Major Repairs Reserve to Finance New Capital Expenditure | (8,746) |
| (263) | Application of Grants to Capital Financing from the Capital Grants Unapplied Account | (616) |
| (8,294) | Capital Grants and Contributions Credited to the Comprehensive Income and Expenditure Statement that have been Applied to Capital Financing | (4,670) |
| (1,591) | Statutory Provision for the Financing of Capital Investment | (1,737) |
| (687) | Voluntary Provision for the Financing of Capital Investment | 0 |
| (1,978) | Capital Expenditure Charged Against the General Fund and HRA Balances | (2,467) |
| (31,097) | | (22,634) |
| 1,281 | Movements in the Market Value of Investment Properties Debited or Credited to the Comprehensive Income and Expenditure Statement | 605 |
| (452,732) | Balance at 31 March 25 | (471,914) |

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.

| 2023/24 £000 | | 2024/25 £000 |
|-----------------|--|-----------------|
| 712 | Balance at 1 April 24 | (1,799) |
| | Amount by which Collection Fund income recognised within the Comprehensive Income and Expenditure Statement is different to income calculated in accordance with statutory requirements: | |
| (105) | Council Tax | (4) |
| (2,406) | Business Rates | 2,061 |
| <u>(1,799)</u> | Balance at 31 March 25 | <u>258</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 2024/25 totalled £458,921 (£439,796 in 2023/24). The Mayor and Deputy Mayor also received allowances for their additional mayoral duties - these totalled £4,610 in 2024/25 (£5,051 in 2023/24). 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 £309,038 in 2024/25. 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 £181,281. 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 2024/25 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.

Group accounts have not been prepared for the year ended 31st March 2025 as the value of transactions between the council and Venta Living Limited is not considered to be material.

28. ACCOUNTING POLICIES

28.1 General Principles

The Financial Statements summarise the council's transactions for the 2024/25 financial year and its position at 31 March 2025. 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 2024/25, 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 His Majesty's Revenue and Customs. VAT collected is excluded from income.

28.17 Leases – as Lessee

From 1 April 2024, the council has applied IFRS 16 Leases as adopted by the Code of Practice on Local Authority Accounting. The new accounting standard requires that the rights to use items acquired under all leases are recognised as assets on the Balance Sheet, together with a liability for the payments to be made for the acquisition. Previously this was only done for leases where the council acquired substantially all the risks and rewards of ownership of the leased item (finance leases).

At the commencement of a lease, a liability is recognised for the obligation to make future payments (discounted to their present value using the interest rate implicit in the lease or (where this is not readily determinable) the council's incremental borrowing rate. The right acquired under the lease to use the leased item is recognised as an asset, measured on the commencement date at cost based on the lease liability plus any payments made before that date. Initial direct costs of the council are added to the carrying amount of the asset. Liabilities are recalculated where rents change as a result of a change in an index or rate used to determine future payments. Adjustments to liabilities are matched with adjustments to the cost of the right-of-use asset.

Lease payments are apportioned between:

- a charge for the acquisition of the right to use the property, plant or equipment which is applied to write down the lease liability, and
- a finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Right-of-use assets recognised under leases are accounted for using the policies applied generally to Property, Plant and Equipment assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life. This will include valuation where the cost model does not provide a reliable proxy for the current value of the right-of-use asset.

The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements for minimum revenue provision. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

Where leases are for items of low value, amounts paid under the lease are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased item. For these purpose, the council has determined that items with a value of less than £10,000 when new are low value. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease)..

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE FOR YEAR ENDED 31 MARCH 2025

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).

| 2023/24 £000 | | 2024/25 £000 |
|--|------|-----------------|
| | Note | |
| <u>Income</u> | | |
| (30,417) | | (33,863) |
| (367) | | (360) |
| (2,622) | | (3,223) |
| (33,406) | | (37,446) |
| <u>Expenditure</u> | | |
| 8,315 | | 8,206 |
| 10,304 | | 10,833 |
| 723 | | 714 |
| 10,213 | H5 | 10,542 |
| (4,816) | H5 | (6,418) |
| 1 | H5 | 0 |
| 10 | | 9 |
| 24,750 | | 23,886 |
| (8,656) | | (13,560) |
| Net (Income) or Expenditure of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement | | |
| 132 | | 134 |
| 3 | | 1 |
| (8,521) | | (13,425) |
| (948) | | (556) |
| | | |
| (131) | | (176) |
| 5,235 | | 5,223 |
| (6,587) | | (415) |
| (10,952) | | (9,349) |
| (Surplus)/Deficit for the year on HRA Services | | |

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE
FOR THE YEAR ENDED 31 MARCH 2025

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

| 2023/24 | | | | 2024/25 | |
|----------|-----------------|---|-------------|----------|-----------------|
| £000 | £000 | | | £000 | £000 |
| | (10,952) | (Surplus)/Deficit for the year on the Housing Revenue Account | | | (9,349) |
| | | <u>Adjustments between Accounting Basis and Funding Basis under Statute:</u> | | | |
| | | | Note | | |
| (403) | | - 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 | | (114) | |
| 7 | | Reversal of Items Relating to Retirement Benefits and Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year | H1 | 23 | |
| 4,947 | | Reversal of Revaluation Gains or (Losses) on Property, Plant and Equipment and Movements in the Market Value of Investment Properties | | 6,593 | |
| 948 | | Net Gain on Sale of Non-Current Assets | | 556 | |
| 47 | | Capital funded by the Housing Revenue Account | H4 | | |
| 6,495 | | Reversal of Capital Grants and Contributions | | 415 | |
| 92 | | Transfer to the Capital Grants Unapplied Account | | 0 | |
| (18) | | Contribution from the Capital Receipts Reserve towards Administrative costs of Non-Current Asset Disposals | | (16) | |
| (10,213) | | Charges for Depreciation and Impairment of Non-Current Assets | H5 | (10,542) | |
| (1) | | Amortisation of Intangible Assets | H5 | 0 | |
| 10,213 | | Transfer to Major Repairs Reserve | H2 | 10,542 | |
| | 12,114 | | | | 7,457 |
| | 1,162 | Net increase in HRA Balance before transfers to or from Reserves | | | (1,892) |
| 89 | | Transfer to Capital Adjustment Account for Debt Repayment | | 0 | |
| 8 | | Transfer to Earmarked Reserves | | 38 | |
| | 97 | | | | 38 |
| | 1,259 | (Increase)/Decrease in HRA Balance | | | (1,854) |
| | (15,355) | Housing Revenue Account Surplus Brought Forward | | | (14,096) |
| | (14,096) | Housing Revenue Account Surplus Carried Forward | | | (15,950) |

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2025

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.

| 2023/24 | | 2024/25 |
|-----------------|-------------------------------------|-----------------|
| £000 | | £000 |
| <u>(10,213)</u> | HRA Depreciation | <u>(10,542)</u> |
| (10,213) | Net Charge to HRA | (10,542) |
| <u>4,030</u> | HRA Capital Financed | <u>8,746</u> |
| (6,183) | Movement in Year | (1,796) |
| <u>(26,140)</u> | Balance Brought Forward at 1 April | <u>(32,323)</u> |
| <u>(32,323)</u> | Balance Carried Forward at 31 March | <u>(34,119)</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:

| 31/3/24 | | 31/3/25 |
|----------------|---------------------|----------------|
| 858 | Bungalows | 858 |
| 1,938 | Flats & Maisonettes | 1,980 |
| 2,328 | Houses | 2,323 |
| <u>84</u> | Shared ownership | <u>119</u> |
| <u>5,208</u> | | <u>5,280</u> |

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

| 31/3/24 | | 31/3/25 |
|----------------|--|----------------|
| £000 | | £000 |
| | <u>Operational Assets</u> | |
| 558,912 | Dwellings | 582,444 |
| 1,113 | Other Land and Buildings | 1,779 |
| 0 | Vehicles Plant Furniture and Equipment | 197 |
| 3,798 | Infrastructure | 3,809 |
| 14 | Community Assets | 14 |
| 20,619 | Assets Under Construction | 1,140 |
| <u>0</u> | Intangibles | <u>0</u> |
| <u>584,456</u> | | <u>589,383</u> |
| | <u>Non-Operational Assets</u> | |
| 2,719 | Investment Properties | 2,895 |
| <u>587,175</u> | Total value | <u>592,278</u> |

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2025

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 2024/25 was 33% (2023/24 - 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 £582 million at 31 March 2025 (£559 million at 31 March 2024) and the vacant possession value was £1,660 million (£1,598 million at 31 March 2024).

H4. CAPITAL EXPENDITURE AND RECEIPTS

| 2023/24 | | 2024/25 | |
|-----------------|---|----------------|-----------------|
| £000 | £000 | £000 | £000 |
| 199,777 | Opening Capital Financing Requirement | | 212,546 |
| | <u>Capital Expenditure</u> | | |
| 30,077 | Dwellings | 9,797 | |
| 0 | Vehicles Plant & Equipment | 197 | |
| 212 | Infrastructure | 250 | |
| 5,911 | Assets Under Construction | 2,994 | |
| 0 | Revenue Expenditure Funded from Capital Under Statute | 0 | |
| 36,200 | Expenditure in year | | 13,238 |
| | <u>Financed by</u> | | |
| (12,772) | Capital Receipts | (3,450) | |
| (4,030) | Major Repairs Reserve | (8,746) | |
| (47) | Contributions from Revenue | 0 | |
| 0 | Contributions from District CIL | (535) | |
| (6,495) | Grants and Contributions | (507) | |
| (23,344) | | | (13,238) |
| 12,856 | Unfinanced Capital Expenditure in Year | | 0 |
| (87) | Voluntary Financing of Capital Investment | | 0 |
| 0 | Transfer of assets to the General Fund | | 0 |
| 212,546 | Closing Capital Financing Requirement | | 212,546 |
| | <u>Capital Receipts</u> | | |
| | Operational Assets | | |
| (5,140) | Dwellings | | (5,148) |
| 0 | Other | | (74) |
| (5,140) | Total | | (5,221) |

H5. DEPRECIATION AND IMPAIRMENT

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 2024/25, by £6.209 million, 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

| 31/3/24 | | 31/3/25 |
|----------------|---------------------------------|----------------|
| £000 | | £000 |
| 906 | Rent Arrears | 738 |
| <u>(605)</u> | Provision for Bad Debts | <u>(490)</u> |
| <u>301</u> | Anticipated Collectable Arrears | <u>248</u> |

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2025

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.

| 2023/24 | | | 2024/25 | | |
|---|---------------------|------------------|------------------------|---------------------|------------------|
| Business Rates £000 | Council Tax £000 | Total £000 | Business Rates £000 | Council Tax £000 | Total £000 |
| Income | | | | | |
| 0 | (109,372) | (109,372) | 0 | (116,309) | (116,309) |
| 0 | (150) | (150) | 0 | (100) | (100) |
| 0 | 0 | 0 | 0 | 0 | 0 |
| (58,059) | 0 | (58,059) | (65,283) | 0 | (65,283) |
| (58,059) | (109,522) | (167,581) | (65,283) | (116,409) | (181,692) |
| Expenditure | | | | | |
| <u>Precepts and Shares</u> | | | | | |
| 31,675 | 0 | 31,675 | 33,207 | 0 | 33,207 |
| 5,701 | 76,848 | 82,549 | 5,977 | 82,322 | 88,299 |
| 25,340 | 13,404 | 38,744 | 26,566 | 14,233 | 40,799 |
| 633 | 4,233 | 4,866 | 664 | 4,448 | 5,112 |
| 0 | 13,234 | 13,234 | 0 | 14,038 | 14,038 |
| <u>Distribution of Previous Year (Deficit)/</u> | | | | | |
| <u>Surplus</u> | | | | | |
| (573) | 0 | (573) | 1,320 | 0 | 1,320 |
| (103) | 228 | 125 | 238 | 677 | 915 |
| (458) | 40 | (418) | 1,056 | 118 | 1,174 |
| (11) | 13 | 2 | 26 | 37 | 63 |
| 0 | 40 | 40 | 0 | 117 | 117 |
| <u>Charges to Collection Fund</u> | | | | | |
| 22 | 0 | 22 | 57 | 0 | 57 |
| 141 | 123 | 264 | 434 | 550 | 984 |
| 116 | 512 | 628 | 111 | (172) | (61) |
| (5,877) | 0 | (5,877) | 1,179 | 0 | 1,179 |
| 211 | 0 | 211 | 209 | 0 | 209 |
| (4,793) | 0 | (4,793) | (1,401) | 0 | (1,401) |
| 410 | 0 | 410 | 432 | 0 | 432 |
| 52,434 | 108,675 | 161,109 | 70,075 | 116,368 | 186,443 |
| (5,625) | (847) | (6,472) | 4,792 | (41) | 4,751 |
| 1,886 | (428) | 1,458 | (3,737) | (1,275) | (5,012) |
| (3,739) | (1,275) | (5,014) | 1,055 | (1,316) | (261) |
| (Surplus) / Deficit Arising During the Year | | | | | |
| Opening Fund Balance at 1 April | | | | | |
| Closing Fund Balance at 31 March | | | | | |

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25
COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2025

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 £2,142.63) is then multiplied by the proportion specified for the particular band to give an individual amount due. For 2024/25, 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 | 3.88 | 5/9 | 2.16 |
| A | 1,775.81 | 6/9 | 1,183.87 |
| B | 4,513.39 | 7/9 | 3,510.41 |
| C | 10,423.57 | 8/9 | 9,265.40 |
| D | 9,558.16 | 1 | 9,558.16 |
| E | 8,305.25 | 11/9 | 10,150.86 |
| F | 6,630.34 | 13/9 | 9,577.16 |
| G | 5,458.22 | 15/9 | 9,097.03 |
| H | 691.16 | 18/9 | 1,382.32 |
| Sub Total | | | 53,727.37 |
| Less: Collection Rates Adjustment | | | -483.55 |
| Add: Band D equivalent Ministry of Defence properties | | | 447.86 |
| Tax Base | | | 53,691.68 |

C2. NON-DOMESTIC RATES (NDR)

For 2024/25, the standard NDR multiplier was 54.6p (51.2p in 2023/24) and the small business multiplier was 49.9p (49.9p in 2023/24). The total estimated non-domestic rateable value in the district as of 31 March 2025 was £168.5 million (£168.4 million as of 31 March 2024).

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

| 2023/24 | | | 2024/25 | | |
|------------------------|---------------------|----------------|------------------------|---------------------|---------------|
| Business Rates £000 | Council Tax £000 | Total £000 | Business Rates £000 | Council Tax £000 | Total £000 |
| (1,496) | (158) | (1,654) | 422 | (163) | 259 |
| (2,243) | (1,117) | (3,360) | 633 | (1,153) | (520) |
| | | | | | |
| <u>(3,739)</u> | <u>(1,275)</u> | <u>(5,014)</u> | <u>1,055</u> | <u>(1,316)</u> | <u>(261)</u> |

ANNUAL GOVERNANCE STATEMENT 2024/25

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 2024/25 with the council's adopted code and also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the review of its system of internal control in accordance with best practice.
- 1.5 The council undertook a full and detailed review of its constitution between 2017 and 2019 and was adopted by Full Council in March 2019.
- 1.6 A full and detailed review to ensure the Constitution remains fit for purpose was undertaken during 2023 with a cross-party Constitution Working Party assisting with the review. Eleven meetings of the working party were held in total. Consideration and outcomes of the final meeting of the Constitution Working Party was held on 16 November 2023 to consider the recommendations from Audit and Governance Committee. Special regard was also had to existing and emerging legislation as well as how decisions are taken as this is a key part of the Constitution which sets the tone for the culture the Council wishes to operate. The updated Constitution 2024 was adopted by Full Council on 30 November.

2. The Purpose of 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 2025 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 2024/25 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 2025-30 was adopted at Council on 15 January 2025 and sets out what the council wants to achieve and informs other strategies and plans including the Local Plan and individual service plans. A range of consultation and engagement took place during 2024 in support of developing the new Council Plan and included businesses, members, council staff and parish councils. A district wide residents' survey was undertaken to better understand the opinions and views of our residents. 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. 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.
- 5.8 The council has arrangements in place to regularly monitor financial performance, service performance, the progress of key corporate projects and risk management and to oversee the implementation of recommendations from internal audit reports.
- 5.9 The council publishes annually a financial report (incorporating the Statement of Accounts) within the statutory timescales. The Annual Financial Report incorporates the full requirements of best practice guidance in relation to corporate governance, risk management and internal control.
- 5.10 The council is subject to independent audit by Ernst and Young and receives an annual audit letter reporting on findings. The council supplements this work with the Southern Internal Audit Partnership and ad hoc external peer reviews. The Audit and Governance Committee undertakes the core functions as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*.
- 5.11 The council has set out the arrangements for managing risk in its Risk Management Policy (approved by Cabinet 13 March 2025, report CAB3500 refers) which also includes a Risk Appetite Statement and is reviewed annually.
- 6. Review of governance**
- 6.1 The council has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Strategic Leads who have responsibility for the development and maintenance of a sound governance environment.
- 6.2 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.

**WINCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT**

- 6.3 The council has appointed the Director 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 Director 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 Director (Legal) 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 In July 2024, an LGA Peer Challenge took place, where the review explored a number of core themes, including the council's organisational and place leadership, governance and culture, financial planning and management and capacity for improvement. Following the review the Peer Team's view was that strong governance is in place at the council.
- 6.9 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 2024/25 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:

- Regulator of Social Housing Consumer Standards for Landlords. Following self-referral to the Regulator of Social Housing, a Regulator Judgment was issued that found serious failings in how the council is delivering the outcomes of the consumer standards in relation to the Safety and Quality Standard and the Transparency, Influence and Accountability Standard.
- Local Government Reorganisation. Capacity to deliver services to our residents and customers while working collaboratively with our local authority partners to deliver local government reorganisation at pace.

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 2024/25 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. Where weaknesses have been identified through internal audit review, the auditor has worked with management to agreed appropriate corrective actions and a timescale for improvement.

8.3 The auditor's Annual Internal Audit Report and Opinion 2024/25 will be presented to this committee's next meeting on 17 July 2025.

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 2024/25 – Action Plan

| No. | Issue | Actions | Lead Officer | Target Date | Method of Assurance |
|-----|---|---|--|-------------|--|
| 1 | Landlord Health and Safety Compliance – to ensure that our responsibilities under the consumer standard for Safety and Quality are being met, specifically in relation to regulatory compliance for gas, electrical, asbestos, fire, water, and lift safety. | Establish an appropriate Governance and assurance structure | Simon Hendey Gillian Knight | Feb 2025 | A planned internal audit review will provide assurance that the compliance plan actions have been completed. The scope of the audit review will include all areas of the compliance plan. Compliance reporting information shared with TACT board for scrutiny. Reporting monthly to PAC Board as a Tier 1 project. |
| | | Undertake a data validation exercise across our asset data, compliance areas and inspection records | Adrian Wilgoss, Sarah Hobbs Heather Gibson | Sept 2025 | Regular validation meetings are being held, and planned work is on track |
| | | Compliance reporting review | Adrian Wilgoss | June 2025 | A Scorecard template has been created and is actively being used across teams. A reporting template has been devised to support consistent and structured updates. |
| | | Undertake a policy principle and strategic direction workshop for each compliance area and develop and finalise each policy | Sarah Hobbs Adrian Wilgoss | Sept 2025 | Procurement process underway to engage external consultants for drafting policies for 'the big 6' compliance areas. Progressing contract award. |
| | | Review and update our procedures | Adrian Wilgoss | June 2026 | All procedures have been reviewed and updated where required |

**WINCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT**

| No. | Issue | Actions | Lead Officer | Target Date | Method of Assurance |
|-----|---|--|--------------|-------------|---|
| 2 | Local Government Reorganisation - capacity to deliver services to our residents and customers while working collaboratively with our local authority partners to deliver local government reorganisation at pace | Establish an appropriate governance structure and clearly define the programme scope, including emerging workstreams and designated lead officers | Liz Keys | June 2025 | PAC Board review organisational capacity and resources on a regular basis and prioritise as required. Update scope of the Transformation Board to include LGR. Robust programme management of LGR that can adapt as required. |
| | | Prepare for change with the council organising itself to achieve as much as possible and ensures that staff, services and assets that are being transferred are in the best possible position to be integrated into the new authority. | Liz Keys | Ongoing | Quarterly Performance and Finance reporting. Robust programme management. |

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.

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.

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.

**WINCHESTER CITY COUNCIL
GLOSSARY OF TERMS**

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.

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

Grants and Contributions (in Advance) – are grants and contributions received in advance of expenditure taking place and which have conditions on their use that might require the council to return them to the contributor.

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

Housing Revenue Account (HRA) - The HRA is a record of revenue expenditure and income relating to the council's housing stock. Its purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. It is ring-fenced from the rest of the General Fund to ensure that rents cannot be subsidised from Council Tax (or vice versa).

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

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

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

Infrastructure Assets - are a category of long-term assets that cannot be taken away or transferred and whose benefits can only be obtained by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Examples of infrastructure assets include highways and footpaths.

Intangible Assets – are a category of long-term assets that are identifiable but have no physical substance (e.g. Software licences).

Interest Costs (Pensions) – represents the unwinding of the discounting on the value placed on the benefits over the period, as they become closer to being paid.

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

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

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

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

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

Liabilities – are the council's debts and obligations.

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

Long-Term Assets – is the value of the council's property, equipment and other capital assets minus depreciation, which are expected to be useable for more than one year after the balance sheet date.

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

Long-Term Debtor – is an individual or body that owes money to the council, but which is not due within one year of the Balance Sheet date.

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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.

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.

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

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

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

Short-Term Borrowing – is a loan repayable within one year of the Balance Sheet date.

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

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

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

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

Straight Line Basis – is a method used to apportion depreciation equally over the applicable number of periods.

Termination Benefits – are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

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

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

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

Usable Reserves – amounts set aside that the council is able to use to fund expenditure.

Useful Life – the period over which the council will derive benefits from the use of a long-term asset.

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

1. BUILDING CONTROL ACCOUNT

The Building (Local Authority Charges) Regulations 2010 require the setting of a scheme of charges, the recovery of costs and the disclosure of an annual statement in respect of the Building Regulation function. This scheme is renewed annually, and the fee structure published on the council's website.

Some of the activities of the Building Control Unit cannot be recharged. These include enforcement, advisory, consultative and public protection activities. The council is expected to set the fee level to ensure that, taking one financial year with another, the fees as nearly as possible equate to the expenses incurred in performing its chargeable Building Control activities.

| | 2024/25 |
|--|-------------------|
| | £000 |
| Chargeable Costs | 603 |
| Chargeable Income | <u>(463)</u> |
| Net (surplus) or deficit | 140 |
| | |
| Building Control Earmarked Reserve (deficit brought forward) | <u>289</u> |
| Deficit carried forward | <u>429</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:

| | 2024/25 |
|--|----------------|
| | £000 |
| Income from charges under regulation 8 (answering queries) | 298 |

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

Signature: Date:

Liz Keys
Chief Financial Officer, Section 151 Officer



Winchester
City Council

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