

Meeting	Audit and Governance Committee
Date and Time	Thursday, 29th January, 2026 at 6.30 pm.
Venue	Walton Suite, Guildhall, Winchester and streamed live on YouTube at <a href="https://www.youtube.com/winchestercc">www.youtube.com/winchestercc</a>

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

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

## AGENDA

### PROCEDURAL ITEMS

#### 1. **Apologies**

To record the names of apologies given.

#### 2. **Disclosure of Interests**

To receive any disclosure of interests from councillors or officers in matters to be discussed.

*Note: Councillors are reminded of their obligations to declare disclosable pecuniary interests (DPIs), other registerable interests (ORIs) and non-registerable interests (NRIs) in accordance with the Council's Code of Conduct.*

#### 3. **Chairperson's announcements**

### BUSINESS ITEMS

#### 4. **To note the Audit & Governance work programme 2025/26** (Pages 5 - 6)

#### 5. **Minutes of the previous meeting held on 27 November 2025** (Pages 7 - 12)



6. **Public Participation**

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

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

Members of the public and visiting councillors may speak at this Committee, provided they have registered to speak three working days in advance.

Please contact Democratic Services **by 5pm on Friday 23 January 2026** via [democracy@winchester.gov.uk](mailto:democracy@winchester.gov.uk) or (01962) 848 264 to register to speak and for further details.

7. **Certification of claims & returns annual report 2024/25 (AG178)** (Pages 13 - 20)

8. **Community Infrastructure Levy (CIL) and Section 106 payments - Verbal update on management action plan**

9. **24/25 Auditor's Annual Report (AG175)** (Pages 21 - 58)

10. **2024/25 Auditors Annual Results Report (AG174)** (Pages 59 - 116)

11. **Audited Annual Financial Report 2024/25 (AG173)** (Pages 117 - 240)

12. **Internal Audit Progress Report 2025-26 (December 2025) (AG180)** (Pages 241 - 260)

13. **External Quality Assessment – Final Report (AG181)** (Pages 261 - 296)

**Laura Taylor**  
**Chief Executive**

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21 January 2026

Agenda Contact: Nancy Graham, Senior Democratic Services Officer

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

*\*With the exception of exempt items, Agenda, reports and previous minutes are available on the Council's Website [www.winchester.gov.uk](http://www.winchester.gov.uk)*

## **MEMBERSHIP:**

Councillors

**Chairperson:** Morris (Liberal Democrats)  
**Vice Chairperson:** Chamberlain (Liberal Democrats)

<b>Conservatives</b>	<b>Liberal Democrats</b>	<b>Green</b>
Godfrey	Brophy Pinniger Power	Bailey-Morgan
<b>Conservatives</b>	<b>Deputy Members</b> <b>Liberal Democrats</b>	<b>Green</b>
Bolton and Miller	Aron and Bennett	Lee and Wallace

Quorum = 4 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](mailto: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

	<b>Item</b>	<b>Lead Officer</b>	<b>Date of Meeting</b>
1	24/25 Auditor's Annual Report	Liz Keys	29 Jan 2026
2	2024/25 Auditors Annual Results Report	Liz Keys	29 Jan 2026
3	Audited Annual Financial Report 2024/25	Liz Keys	29 Jan 2026
4	Certification of claims & returns annual report 2024/25	Terri Horner	29 Jan 2026
5	Internal Audit Progress Report 2025-26 (December 2025)	Liz Keys	29 Jan 2026
6	External Quality Assessment – Final Report	Liz Keys	29 Jan 2026
7	Q3 Governance Monitoring 25/26	Simon Howson	5 Mar 2026
8	Local Code of Corporate Governance	Simon Howson	5 Mar 2026
9	Risk Management Policy 2026/27	Gareth John	5 Mar 2026
10	Further review of outcome of Standards investigation into complaints against Denmead Parish Council (date tbc)	Gareth John	

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# Agenda Item 5

## AUDIT AND GOVERNANCE COMMITTEE

Thursday, 27 November 2025

Attendance:

Councillors  
Morris (Chairperson)

Bailey-Morgan  
Brophy  
Chamberlain

Godfrey  
Pinniger  
Power

### Members in attendance who spoke at the meeting

Councillor Cutler (Cabinet Member for Finance and Transformation)

[Video recording of this meeting](#)

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#### **1. APOLOGIES**

There were no apologies received.

#### **2. DISCLOSURE OF INTERESTS**

There were no disclosures of interest made.

#### **3. CHAIRPERSON'S ANNOUNCEMENTS**

Councillor Morris reminded members that an additional meeting had been arranged for 29 January 2026.

#### **4. AUDIT & GOVERNANCE WORK PROGRAMME 2025/26**

RESOLVED:

That the work programme for 2025/26 be noted.

#### **5. MINUTES OF THE PREVIOUS MEETING**

Councillor Morris noted that at the previous meeting, Simon Mathers (EY) had indicated that he anticipated completing the 24/25 audit by the end of November and asked that Mr Mathers provide an update on this during his verbal update below.

Councillor Morris also provided an update on the request that a representative from the Public Sector Audit Appointments (PSAA) be invited to a future committee meeting advising that this invitation had been declined but a written response had been provided which would be shared with all members of the

committee. He provided a summary of the written response to the meeting. The PSAA had also recently published the fees for 2025/26 and this would be the subject of a future report to the committee.

It was noted that the Director (Finance) had agreed to provide a written update to this meeting in respect of an internal audit of the Community Infrastructure Levy (CIL) scheme and this was provided by the Service Lead - Finance.

RESOLVED:

That the minutes of the previous meeting held 17 July 2025 be agreed as a correct record.

## 6. **PUBLIC PARTICIPATION**

Ian Tait spoke regarding report AG172 and his comments are summarised under the relevant minute below.

## 7. **FINAL REPORT AND PAY POLICY STATEMENT 2026/27** (AG170)

The Service Lead – Human Resources introduced the report which set out the council's pay policy statement for 2026/27 for consideration and recommendation to Council. It was confirmed that there were no material changes from the previous year, with the main differences relating to the change to the pension age to 57 from April 2028 and slight amendments to the policy relating to "acting up" allowances.

The Service Lead responded to members' questions as summarised below:

- a) The rationale for extending the "acting up" allowance period beyond 12 months.
- b) Clarification on the current living wage that was being paid and whether contractors were required to pay the living wage. The Director (Legal) agreed to check this point.

*NB Subsequent to the meeting, the Director circulated a written response to committee members which in summary confirmed that a standard paragraph was included all of the council's Tender and Request for Quote templates stating that the council was an accredited Living Wage employer which applied to both its own employees and its suppliers. It was also referenced throughout the council's 'Guide to Sustainable Procurement' and then reinforced in contract terms.*

- c) The number of apprentices currently in employment and whether apprentices were paid a living wage. The Service Lead advised that apprentices were paid according to a separate pay scale which she would circulate to members outside of the meeting.

*NB: Subsequent to the meeting, it was confirmed that the council currently had five apprentices who were paid the Living Wage (£24,243). In*

*addition, there were three existing staff members undertaking upskilling apprenticeships and these individuals remain on their existing pay grades.*

- d) The reason for the pay ratio benchmark of 20:1 and whether there was the possibility of updating the pay statement to aim for a lower ratio. The Service Lead agreed this would be reviewed as the Local Government Reorganisation (LGR) process progressed.
- e) The current number of agency staff and the impact this had on the pay structure.
- f) Concerns about staff retention and a potential greater increase in agency staff due to Local Government Reorganisation (LGR).

**RECOMMENDED (TO COUNCIL):**

**That the Pay Policy Statement for the financial year 2026/27 be adopted.**

**8. TREASURY MANAGEMENT MID-YEAR REPORT 25/26**  
(AG179)

Daniel O'Rourke (HCC) introduced the report and confirmed that the treasury management activity in the year to date continued to demonstrate full compliance with the council's Treasury Management Strategy. He drew attention to a number of matters and also provided a brief update on external fiscal events that had occurred since it had been prepared.

**RESOLVED:**

1. That the mid-year Treasury Management Report for 2024/25 including the Q2 indicators, and the Q1 indicators at appendix B of the report be noted.
2. That it be noted that all treasury management activity in the period was compliant with the council's Treasury Management Strategy.

**9. EXTERNAL AUDITORS VERBAL UPDATE**

Simon Mathers (EY) provided a response to the query raised earlier in the meeting advising the Auditor's Annual Report 24/25 had been drafted and that draft would be shared with Councillor Morris and the Chief Financial Officer on 28 November in order to meet the deadline of 30 November 2025. The 2024/25 audit itself was progressing well, and he extended his thanks to the Service Lead - Finance and team for their assistance in this matter. As in previous years, an issue remained relating to the valuation of property, plant and equipment. Mr Mathers confirmed that both the finalised Auditor's Annual Report 2024/25 and the Auditor's Annual Results Report 2024/25 would be completed in time to be considered at the next meeting of the committee on 29 January 2026, ahead of the 27 February statutory back stop deadline.

Mr Mathers responded to members' questions.

RESOLVED:

That the verbal update be noted.

10. **INTERNAL AUDIT PROGRESS REPORT 2025/26**  
(AG172)

Ian Tait addressed the committee during public participation as summarised briefly below.

Ian Tait raised concerns regarding the high build costs associated with the council's New Homes Programme, specifically referencing the Woodman Close and Southbrook Cottages schemes and in the case of the latter, emphasised that the final scheme had exceeded the original budget by 27%. He highlighted that he had raised these concerns at previous Cabinet meetings where these reports had been discussed. He questioned why internal auditors were not challenging the expenditure.

Councillor Morris thanked Mr Tait for his comments which would be considered as part of the discussion of the report.

Antony Harvey (SIAP) introduced the report, drew members' attention to a number of matters and responded to detailed questions.

Councillor Cutler responded to questions and also emphasised that the internal audit function involved examining the process for decision making, including ensuring the correct information was provided, rather than the policies involved.

RESOLVED:

That the Internal Audit Progress Report 2025-26 (October 2025) be noted.

11. **EXTERNAL QUALITY ASSESSMENT**  
(AG176)

Antony Harvey (SIAP) introduced the report explaining that it was a requirement that an external quality assessment was undertaken every five years. He explained that the report was originally due to be considered at the September meeting which had been cancelled.

Mr Harvey responded to questions from members on the report.

RESOLVED:

That the arrangements for the external assessment of the Southern Internal Audit Partnership against the Global Internal Audit Standards in the UK Public Sector be noted.

12. **INTERNAL AUDIT STRATEGY 2025-2028**  
(AG177)

Antony Harvey (SIAP) introduced the report and outlined the process undertaken to develop the strategy. He responded to questions from members on the report, including controls in place at SIAP relating to the use of AI.

RESOLVED:

That the Internal Audit Strategy 2025-28 be reviewed and noted.

13. **Q1 /Q2 GOVERNANCE MONITORING 25/26**  
(AG171)

The Senior Policy and Programme Manager introduced the report, highlighting its shorter content was due to the requirement that the Internal Audit progress be reported separately (as contained in AG172 above).

RESOLVED:

That the contents of the report be noted, including the progress made against the actions in the Annual Governance Statement.

The meeting commenced at 6.30 pm and concluded at 8.20 pm

Chairperson

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# Agenda Item 7

AG178  
AUDIT & GOVERNANCE COMMITTEE

REPORT TITLE: CERTIFICATION OF CLAIMS & RETURNS ANNUAL REPORT  
2024/25

29 JANUARY 2026

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

Contact Officer: Terri Horner Tel No: 01962 848 160 Email  
thorner@winchester.gov.uk

WARD(S): ALL

## PURPOSE

The purpose of the Certification of Claims and Returns Annual Report is to summarise the results of KPMG LLP's assurance work on the council's Housing Benefits (HB) subsidy claim for the year ended 31 March 2025. The final report is provided by KPMG and is attached at Appendix 1 for consideration.

As there were no prior year errors the report confirms that KPMG were not required to apply the larger sample size for testing, under the current banding scheme.

The report details no exceptions or errors at Appendix A, one observation at Appendix B, one amendment at Appendix C and no other matters to note at Appendix D. Please note that these appendices refer to those in the KPMG report.

The amendment at Appendix C refers to a compounded issue which produced a minimum non-dependant deduction leading to an overpayment of Housing Benefit of £121. The amendment did not affect the overall amount of subsidy claimed. As it was identified as an isolated case no further testing was required.

Given the thousands of transactions which the Benefits team undertake on an annual basis this is a very positive outcome from this audit.

**RECOMMENDATIONS:**

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

**APPENDICES:**

Appendix 1 Housing Benefit (Subsidy) Assurance Process Accountants Report 2024/25.

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

Elizabeth Keys  
Director of Finance and Section 151 Officer  
Winchester City Council  
Colebrook Street  
Winchester  
Hampshire  
SO239LJ

8 January 2026

To: Subsidy Payments Team, Local Authority Partnership Engagement and Delivery Division, lawelfare.lapaymentsandsubsidy@dpw.gov.uk

Attn: Section 151 Officer

**Housing Benefit (Subsidy) Assurance Process 2025 Module 6 DWP Reporting Framework Instruction (Applicable to England only) Reporting accountants' report for the Housing Benefit Subsidy claim form MPF720A, year ended 31 March 2025**

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

This report is produced in accordance with the terms of our engagement letter with Winchester City Council dated 19 August 2025 and the standardised engagement terms in Appendix 2 of Housing Benefit (Subsidy) Assurance Process ("HBAP") Module 1 issued by the Department for Work and Pensions ("DWP") for the purpose of reporting to the Section 151 Officer of Winchester City Council (the "Local Authority") and the DWP.

Our report is prepared solely for the confidential use of the Local Authority and the DWP and solely for the purpose of facilitating the claim for the Housing Benefit Subsidy on form MPF720A dated 28 April 2025 for the year ended 31 March 2025 and may not be suitable for another purpose.

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

This report is designed to meet the agreed requirements of the Local Authority and the DWP as described in the DWP HBAP reporting framework instruction for the financial year ending March 2025 (the "HBAP reporting framework instruction")

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

### **Local Authority's Responsibilities**

The Section 151 Officer of the Local Authority has responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. The Section 151 Officer is also responsible for ensuring that the Local Authority maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Local Authority. It is also the Section 151 Officer's responsibility to extract relevant financial information from the Local Authority's accounting records, obtain relevant information held by any officer of the Local Authority and complete the attached form MPF720A in accordance with the relevant framework set out by the DWP: Housing Benefit (Subsidy) Assurance Process for financial year ending March 2025 Module 1: DWP reporting framework instruction.

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

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

### **Our Responsibilities**

For the purpose of the HBAP engagement we have been provided with a signed copy of form MPF720A for the year ended 31 March 2025 dated 28 April 2025 by the Section 151 Officer.

We conducted our engagement in accordance with HBAP Modules 1 and 6 for the financial year ending March 2025 issued by the DWP, which highlight the terms under which DWP has agreed to engage with reporting accountants.

Our engagement was carried out in accordance with the DWP's HBAP reporting framework instruction and in accordance with International Standard on Related Services 4400 (Revised), *Agreed-upon Procedures Engagements* ("ISRS 4400") issued by the International Auditing and Assurance Standards Board. The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis, as set out in the HBAP Modules of the HBAP reporting framework instruction, on the Local Authority's form MPF720A dated 28 April 2025, and to report the factual findings, which are the factual results of those procedures, to the Local Authority and the DWP. We make no representation regarding the appropriateness of the agreed-upon procedures.

The results of the agreed-upon procedures are reported in Appendices A, B, C and D, which form an integral part of this report.

The procedures specified in DWP's HBAP reporting framework instruction do not constitute an examination made in accordance with generally accepted auditing or review

standards or an assurance engagement performed in accordance with any standards applicable to assurance, the objective of which would be the expression of assurance on the contents of the Local Authority's claim for Housing Benefit Subsidy on form MPF720A. Accordingly, we do not express such an opinion or an assurance conclusion. Had we performed additional procedures, or had we performed an audit or review of the Local Authority's claim for Housing Benefit Subsidy on form MPF720A in accordance with generally accepted auditing or review standards or an assurance engagement performed in accordance with any standards applicable to assurance, other matters might have come to our attention that would have been reported. This report relates only to the Local Authority's claim for Housing Benefit Subsidy on form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Local Authority and the Local Authority's members, as a body, for that audit work, for the audit report, or for the opinions we have formed in respect of that audit.

### **Professional Ethics and Quality Control**

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

The firm applies International Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Summary of HBAP report**

#### **Summary of Initial sample selection**

We selected an initial sample of items for testing as described in HBAP Module 6 Approach and Testing Strategy, Step 2 – Initial testing – Module 3 workbook testing (“Step 2”) and Step 3 – Prior year errors Module 3 (“Step 3”), using the banding table in Appendix 2 of HBAP Module 6 Approach and Testing Strategy.

The HBAP band for the Local Authority per Appendix 2 of HBAP Module 6 Approach and Testing Strategy is Band 2.

The prior year HBAP Agreed-upon-procedures report on the Housing Benefit Subsidy on form MPF720A for the year ended 31 March 2024 outlined that no errors exceeded the deminimis threshold in value or volume. Consequently, we did not apply the larger sample size required under Step 2 for Band 2 when prior years errors are present.

We apportioned and stratified the total sample of 30 cases as follows:

Headline cell	Number of Temporary accommodation and Supported accommodation cases	Number of passported cases	Number of non-passported caseload	Number of cases with prior year error characteristics	Total number of cases selected in initial sample
Non HRA Rent Rebate (Cell 011)	4	0	3	0	7
HRA Rent Rebate (Cell 055)	4	3	3	0	10
Rent Allowance (Cell 094)	4	3	6	0	13

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### Summary of Initial Testing

In accordance with HBAP modules, an initial sample of cases were selected and tested for all general expenditure cells. We have re-performed a sample of the Local Authority's testing and confirm the tests we have carried out concur with the Local Authority's results. The findings are detailed below:

We found an error exceeding the thresholds for additional testing set out in HBAP Module 6 Approach and Testing Strategy, Step 4 – Evaluating the results of initial testing and performed additional testing as described in HBAP Module 6 Approach and Testing Strategy, Step 4.2 Additional testing. However, we investigated the population in rent allowance cases and found this was the only case with the error characteristic, so this is an isolated case. Therefore, no further testing needs to be carried out.

Cell 011 Non HRA Rent Rebate:

- No exceptions have been identified in respect of this testing.

Cell 055 HRA Rent Rebate:

- No exceptions have been identified in respect of this testing.

Cell 094 Rent Allowance:

- 1 case (total error value £121.22) where the housing benefit has been overpaid by £121.21 due to incorrect non-dependent deduction been applied because of an error in applying the wrong working hours element which led to a minimum non-dependent deduction been applied. This resulted in Cell 103 overstated by £121 and cell 113 understated by £121. Further details can be found in Appendix C.
- 1 case (total error value £3,714.49) where £3,714.49 of housing benefit has been misclassified due to expenditure misclassification as Housing Association (HA) as opposed to Local Housing Allowance (LHA). This resulted in cell 102 being overstated by £3,714 and cell 103 understated by £3,714. Further details can be found in Appendix B.

### Completion of Modules

The Specific Test Requirements set out in Module 1 Appendix 3 have been completed, the results from testing required are detailed below.

We found no errors from performing the testing set out in HBAP Modules 1, 2 and 5.

## **Summary of errors identified to be considered in the stratified sample selection in the next audit period.**

In line with the requirements of HBAP Modules we have identified no errors with the following characteristics that are required to be considered in the following year:

### **Procedures and Factual Findings**

For the Local Authority's claim for Housing Benefit Subsidy on form MPF720A dated 28 April 2025 for the year ended 31 March 2025 we have completed the specific test requirements detailed in the DWP's HBAP reporting framework instruction and have identified the results set out in Appendices A, B, C and D.

*KPMG LLP*

### **KPMG LLP**

*Chartered Accountants*

15 Canada Square  
London  
E14 5GL

8 January 2026

Name for enquiries: Richard Hewes

Contact details: Richard.Hewes@kpmg.co.uk

#### *Attachments:*

Appendix A Exceptions/errors found

Appendix B Observations

Appendix C Amendments

Appendix D Other Matters

### **Appendix A Exceptions/errors found**

No exception errors to report.

### **Appendix B Observations**

#### **Cell 094 Rent Allowance- Expenditure Misclassification**

**Cell Total: £8,893,170**

**Cell Population: 1,359**

**Headline Total: £8,893,170**

Initial testing of a random sample of 13 cases identified:

One case (total error value £3,714.49) where the housing benefit has been overpaid by £3,714.49 due to expenditure misclassification as Housing Association (HA) as opposed to Local Housing Allowance (LHA). This resulted in overstated benefit of £3,714 in cell 102 and cell 103 understated by £3,714. This error, by its nature, does not affect the amount of subsidy claimed, because the misclassification of Housing Benefit is between cells of the same subsidy value, with the same method of entitlement calculation, which produce the same amount of qualifying expenditure, so does not require additional testing.

We are including this as an observation in our report for completeness and transparency purposes.

## **Appendix C Amendments**

**Cell 094 Rent Allowance- Misstated non-dependant earned income working hours element**

**Cell Total: £8,893,170**

**Cell Population: 1,359**

**Headline Total: £8,893,170**

Initial testing of a random sample of 13 cases identified:

One case (total error value £121.22) where the housing benefit has been overpaid by £121.21 due to incorrect non-dependant deduction having been applied because of an error in applying an incorrect working hours element which led to a minimum non-dependant deduction. This error impacts the amount of Housing Benefit payable to the claimant, resulting in an overpayment of £121.22. However, it does not affect the subsidy claimed as both cells carry the same subsidy value in this case.

Thus, Cell 103 is overstated by £121; Cell 113 is understated by £121.

When we investigated the population in rent allowance cases, we found this was the only case with the error characteristic, so this is an isolated case. Therefore, no further testing needs to be carried out.

This has been amended on the claim form dated 17 December 2025.

## **Appendix D Other Matters**

No other matters to report.

# Agenda Item 9

AG175  
AUDIT AND GOVERNANCE COMMITTEE

REPORT TITLE: 24/25 AUDITOR'S ANNUAL REPORT

29 JANUARY 2026

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

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 draft Auditor's Annual Report for 2024/25, which is appended to this report. The report confirms that the auditor will not have sufficient appropriate evidence by the imposed backstop date and are likely to issue a disclaimed audit opinion on the financial statements.

The report includes commentary on the council's Value for Money (VFM) arrangements, setting out the risks of significant weaknesses they have identified, and analysis of the further reviews commissioned by the council to address the underlying governance and internal control weaknesses within the Council's Housing Service and Property Service Department.

The receipt of the Auditor's Annual Report marks the conclusion of the external audit work in relation to the 2024/25 financial year.

**RECOMMENDATIONS:**

1. That the committee:
  - a. takes the opportunity to discuss the contents of the Annual Audit Report 2024/25 and raises any issues with the External Auditors; and
  - b. confirms its acceptance of the Annual Audit Report 2024/25.



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# Winchester City Council

Draft Auditor's Annual Report  
Year ended 31 March 2025  
January 2026



The better the question. The better the answer. The better the world works.



Shape the future  
with confidence



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

19 January 2026

Dear Audit & Governance Committee Members

2024/25 Auditor's Annual Report

We are pleased to attach our draft Auditor's Annual Report including the 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 2024/25.

This report is intended to draw to the attention of the Audit & Governance Committee and management any relevant issues arising from our work up to the date of issuing the report. 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 & Governance Committee meeting on 29 January 2026.

The [2025 Transparency Report](#) for EY UK provides details regarding the firm's system of quality management, including EY UK's system of quality management annual evaluation conclusion as of 30 June 2025.

Yours faithfully

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

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Commentary

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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 sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



01

# Executive Summary

# Executive Summary

## Purpose

The Auditor's Annual Report summarises the year's audit work, including value for money commentary and confirmation of the financial statement opinion. It also references any use by the auditor of their additional powers and duties under the Local Audit and Accountability Act 2014. In line with the NAO Code of Audit Practice 2024 ("the 2024 Code") and Auditor Guidance Note 03 (AGN 03), this report provides an overview to Winchester City Council (or 'the Council') and the public, detailing current recommendations and a review of prior years' actions, including our assessment of whether they have been satisfactorily implemented.

## Responsibilities of the appointed auditor

We have undertaken our 2024/25 audit work in accordance with the Audit Plan that we issued on 07 July 2025. We have complied with the 2024 Code, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- whether the financial statements give a true and fair view of the financial position of the Council and its expenditure and income for the year; and
- Whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework.

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Reporting by exception:

- if the annual governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- the use of additional powers and duties, for example making written recommendations under Section 24 and Schedule 7 of the Act or making a report 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 the preparation of the financial statement, including the narrative statement and governance statement, in accordance with the CIPFA Code and for having internal controls in place to ensure these financial statements are free from material error. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

# Executive Summary (cont'd)

## 2024/25 conclusions

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Financial statements	<p>As reported in our February 2025 Audit Results Report, we issued a disclaimer of opinion on Winchester City Council's 2022/23 and 2023/24 financial statements under the arrangements to reset and recover local government audit.</p> <p>In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements. We also have not been able to complete all planned procedures to gain assurance on the valuation of property, plant &amp; equipment and investment property in either 2023/24 or 2024/25 because of weaknesses in the quality of evidence provided and in certain assumptions adopted by the Council's valuer for assets valued at Existing Use Value and Fair Value. We therefore anticipate issuing a disclaimed 2024/25 audit opinion.</p> <p>This is consistent with NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01 and the illustrative timescale for progress to full assurance, which sets out that there is potential for qualified except for, but more likely to be disclaimed.</p>
Going concern	We are satisfied that the Director of Finance and S151 officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
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 significant weaknesses in the Council's arrangements for the year ended 31 March 2025. 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.
Additional powers and duties	We had no reason to use our auditor powers.

# Executive Summary (cont'd)

## 2024/25 conclusions

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. We cannot issue our Audit Certificate until these procedures are complete.
Certificate	We will issue our certificate once we have completed our work on Whole of Government Accounts and the NAO have confirmed no questions will be raised on individual returns.

# Executive Summary (cont'd)

## Value for money scope

Under the 2024 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.

We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

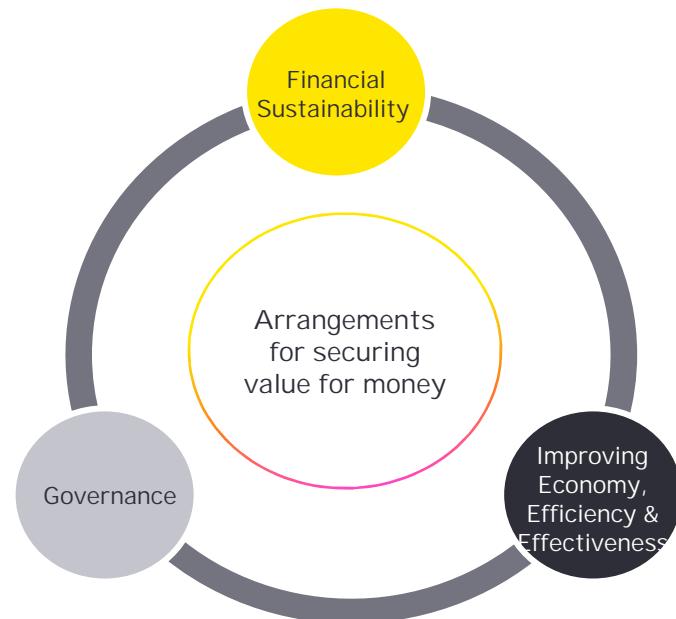
The specified reporting criteria are:

- 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.

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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:

- 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's committee reports;
- meetings with the management;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with the Council's management and the finance team.



# Executive Summary (cont'd)

## Reporting

Our commentary for 2024/25 is presented in Section 03. This section provides a summary of our understanding of the arrangements at the Council, as determined from our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2024/25 and up to the date of issuing this Auditor's Annual Report, which must be issued by 30 November 2025. The recommendations we have agreed upon with the Council are included in Appendix A.

In compliance with the 2024 Code, we are required to provide commentary against the three specified reporting criteria. The table below outlines these criteria, indicates whether a significant risk of weakness was identified during our planning procedures, and details our current conclusions regarding any significant weaknesses within your 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	Risk of significant weakness identified	Significant weakness identified

# Executive Summary (cont'd)

## 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 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## EY Transparency Report 2025

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 2025:

[EY UK 2025 Transparency Report | EY - UK](#)



02

## Audit of financial statements

# Audit of 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.

Our audit of the 2024/25 financial statements is still ongoing. We will report our findings in our Audit Results Report to Audit & Governance Committee in January 2026.

## Financial Statement reporting assessment

Management, and the Audit & Governance Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. As at the date of this report our work to audit the Council's 2024/25 financial statements has commenced but is not sufficiently well progressed to allow us to form a view on the quality of both the draft financial statements submitted for audit and the Council's wider arrangements to produce the accounts and support the audit process. We have set out our views on the effectiveness of the Council's arrangements to support external financial audit across a range of relevant measures in our Audit Results Report presented to the Audit & Governance Committee in January 2026. Our assessment of factors impacting the execution of the audit is set out over page 39.

Page 13 sets out the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, the reasons for that and what still needs to be done to successfully rebuild assurance is set out on page 13. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024. We will set out our view of the Council's progress against this timeline in our 2024/25 Audit Results Report and final Auditor's Annual Report following completion of our audit of the financial statements.

# Executive Summary (cont'd)

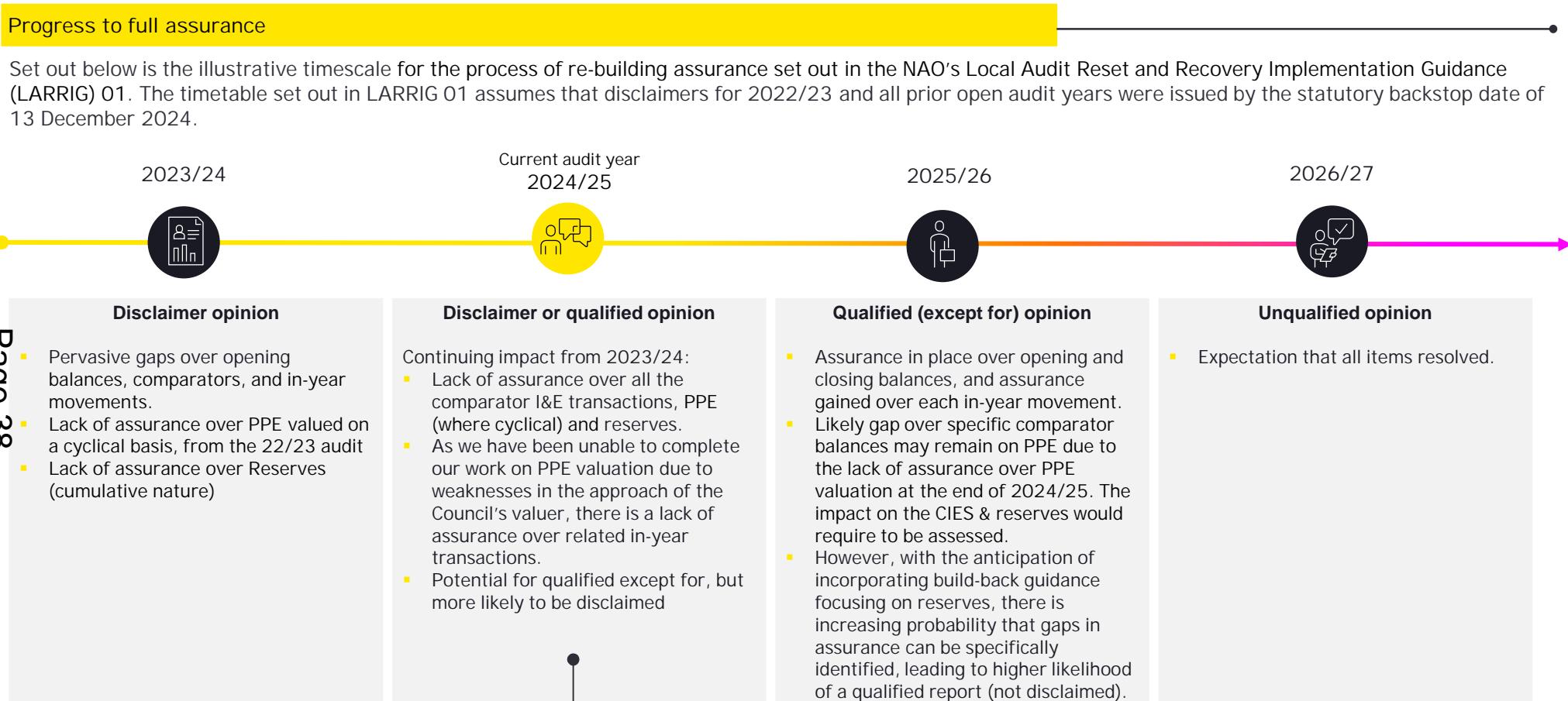
## Factors impacting the execution of the audit (cont'd)

Area	Status			Explanation
	R	A	G	
Timeliness of the draft financial statements	Effective			The financial statements were published by the 30 <sup>th</sup> June 2025 deadline set out in the Accounts and Audit Regulations.
Quality and completeness of the draft financial statements	Effective			The financial statements produced were complete and generally of adequate quality. Our procedures identified minor casting errors and inconsistencies within the accounts. We do not, however, consider arrangements in this area to be ineffective.
Delivery of working papers in accordance with agreed client assistance schedule	Effective			Working papers were largely provided to the agreed timetable.
Quality of working papers and supporting evidence	Effective			Working papers and supporting evidence were generally of a good standard.
Timeliness and quality of evidence supporting key accounting estimates	Requires improvement			In general, management provided timely and good quality supporting evidence in response to the majority of our audit requests. However, during our land and building valuations testing we identified weaknesses in the quality of evidence provided and assumptions made by the Council's external valuer for assets valued using EUV/FV method. EYRE applied their own judgments based on available market information and evidence provided by the Council and its external valuer. Results of EYRE review showed that certain assumptions used by the external valuer were inconsistent with wider valuation practice. Due to the statutory backstop date of 27 February 2026, we were unable to complete further procedures to resolve the judgmental differences or conclude on whether it resulted in misstatements in the financial statements. We raised a recommendation on this in the prior year which we do not consider has been addressed - see Appendix A. To be able to fully restore assurance on the Council's financial statements it is essential that this issue is addressed by management so we can fully complete our procedures in this area by future statutory backstop dates.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Effective			All key finance staff were generally available to support the audit.
Volume and value of identified misstatements	Effective			We have substantially completed our procedures, and final reviews are still ongoing. As of this writing, we have not identified any material misstatements as a result of our work.
Volume of misstatements in disclosure	Effective			A relatively small number of misstatements in disclosure were detected in our work.

# Audit of financial statements

## Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.



### CURRENT AUDIT STATUS OF WINCHESTER CITY COUNCIL

- The Council's progress is in line with the expected timescales for rebuilding assurance set out in LARRIG 01.
- Consistent with the prior year, we identified weaknesses in the quality of evidence provided and assumptions made by the Council's external valuer for assets valued using EUV/FV method and therefore were unable to gain assurance over the valuation of property, plant & equipment and investment property accounts for the in the financial statements. To be able to rebuild assurance on the Council's financial statements in line with the expected timescales, it is now essential that this issue is addressed by management. We have raised an associated recommendation for improvement in Appendix A.



03

## Value for Money commentary

# Value for Money

## The 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.

## Our responsibilities

Under the revised 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 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. Our summary is below:

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	Significant risk identified	Significant weakness 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 weaknesses identified	Significant weaknesses 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.	Risk of significant weaknesses identified	Significant weaknesses identified



# VFM commentary: Financial Sustainability

## Financial sustainability: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Financial Sustainability sub-criteria set out in AGN03:

- 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;
- How the body plans to bridge its funding gaps and identifies achievable savings;
- How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- 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; and
- How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

## Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's arrangements for financial sustainability. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2024/25.

## Overview of our conclusions

Based on the work performed, the Council had proper arrangements in place in 2024/25 to plan and manage its resources to ensure it can continue to deliver its services.

# Financial Sustainability considerations

## Medium Term Financial Strategy

The Council's Medium Term Financial Plan (MTFP) for 2024/25 sets out a strategy to maintain financial sustainability while addressing increasing service pressures and uncertainty in future funding. The plan confirms a balanced budget for 2024/25, supported by reserves and efficiency measures, and projects balanced positions for 2025/26 and 2026/27, see Exhibit 1. However, these forecasts are subject to risks including inflation, pay awards, and potential changes to government funding arrangements.

To strengthen resilience, the Council implemented '*Transformation Challenge 2025 programme*' or TC25, targeting £3 million in annual savings. Key priorities include digital transformation to improve service delivery, investment in carbon reduction initiatives, and support for residents facing cost-of-living challenges. While Winchester benefits from additional business rates retention and income from new developments, demand-led pressures are driving additional costs. The cost of external borrowing and loss of business rates also continue to pose financial challenges.

Exhibit 2 is the updated forecast which shows balanced budget for the next two years, followed by projected annual shortfalls towards the end of the decade. We note that the MTFP reflects a more stable position than forecast in previous years.

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Overall, the MTFP demonstrates proactive planning and a commitment to efficiency. While ongoing reliance on savings and reserves, coupled with funding uncertainty beyond 2026, highlights the need for continued monitoring and strategic adaptation to ensure long-term value for money, we conclude that there is no significant risk of weakness in the Council's arrangements for securing financial sustainability in the medium term.

Exhibit 1: The Council's 2024/25 MTFP outlines a cumulative gap of £2.9 million by 2028/29

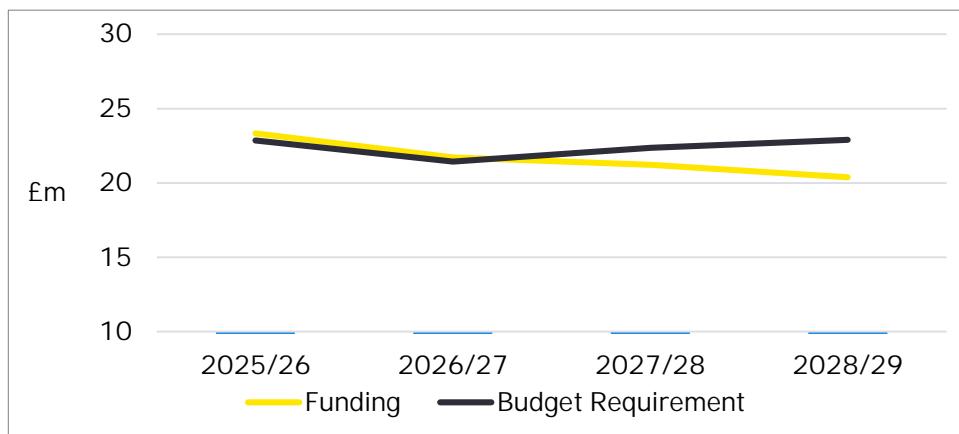
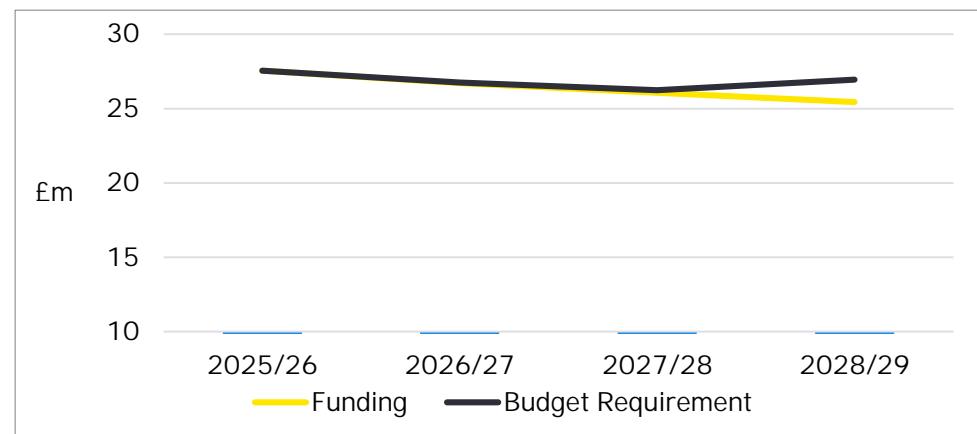


Exhibit 2: The Council's updated MTFP in Nov 2025 outlines a cumulative gap of £1.7 million by 2028/29





# Financial Sustainability considerations

## Savings plans

The Council's 2024/25 MTFP acknowledges a significant long-term financial challenge, with a projected £3 million annual budget gap at the end of the forecast period – equivalent to around 7.5% of the gross General Fund revenue budget or a 30% increase in council tax. To address this, the Council launched the TC25 programme in 2023 aimed at delivering

£3 million savings within three years through fundamental changes in service delivery. TC25 is overseen by the Transformation Programme Board, comprising senior political and executive leadership, and operates under clear principles for financial, workforce, and consultation management. Progress is monitored by the Programme and Capital Strategy Board and reported quarterly to the Scrutiny Committee.

As of Quarter 4 2024/25 Performance Report for TC25 savings target, progress of approximately £1.56 million (52%) has been achieved, reflecting strong early delivery but acknowledging that savings become more challenging as the programme advances. The Council also faces additional uncertainty from potential Local Government Reorganisation (LGR), which could have unbudgeted implications.

Despite these challenges, TC25 progress does not currently impact the Council's financial sustainability. The Council has maintained a balanced medium-term financial position, supported by prudent planning and earmarked reserves, ensuring resilience while continuing to deliver strategic priorities.

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## Outturn position

The Council's 2024/25 outturn position demonstrates strong financial resilience and effective resource management. The Council delivered a balanced General Fund position without drawing on reserves, despite a challenging financial environment for local authorities nationally. A final outturn favourable variance of just over £2.4 million is reported, resulting from additional interest receivable and a number of favourable service variances.

The 2024/25 General Fund baseline net service expenditure was budgeted at £18.9 million, with a final outturn of £16.1 million, representing a £2.8 million underspend. A significant portion of this variance relates to additional in-year funding, including allocations from the UK Shared Prosperity Fund and homelessness grants. Unspent amounts from these funding streams have been transferred to earmarked reserves for use in future financial years, ensuring resources remain available to support strategic priorities and maintain financial sustainability.

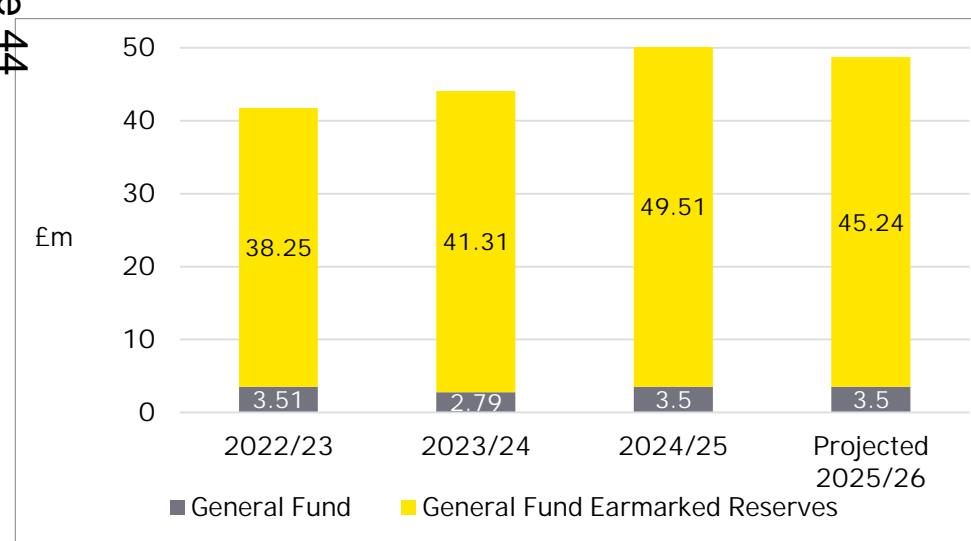


# Financial Sustainability considerations

## Reserves position

The Council approved the 2024/25 General Fund Budget in February 2024. The Budget specified that the minimum reserves to be held as uncommitted general funds is 15% of net revenue expenditure, which equates to around £2.8 million in 2023/24 and £1.8m in 2024/25. The budget seeks to maintain a strong commitment to delivering core services, while advancing Council Plan priorities while maintaining financial stability. It included targeted investment in the Greener Faster priority, such as enhanced recycling, food waste collection, and decarbonisation of the waste vehicle fleet, projected to reduce the Council's carbon emissions by 25%. Support for residents facing cost-of-living pressures continued through an uprated Council Tax Reduction scheme and additional funding for hardship support, alongside the ongoing community grants programme. Despite a challenging financial landscape for local authorities nationally, the Council has achieved a balanced budget for 2024/25 without drawing on reserves, reflecting sound financial management over the past five years and a strong short-term position despite uncertainty over future funding.

Exhibit 3: The Council's unallocated General Reserve is above the minimum reserve requirement at £3.5 million in 2024/25





# VFM commentary: Governance

## Governance: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Governance sub-criteria set out in AGN03:

- How the body monitors and assesses risk and how the body gains assurance over the effective operations of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- 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, including in relation to significant partnerships;
- 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 & Governance Committee; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer and member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

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## Significant risk: Weaknesses in property compliance management for Housing Revenue Account properties owned or managed by the Council, and governance and internal control within the Council's Housing Service and Property Services Department

Within our Audit Planning Report, we identified risk of significant weakness in the Authority's arrangements under the reporting criterion Governance: *How the Council ensures that it makes informed decisions and properly manages its risks.*

In our 2023/24 VFM review, we reported that an external assessment of the Council's arrangements for compliance with legal and regulatory requirements for Housing Revenue Account properties resulted in a no assurance rating. Following a self-referral to the Regulator of Social Housing (RSH), the Regulator identified serious failings in meeting consumer standards, particularly in the Safety and Quality Standard and the Transparency, Influence and Accountability Standard. Key issues included incomplete health and fire safety checks, absence of an asbestos re-inspection programme, lack of up-to-date property condition records, and insufficient evidence of providing tenants with accurate performance information. These weaknesses created an overarching risk that the Council could not demonstrate compliance or ensure tenant safety. An action plan to address these issues was agreed by Cabinet in February 2025 (the Housing Compliance Improvement Plan) with progress being regularly updated and reported to members. Relevant actions remained ongoing at the end of the 2024/25 year.

In the prior year, we concluded that these findings evidenced inadequate governance arrangements and reported this weakness by exception in our 2023/24 audit report. As a result of this and the underlying governance and internal control weaknesses within the Council's Housing Service and Property Service Department, further reviews were commissioned by the Council to gain assurance across three theme areas.



# VFM commentary: Governance (cont'd)

Significant risk: Weaknesses in property compliance management for Housing Revenue Account properties owned or managed by the Council, and governance and internal control within the Council's Housing Service and Property Services Department (continued)

## *Theme 1 Irregularity - Investigated and addressed by the Southern Internal Audit Partnership (SIAP) Counter Fraud Unit (CFU)*

Work was undertaken into:

- The duplication of jobs and approval of work. As part of its investigative work, the CFU developed an understanding of how the work carried out by Cardo Group, the Council's main housing repairs and maintenance contractor, was approved and recorded in the Council's housing management system. The CFU also compared, on a sample basis, the work recorded in the housing management system to the work invoiced by Cardo Group and the subsequent payments.
- Contract extensions for Cardo. The CFU reviewed information including the initial contract between the Council and Cardo Group, the subsequent extensions and evidence of the related approvals.
- Inaccurate returns to regulators. The CFU developed an understanding of the Council's returns submission process and reviewed relevant documentation and information, including evidence provided by the Council of the returns made and subsequent queries received by the Council from the recipients of the returns.

## *Theme 2 Control Weakness or Non-Compliance - Addressed by SIAP as part of internal audit assurance with input from Pennington Choices*

SIAP reviewed process notes and documentation for key elements of the housing repairs and maintenance process. SIAP examined a sample of jobs carried out by Cardo Group as well as a sample of jobs carried out by other contractors. For each sample, SIAP reviewed the information raised on the housing management system, checked for evidence of authorisation, quotes, post-inspection sign-off, and analysed supporting invoices and records to assess whether controls were being applied consistently and whether sufficient evidence existed to support variations in job values (between purchase order value and invoice value) and the approval of completed works. Concerns around health and safety were addressed through work undertaken by the Council prior to CFU and SIAP commencing their investigative work. The Council engaged a third party, Pennington Choices, to provide a high-level assessment of property compliance management and performance for six compliance areas: gas, electric, fire, asbestos, water, and lifts.

## *Theme 3 Council Managed Risks - Investigated and addressed by the Council with the support of South-East Employers*

This theme considered the culture and overall governance of the Council's Housing Service and Property Services Department.

Given the significance of the issues investigated across the three theme areas and their continued relevance to our consideration of the Council's VFM arrangements in 2024/25, the performance of all of the investigations was shadowed and reviewed by EY Forensics (EFY). The investigations and EFY's consideration of them were completed by September 2025. EFY's conclusion was that there was a sufficient basis to rely upon the scope of work and the findings set out in each of the investigation reports.

We considered the following adverse findings from the investigations as relevant to our 2024/25 assessment of the Council's VFM arrangements:

- There were insufficient records or evidence to conclude whether proper value was obtained from the main housing repairs contractor and that there was no duplication of jobs.



# VFM commentary: Governance (cont'd)

Significant risk: Weaknesses in property compliance management for Housing Revenue Account properties owned or managed by the Council, and governance and internal control within the Council's Housing Service and Property Services Department (continued)

- The failure to follow defined processes extended to work undertaken by parties other than the main contractor.
- Although there was no evidence of financial irregularity or non-compliance with laws and regulation, full assurance could not be given that the contract extension with the main housing repairs maintenance contractor was carried out transparently and reported correctly.
- Inaccurate returns on housing stock condition were being submitted to regulators.
- Poor data quality and inadequate oversight and internal control within the housing service may lead to inaccurate data being used for performance reporting.

We consider that the lack of risk management arrangements to ensure the Council's legal and regulatory obligations in respect of its housing stock are being achieved and poor data quality in housing is evidence of significant weaknesses in arrangements for how the Council monitors and ensures appropriate standards, such as meeting legislative and regulatory requirements are met.

We consider the fact there are insufficient records or evidence to be able to conclude whether proper value was obtained from the housing repairs contractor and that there was no duplication of jobs, and that the failure to follow defined processes extended to work undertaken by parties other than the main contractor is evidence of significant weaknesses in arrangements for how the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

We expect to report by exception on the Council's VFM arrangements in respect of these two matters in our 2024/25 audit report. We consider the findings and conclusions of the investigations relevant to the Council's arrangements for improving economy, efficiency and effectiveness on pages 27 and 28 of this report.

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## Recommendation

Continue to take action to:

- Fully deliver the Housing Compliance Improvement Plan.
- Fully address the weaknesses in internal control and risk management arrangements within the Housing Service and Property Services Department highlighted by the SIAP, SIAP CFU and Pennington Choices reviews.



# Governance considerations

## Annual Governance Statement

Winchester City Council has prepared the 2024/25 Annual Governance Statement (AGS) which was presented to the Audit & Governance Committee in July 2025. The AGS confirms that the Council maintains a robust governance framework in line with the CIPFA/SOLACE principles and the Accounts and Audit Regulations 2015. The statement outlines how the Council ensures transparency, accountability, and integrity in decision-making and service delivery. Key elements include strong leadership and decision-making by Cabinet and Full Council, supported by legal advice; oversight through the Overview and Scrutiny Committee and the Audit and Governance Committee; a robust risk management strategy; and regular performance and financial monitoring. The AGS is reviewed annually by the Executive Leadership Board, statutory officers, and the Audit & Governance Committee.

The 2024/25 AGS identified significant governance issues requiring urgent attention:

- Regulator of Social Housing Consumer Standards – Following a self-referral, the Regulator issued a judgment highlighting serious failings in meeting consumer standards, particularly around Safety and Quality and Transparency, Influence, and Accountability.
- Local Government Reorganisation – Capacity risks in maintaining service delivery while collaborating with partners to deliver reorganisation at pace.

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The first issue is consistent with our VFM review of the Council's governance arrangements set out on pages 21 to 23 of this report,

An action plan has been developed, assigning responsibilities to senior officers, and will be monitored quarterly by the Audit & Governance Committee.

## Internal audit arrangements

The Southern Internal Audit Partnership (SIAP) provides the Council with an internal audit service covering the entire control environment. The Head of SIAP considers the Council's assurance and monitoring mechanisms, including risk management, when forming their opinion. The Internal Audit Plan is aligned to the Corporate Risk Register and supports the review of control effectiveness. Progress reports to the Audit & Governance Committee include audit opinions, summaries of findings for any reviews with Limited Assurance, and updates on recommendation implementation.

SIAP issues an annual opinion on the internal control environment and highlights matters for inclusion in the governance statement. Internal audit must complete an annual self-assessment and an independent external assessment every five years, reporting any non-conformance in its annual report and opinion.

We reviewed the Annual Internal Audit Conclusion 2024-25 and noted that the Head of Internal Audit opinion concluded that the framework of governance, risk management, and control is "reasonable", with controls generally working in practice. Where weaknesses were identified, corrective actions and timelines were agreed with management. The internal audit review confirmed that the Council maintains a strong commitment to preventing fraud and corruption through established governance and control frameworks. The Anti-Fraud and Corruption Policy remains in place and is supported by clear procedures for reporting and investigating suspected irregularities.



# Governance considerations

## Risk Management

The Council presents an annual review of its Risk Management Policy and Risk Appetite, which define the arrangements for identifying and managing risks and their integration with corporate governance and performance management. The report demonstrates that the Council has developed structured systems to identify, evaluate, and mitigate risks that may impact its ability to deliver services and achieve strategic objectives. Central to this framework is the Corporate Risk Register, which is managed by the Executive Leadership Board (ELB). Each corporate risk is assigned a risk owner, who is typically a member of the ELB, and the register is updated regularly to reflect new and ongoing risks. This register is formally reviewed and approved by Cabinet alongside the Council's Risk Management Policy, ensuring alignment with the Council's risk appetite and governance priorities.

The Corporate Risk Register details the most significant strategic risks facing the authority. The highest-rated (red) corporate risks currently include: the availability of suitable sites for new housing development, the risk of failing to adequately tackle the Climate Emergency (and reduce the Council's and district's carbon emissions), and challenges around nutrient neutrality (phosphate levels) affecting planning and development. Other key risk areas relevant to VFM – such as partnership working, financial viability, business continuity, and cyber security – are all assessed as medium risk after mitigation, given the controls and regular performance monitoring the Council has in place for each area. Financial risks are likewise rated medium in the judgment of the Council's Section 151 Officer, owing to the ongoing savings delivered through the TC25 and the Council's strong reserve levels, which together help offset potential budget pressures

Oversight is reinforced by the Audit and Governance Committee, which reviews both the Risk Register and Policy, offering independent assurance and recommendations to Cabinet on the effectiveness of risk arrangements. At the operational level, Service Leads are responsible for identifying and managing risks within their service areas, implementing corrective actions, and maintaining internal controls to ensure service delivery aligns with Council objectives.

Strategic oversight functions including Finance, Legal Services, Procurement, and HR provide direction, policy frameworks, and compliance assurance. The Council's Anti-Fraud and Corruption Policy, which includes a Whistleblowing Policy, encourages staff to report concerns that may expose the Council to risk.

Project risks are overseen by the Programme and Capital Board. In addition, the S151 Officer plays a key role in ensuring integrity through robust systems for identifying, profiling, controlling, and monitoring strategic and operational risks, in line with CIPFA guidance

Internal Audit, delivered by the Southern Internal Audit Partnership, provides independent assurance on the effectiveness of governance, risk management, and internal controls. This multi-layered governance structure ensures risks are actively monitored, escalated when necessary, and addressed through coordinated oversight.



# Governance considerations

## Informed decision making and member challenge

Decision-making at Winchester City Council is governed by its Constitution, which sets out clear roles and responsibilities for committees, Cabinet, and Full Council. Key policy decisions are taken by Cabinet or Full Council, informed by detailed officer reports and supported by legal and constitutional advice under the Council's Standing Orders and Scheme of Delegation.

The Constitution embeds compliance checkpoints to ensure decisions meet prescribed rules and statutory requirements. Oversight is provided by two key committees: the Overview and Scrutiny Committee, which holds Cabinet to account, reviews decisions, and monitors performance; and the Audit & Governance Committee, which is formally charged with governance. The latter combines audit functions, such as reviewing internal and external audit work and assessing risk management arrangements, with governance responsibilities, including promoting high standards of conduct and supporting adherence to the Members' Code of Conduct. These arrangements, reinforced by the Annual Governance Statement, ensure transparency, accountability, and strong control across the Council's decision-making framework.

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## Legislative/regulatory requirements and standards in officer/member behaviour

The Council operates within a governance framework designed to ensure compliance with all legislative and regulatory requirements while upholding the highest standards of conduct among Members and officers. The Constitution sets out clear rules for lawful decision-making, supported by Standing Orders and the Scheme of Delegation, with legal and constitutional advice provided by the Monitoring Officer and financial oversight by the Section 151 Officer. All reports to Cabinet and committees must demonstrate alignment with the Council Plan and address legal, financial, risk, equality, and procurement considerations.

Standards of behaviour are reinforced through the Members' Code of Conduct, adopted in line with the Local Government Association's model, which promotes principles of integrity, accountability, and transparency. Members are required to declare and manage conflicts of interest, with registers published for public inspection. Complaints regarding Member conduct are handled by the Audit and Governance Standards Sub-Committee. Officers are bound by professional codes and the Council's protocols for Councillor-officer relations, ensuring impartiality and ethical behaviour.

The Council also maintains whistleblowing and anti-fraud policies, a formal complaints procedure, and provides induction and ongoing training for Members. These arrangements are reviewed annually through the Annual Governance Statement, which confirms compliance with statutory requirements under the Accounts and Audit Regulations 2015 and identifies areas for improvement. In July 2024, an LGA Peer Challenge concluded that strong governance and ethical standards are embedded across the organisation, supporting transparency, accountability, and public trust.



# VFM commentary: Improving economy, efficiency and effectiveness

## Improving economy, efficiency and effectiveness: Our audit procedures

Our audit procedures include:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the body evaluates the service it provides to assess performance and identify areas for improvement;
- How the body ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess where it is meeting its objectives; and
- Where the body commissions or procures services, how it assesses whether it is realising the expected benefits.

## Significant risks identified during planning procedures

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Audit  
Planning

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's arrangements for improving economy, efficiency and effectiveness. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years. We updated our risk assessment at the execution phase of the audit and determined that the significant risk set out below and considered in respect of the Council's governance arrangements on pages 21 to 23 of this report, is also relevant to the Council's arrangements for improving economy, efficiency and effectiveness.

## Significant risk: Weaknesses in property compliance management for Housing Revenue Account properties owned or managed by the Council, and governance and internal control within the Council's Housing Service and Property Services Department

We have set out the issues relevant to the risk and details of the investigations into those issues on pages 21 to 23 of the report.

We consider the following findings and conclusions from the investigations to be evidence of significant weaknesses in the Council's arrangements for how financial and performance information has been used to assess performance to identify areas for improvement:

- Housing stock 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.
- There are insufficient records or other evidence to be able to conclude whether proper value was obtained from the main housing repairs contractor and that there was no duplication of jobs.
- The failure to follow defined processes also extended to work undertaken by third parties other than the main contractor.
- Inaccurate returns on housing stock condition were being submitted to regulators. Weaknesses in data quality and a lack of oversight and internal control within the housing service meant that similarly flawed data could be being used to report performance.



# Improving economy, efficiency and effectiveness considerations

Significant risk: Weaknesses in property compliance management for Housing Revenue Account properties owned or managed by the Council, and governance and internal control within the Council's Housing Service and Property Services Department (continued)

We also consider the lack of assurance over the value obtained from payments made to the main housing repairs contractor, potential for duplication of jobs and the fact the failure to follow defined processes also extended to work undertaken by third parties other than the main contractor is evidence of significant weaknesses in arrangements for how the Council assesses whether it is realising the expected benefits where it commissions or procures services.

We expect to report by exception on the Council's VFM arrangements in respect of these two matters in our 2024/25 audit report.

## Financial and performance information

The Council produces Quarterly Finance and Performance Monitoring Reports that include updates on Strategic Key Performance Indicators (KPIs) linked to the priorities in the Council Plan. These KPIs are grouped under the five strategic themes from the five-year Council Plan which was adopted on 15 January 2020 and ran until 31 March 2025 :

- Tackling the Climate Emergency
- Living Well
- Homes for All
- Vibrant Local Economy
- Your Services, Your Voice

The Quarterly Finance and Performance Monitoring Reports include rationale for annual targets and historical trend analysis, enabling informed resource allocation and continuous improvement. The reports use a Red-Amber-Green (RAG) status system to flag areas requiring improvement and outline actions to address weaknesses. Cabinet and the Overview and Scrutiny Committee review these reports to monitor progress and ensure mitigating actions are taken where targets are not met. This approach supports transparency and continuous improvement in performance management.

The 2024/25 annual report of the Council addressed the revised Council Plan 2025-2030, which sets out the Council's key ambitions and outcomes for the next five years across six priorities. Coming into effect on 1 April 2025, these priorities include: Greener Faster, Thriving Places, Listening and Learning, Efficient and Effective, Good Homes for All, and Healthy Communities.

We note that the Council demonstrates commitment to improving efficiency through integrated financial and performance reporting, enabling early identification of risks and corrective actions, and alignment of budgets with strategic priorities, ensuring resources are directed to areas of greatest impact.



# Improving economy, efficiency and effectiveness considerations

## Procurement, contract management, and commissioning of services

The Council's procurement and contract management arrangements are governed by the Contract Procedure Rules (CPRs) set out Section 4.7 of the Constitution. These rules ensure compliance with the Procurement Act 2023 and require all procurement activity to be transparent, competitive, and aligned with the Council's strategic objectives. Officers must follow approved processes for tendering and contract award, supported by guidance from the Head of Procurement.

Commissioning is treated as part of the procurement process and must follow approved procedures to ensure transparency, fairness, and value for money. Officers are required to consider the most appropriate procurement route, including competitive tendering or negotiation, and ensure that specifications reflect service requirements and strategic priorities. Pre-market engagement may be used where appropriate to inform commissioning decisions.

A formal Contract Register is maintained to provide transparency and enable monitoring. Once contracts are awarded, officers are responsible for effective contract management throughout the lifecycle. This includes monitoring contractor performance against agreed terms and key performance indicators, managing risks, and ensuring compliance with legal and regulatory requirements. Financial Procedure Rules must be adhered to for all payments, and any variations or extensions require proper authorisation and documentation. Accurate records of decisions, performance reviews, and changes must be maintained to ensure transparency and auditability. Significant issues or risks must be escalated to senior management and, where appropriate, reported to the Audit and Governance Committee.

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## Partnership working

Winchester City Council's approach to partnership working is structured and embedded within its governance framework. The Annual Governance Statement 2024/25 confirms that the Council identifies significant partnerships that contribute to delivering its strategic priorities, such as housing, health, and economic development. For each partnership, roles and responsibilities are clearly defined to ensure accountability and compliance with statutory obligations.

The Council monitors delivery against its objectives through established governance arrangements. Performance is reviewed regularly against agreed plans and priorities, and progress is reported through quarterly performance and financial monitoring reports and to the Audit and Governance Committee. Where areas of concern are identified, actions are agreed and tracked to ensure improvement.

Stakeholder engagement is achieved through consultation exercises, community forums, and collaborative initiatives, ensuring that decisions reflect local needs and priorities. These mechanisms allow the Council to maintain transparency and responsiveness while fostering trust with residents and partners.

The Council also embeds partnership principles within its procurement and commissioning strategies to ensure services deliver value for money and align with strategic priorities. Recent procurement strategies, such as for the Housing Repairs and Maintenance Programme, emphasize moving beyond a transactional supplier relationship to a collaborative partnership model. The Council seeks providers who share its values and commitment to customer service, innovation, and sustainability. Key objectives include improving service quality, enhancing digital engagement, ensuring transparency, and fostering continuous improvement through joint working arrangements.

We are of the view that the Council have sufficient arrangements in place for managing and monitoring performance with Key partners.



# 04 Appendices

# Appendix A – Recommendations update

## Recommendations from 2023/24

The following recommendations were made as part of our 2023/24 Audit results Report and Auditor's Annual Report. We set out our assessment below of progress made against the recommendations in the current year.

Issue	Recommendation	2023/24 Management response	Current Year Update
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.	Similar with prior year, we identified weaknesses in the quality of evidence provided and assumptions made by the Council's valuer for assets valued at Existing Use Value and Fair Value. We engaged our specialist valuation experts (EYRE) to challenge the work of the Council's valuer. EYRE applied their own independent judgments based on available market information and evidence provided by the Council and its external valuer. Results of EYRE review showed that certain assumptions used by the external valuer were inconsistent with wider valuation practice. The quality of evidence to support the valuation was also insufficient in some areas. As a result, we do not consider the recommendation to be addressed. To be able to fully restore assurance on the Council's financial statements it is essential that this issue is addressed by management. We therefore now consider it be a high priority.
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	We have gained assurance over the existence of assets accounted in 2024/25 through our testing in the current year. We are therefore satisfied the recommendation has been addressed.

# Appendix A – Recommendations update

## Current year recommendations

We raise the following recommendation in respect of the significant weaknesses in the Council's VFM arrangements reported in 2024/25.

Issue	Recommendation	2023/24 Management response
Weaknesses in property compliance management for Housing Revenue Account properties owned or managed by the Council, and governance and internal control within the Council's Housing Service and Property Services Department.	Continue to take action to: <ul style="list-style-type: none"><li>• Fully deliver the Housing Compliance Improvement Plan.</li><li>• Fully address the weaknesses in internal control and risk management arrangements within the Housing Service and Property Services Department highlighted by the SIAP, SIAP CFU and Pennington Choices reviews.</li></ul>	<i>A response will be provided by management for the final version of this report.</i>

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# Agenda Item 10

AG174  
AUDIT AND GOVERNANCE COMMITTEE

REPORT TITLE: 2024/25 AUDITORS ANNUAL RESULTS REPORT

29 JANUARY 2026

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

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

WARD(S): ALL WARDS

## PURPOSE

The *Audit Results Report* for the year ended 31 March 2025 is presented by the council's external auditors, Ernst & Young (EY). The report summarises the audit approach for this exceptional year, along with conclusions from the audit of the Financial Statements for 2024/25.

## RECOMMENDATIONS:

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

**IMPLICATIONS:**

1 **SUPPORTING INFORMATION:**

- 1.1 The Audit Results Report for the year ended 31 March 2025 details the work the external auditor undertook and any audit differences or reporting issues they identified during the course of this review. EY's report is appended in full to this paper.
- 1.2 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 27<sup>th</sup> February 2026.
- 1.3 The auditors anticipate issuing a disclaimed opinion on the council's 2024/25 Financial Statements, as they do not have sufficient assurance over all movements and balances to conclude that the 2024/25 financial statements are free from material and pervasive misstatement.

**APPENDICES:**

Appendix 1 – Audit Results Report for the year ended 31 March 2025.

Appendix 2 – Letter of management representation 2024/25.

# Winchester City Council

Audit results report

Year ended 31 March 2025

January 2026



The better the question. The better the answer. The better the world works.



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with confidence



Audit & Governance Committee

19 January 2026

Winchester City Council  
City Offices  
Colebrook Street  
Winchester  
SO23 9LJ

Dear Audit & Governance Committee Members

2024/25 Audit results report

We attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit & Governance Committee. We will update the Audit & Governance Committee at its meeting scheduled for 29 January 2026 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2024/25 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Winchester City Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

The Audit & Governance Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Audit & Governance Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements; and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so. We draw the attention of Audit & Governance Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28), which clearly sets out what is expected of audited bodies in preparing their financial statements.

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 the contents of this report with you at the Audit & Governance Committee meeting on 29 January 2026.

The [2025 Transparency Report](#) for EY UK provides details regarding the firm's system of quality management, including EY UK's system of quality management annual evaluation conclusion as of 27 June 2025.

Yours faithfully

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

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



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# Executive Summary

# Executive Summary - Context for the audit

## Context for the audit - Measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of the democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

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

The Ministry of Housing, Communities and Local Government (MHCLG) has worked collaboratively with the Financial Reporting Council (FRC) and other system partners, to develop and implement measures to clear the backlog. The approach to addressing the backlog consists of three phases:

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. This has now been delivered.
- Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2024/25 financial statements is 27 February 2026. This process of rebuilding assurance will take several years to achieve. The NAO, supported by the MHCLG and the FRC, are responsible for issuing guidance and have been liaising with audit firms to understand the complexities involved and to seek to ensure a more consistent approach for restoring assurance for disclaimed periods. The NAO has now published its Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 setting out considerations for rebuilding assurance following the issue of disclaimed audit opinions under the backstop arrangements. The guidance predominantly focuses on the rebuilding of assurance over reserves, where it is more difficult to obtain assurance because of the way in which they accumulate over successive years. It also continues to recognise that the approach needed to rebuild assurance will differ authority to authority and will need to be considered in the context of both inherent risk factors which all authorities subject to recently disclaimed opinions will share, and factors specific to each individual authority's system of internal control and financial reporting. We will continue to consider the impact of this on our audit approach. In 2024/25 we have continued to audit the closing balance sheet and in-year transactions, which allows the build back of assurances over a large number of balances within the financial statements where audit procedures can be completed for successive years.
- Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 14 February 2025 Audit Results Report, we issued a disclaimer of opinion on the Council's 2023/24 and 2022/23 financial statements under these arrangements to reset and recover local government audit. In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements. Taken together with the requirement to conclude our work by the 2024/25 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2024/25 financial statements are free from material and pervasive misstatement of the financial statements. We also have not been able to complete all planned procedures to gain assurance on the valuation of property, plant & equipment and investment property in either 2023/24 or 2024/25 because of weaknesses in the quality of evidence provided and in certain assumptions adopted by the Council's valuer for assets valued at Existing Use Value and Fair Value. We therefore anticipate issuing a disclaimed 2024/25 audit opinion.

Appendix A sets out the current position of Winchester City Council in rebuilding to return to a position of full assurance on its financial statements as compared with the timeline envisaged by the NAO's LARRIG 01. This is informed by the summary of the assurances we have gained from our 2023/24 and 2024/25 audit procedures, set out at Appendix B.

# Executive Summary – Context for the audit

## Scope update

In our Audit Planning Report presented at the 17 July 2025 Audit & Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- Changes in materiality: We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross revenue expenditure on services, we have updated our overall materiality assessment to £2.086 million (Audit Planning Report – £2.105 million). This results in updated performance materiality, at 75% of overall materiality, of £1.565 million, and an updated threshold for reporting misstatements of £104,000.

## Status of the audit

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

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- Full completion of our work on IFRS 16 implementation and disclosures.
- Final review procedures on some areas of detailed testing.
- Receipt of updated Annual Report and accounts.
- Review of final signed accounts.
- Going concern review and disclosures.
- Management representation letter.
- Subsequent events review.

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

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

## Value for Money

In our Audit Planning Report presented at the 17 July 2025 Audit & Governance Committee meeting, we reported that we had completed our value for money (VFM) risk assessment and identified a risk of significant weakness in respect of the reporting criterion: *Governance - How the Council ensures that it makes informed decisions and properly manages its risks*.

Having updated and completed the planned procedures, we identified significant weaknesses in arrangements under the following reporting criteria:

- *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*.

See Section 03 of the report for further details.

# Executive Summary

## Audit differences

We have identified uncorrected misstatements amounting to £240,000 in relation to the turnaround effect of prior year understatement of Consolidated Income & Expenditure (CIES) expenditure and payable accruals. This has resulted in an overstatement of CIES expenditure in the current audit period.

We have identified the following disclosure misstatements which management agreed to adjust:

- Note 28 (Accounting policies) - Missing accounting policy on the measurement of heritage assets and impairment loss treatment for council tax and non-domestic rates debtor balances.
- Note 13 (Defined benefit pension schemes) - Actual return on scheme assets was disclosed as £6.4 million and should have been £4.6 million; additional disclosure is needed on the impact of the Virgin Media case on the Local Government Pension Scheme.
- Notes to Housing Revenue Account – Missing HRA depreciation and impairment disclosure.

At the time of writing this report, we have not received the final updated statement of accounts to confirm the above adjustments have been made.

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## Other reporting issues

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

We have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts. We will provide a further update on our work in this area in due course.

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

During our VFM review, we identified instances of potential non-compliance with laws and regulations, particularly in relation to legal and regulatory requirements for all Housing Revenue Account properties owned or managed by the Council. Having considered this further as part of work undertaken in this area in respect of Value for Money (sees Section 03 of the report for further details) we are satisfied this does not have a material impact on the financial statements.

# Executive Summary

## Areas of audit focus

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

Where applicable we have identified those matters that we consider to be key audit matters. Key audit matters are selected from the matters we communicate to you that in our opinion are of most significance to the current period audit and required significant attention in performing the audit. In accordance with ISA (UK) 701 key audit matters are included in our auditor's report.

Risk	Status of our work
Significant Risk 1 - Presumptive risk of management override of controls	We have completed all audit procedures in accordance with the Audit Plan subject to final review. There are no matters to bring to your attention.
Significant Risk 2 - Inappropriate capitalisation of revenue expenditure	We have completed all audit procedures in accordance with the Audit Plan. There are no matters to bring to your attention.
Significant Risk 3 - Land and building valuation - Property, Plant & Equipment (PPE) and Investment Property (IP) valued at Existing Use Value(EUV)/Fair Value (FV)	Similar with prior year, 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; and Investment Properties valued at FV.
	EY's valuation specialists (EYRE) applied their own judgments based on available market information and evidence provided by the Council and its external valuer. Results of EYRE review identified weaknesses in the quality of evidence provided and that certain assumptions adopted by the Council's valuer for assets valued at EUV and FV were not supportable or inconsistent with wider valuation practice. Due to the statutory backstop date of 27 February 2026, we will not be able to complete further procedures to resolve the judgmental differences or conclude on whether potential errors are more pervasive across the untested population.
Risk of material misstatement 1 - Pension liability valuation	We have received an updated IAS 19 report following the correction of investment return figures by the actuary, Hymans Robertson, which resulted in changes to the return on assets and the asset ceiling calculation. We have completed all procedures relating to the valuation of pension liabilities. Our EY Pensions Consulting team reviewed the assumptions and performed a roll-forward liability check, and no material variances were noted from this work.
Risk of material misstatement 2 - IFRS 16 Implementation	As at the date of this report, our work on IFRS 16 remains in progress. We have completed testing of the sample leases and confirmed that the transition arrangements have been correctly applied. We will provide a verbal update on the conclusions of our work at the Audit & Governance Committee meeting on 29 January 2026.

# Executive Summary

## Areas of audit focus (cont'd)

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

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

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

## Control observations

During the audit, we identified control deficiency in relation to the weaknesses in the quality of evidence provided and assumptions made by the Council's valuer for assets valued using EUV/FV method. The same observation was raised in the prior year audit results report. To be able to fully restore assurance on the Council's financial statements it is essential that this issue is addressed by management so we can fully complete our procedures in this area by future statutory backstop dates.

Please refer to Section 06 for details

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## Independence

Please refer to Section 08 for our update on Independence.

## Factors impacting the execution of the audit

Management, and the Audit & Governance Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. The table over-page sets out our views on the effectiveness of the Council's arrangements to support external financial reporting across a range of relevant measures.

# Executive Summary (cont'd)

## Factors impacting the execution of the audit (cont'd)

Area	Status			Explanation	Further detail
	R	A	G		
Timeliness of the draft financial statements	Effective			The financial statements were published by the 30 <sup>th</sup> June 2025 deadline set out in the Accounts and Audit Regulations.	N/A
Quality and completeness of the draft financial statements	Effective			The financial statements produced were complete and generally of adequate quality. Our procedures identified minor casting errors and inconsistencies within the accounts. We do not, however, consider arrangements in this area to be ineffective.	N/A
Delivery of working papers in accordance with agreed client assistance schedule	Effective			Working papers were largely provided to the agreed timetable.	N/A
Quality of working papers and supporting evidence	Effective			Working papers and supporting evidence were generally of a good standard.	N/A
Timeliness and quality of evidence supporting key accounting estimates	Requires improvement			In general, management provided timely and good quality supporting evidence in response to the majority of our audit requests. However, during our land and building valuations testing we identified weaknesses in the quality of evidence provided and assumptions made by the Council's external valuer for assets valued using EUV/FV method. EYRE applied their own judgments based on available market information and evidence provided by the Council and its external valuer. Results of EYRE review showed that certain assumptions used by the external valuer were inconsistent with wider valuation practice. Due to the statutory backstop date of 27 February 2026, we were unable to complete further procedures to resolve the judgmental differences or conclude on whether it resulted in misstatements in the financial statements. We raised a recommendation on this in the prior year which we do not consider has been addressed - see Section 06. To be able to fully restore assurance on the Council's financial statements it is essential that this issue is addressed by management so we can fully complete our procedures in this area by future statutory backstop dates.	See Section 02 (Significant Risk 3) for details.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Effective			All key finance staff were generally available to support the audit.	N/A
Volume and value of identified misstatements	Effective			We have substantially completed our procedures, and final reviews are still ongoing. As of this writing, we have not identified any material misstatements as a result of our work.	N/A
Volume of misstatements in disclosure	Effective			A relatively small number of misstatements in disclosure were detected in our work.	N/A



## 02 Areas of Audit Focus

# Areas of Audit Focus

## Significant Risk 1 - Presumptive risk of management override of controls

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

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

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

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

### Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- ▶ Identified fraud risks during the planning stages.
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Gained an understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- ▶ Considered 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.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determined an appropriate strategy to address those identified risks of fraud.
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- ▶ Evaluated the business rationale for significant unusual transactions outside the normal course of business.
- ▶ Assessed accounting estimates for evidence of management bias.

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.

### What are our conclusions?

We have performed enquiries with management and gained an understanding of the oversight and processes in place to address the risk of fraud to determine our audit strategy and risk assessment which is discussed in further detail on the following slides.

We have obtained sufficient audit evidence regarding any business rationale for unusual transactions and for judgements and assumptions for significant estimates. We have not identified any instances of management override of controls, nor fraud risk factors associated with related party relationships and transactions.

As at the date of this report our work to test journals remains subject to final review but there are no issued that we wish to draw to your attention.

# Areas of Audit Focus

## Significant Risk 2 - Inappropriate capitalisation of revenue expenditure

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

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

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

### Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- ▶ Tested Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- ▶ Assessed whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- ▶ Considered whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- ▶ Tested REFCUS to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- ▶ Used EY data analytics tool to identify and understand the basis for any significant journals transferring expenditure from non-capital codes to PPE additions or from revenue to capital codes on the general ledger at the end of the year.

### What are our conclusions?

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

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

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

# Areas of Audit Focus

Significant Risk 3 - Land and building valuation - Property, Plant & Equipment (PPE) and Investment Property (IP) valued at Existing Use Value(EUV)/Fair Value (FV)

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

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. 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 £67.5 million and £68.7 million in 2024/25 based on the unaudited financial statements.

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.

What are our conclusions?

Consistent with the prior year, we identified weaknesses in the quality of evidence provided and assumptions made by the Council's external valuer for assets valued using EUV/FV method. This includes PPE Other Land and Buildings valued at EUV; and Investment Properties valued at FV.

EYRE applied their own judgments based on available market information and evidence provided by the Council and its external valuer. Results of EYRE review showed that certain assumptions used by the external valuer were inconsistent with wider valuation practice. Due to the statutory backstop date of 27 February 2026, we will not be able to complete further procedures to resolve the judgmental differences or conclude on whether potential errors are more pervasive across the untested population.

We raised a recommendation to address this in the prior year which we do not consider has been addressed - see Section 06. To be able to fully restore assurance on the Council's financial statements it is essential that this issue is addressed by management so we can fully complete our procedures in this area by future statutory backstop dates.

# Areas of Audit Focus

## Risk of material misstatement 1 - Pension liability valuation

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

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

The Council's net pension liability is a material estimated balance, and the Code requires that this liability be disclosed on the Council's balance sheet. As at 31 March 2025, this amounted to £1.4 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 to the key areas of challenge and professional judgement

We performed the following procedures:

- ▶ Liaised with the auditors of Hampshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council.
- ▶ Assessed the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - consulting actuaries commissioned by the National Audit Office for all local government sector auditors and considered any relevant reviews by the EY actuarial team.
- ▶ Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's (EY PAG) model.
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- ▶ Considered outturn information available at the time we undertake our work after production of the Council's draft financial statements, i.e., valuation of pension fund assets based on IAS 19 letter from the auditor of Hampshire Pension Fund. We used this to inform our assessment of the accuracy of plan assets included in the financial statements and whether any adjustments are required.

### What are our conclusions?

We have received an updated IAS 19 report following the correction of investment return figures by the actuary, Hymans Robertson. This resulted in changes to the return on assets and the asset ceiling calculation which was communicated by the Council. Our EY Pensions Consulting team reviewed the assumptions and asset ceiling calculation based on the updated IAS 19 report and performed a roll-forward liability check. No material variances were noted from this work.

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

# Areas of Audit Focus

## Risk of material misstatement 2 - IFRS 16 Implementation

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

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.

Agenda

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.

As of 31 Mar 2025, the Council recognised right of use assets of £16.8 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.

### Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- ▶ Gained an understanding of the processes and controls developed by the Council relevant to the implementation of IFRS 16, paying particular attention to the Council's arrangements to ensure lease and lease-type arrangements considered are complete.
- ▶ Reviewed the discount rate that is used to calculate the right of use asset and assess its reasonableness.
- ▶ Reviewed 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.
- ▶ Gained 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 tested leases to ensure that transition arrangements have been correctly applied.
- ▶ Considered 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.
- ▶ 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.

### What is the status of our work?

As at the date of this report, our work on IFRS 16 remains in progress. We have completed testing of the sample of leases and confirmed that the transition arrangements have been correctly applied.

We will provide a verbal update on the conclusions of our work at the Audit & Governance Committee meeting on 29 January 2026.



03

## Value for Money

# Value for Money

## The Authority's responsibility for Value for Money (VFM)

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

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

## Risk assessment and status of our work

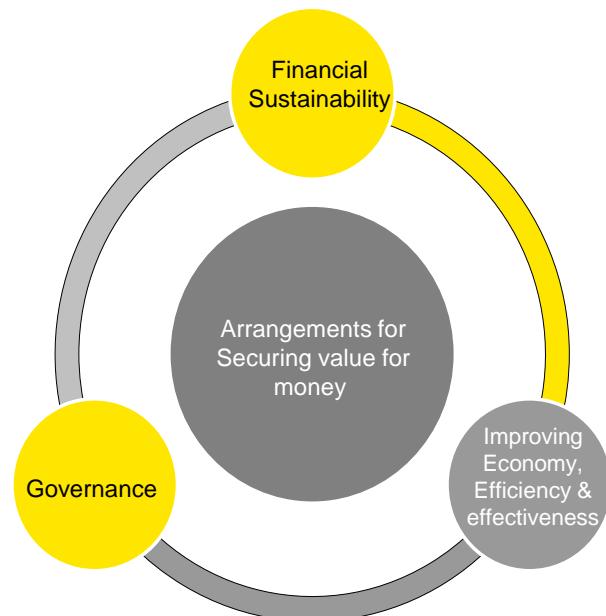
We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

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

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

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

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



# Value for Money (cont'd)

## Risk of significant weakness in VFM arrangements

### What is the risk of significant weakness?

Significant risk: Weaknesses in property compliance management for Housing Revenue Account properties owned or managed by the Council, and governance and internal control within the Council's Housing Service and Property Services Department

### What arrangements did this impact?

#### Governance:

- How the body monitors and assesses risk and how the body gains assurance over the effective operations of internal controls, including arrangements to prevent and detect fraud.
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements.

#### Improving economy, efficiency and effectiveness:

- How financial and performance information in the Council's Housing Service has been used to assess performance to identify areas for improvement.
- How the Council assesses whether it is realising the expected benefits for repairs and maintenance work to its housing stock.

### What did we do?

#### Our approach focused on:

- The assessment of the progress made in delivering the requirements of the action plan and addressing the weaknesses in arrangements over HRA properties by the end of 2024/25.
- Consideration of the significance of the findings of the external reviews commissioned by the Council. We engaged EY Forensics (EYF) to shadow these external reviews.

## Findings

We have issued our VFM narrative commentary in our 2024/25 Auditor's Annual Report on 17 November 2025. Within our Audit Planning Report, we identified risk of significant weakness in the Authority's arrangements under the reporting criterion *Governance: How the Council ensures that it makes informed decisions and properly manages its risks*. We updated our risk assessment at the execution phase of the audit and determined that the significant risk considered in respect of the Council's governance arrangements is also relevant to the Council's arrangements for improving economy, efficiency and effectiveness.

See details of our findings on the next page.

# Value for Money (cont'd)

Risk of significant weakness in VFM arrangements

## Findings (cont'd)

In our 2023/24 VFM review, we reported that an external assessment of the Council's arrangements for compliance with legal and regulatory requirements for Housing Revenue Account properties resulted in a no assurance rating. Following a self-referral to the Regulator of Social Housing (RSH), the Regulator identified serious failings in meeting consumer standards, particularly in the Safety and Quality Standard and the Transparency, Influence and Accountability Standard. Key issues included incomplete health and fire safety checks, absence of an asbestos re-inspection programme, lack of up-to-date property condition records, and insufficient evidence of providing tenants with accurate performance information. These weaknesses created an overarching risk that the Council could not demonstrate compliance or ensure tenant safety. An action plan to address these issues was agreed by Cabinet in February 2025 (the Housing Compliance Improvement Plan) with progress being regularly updated and reported to members. Relevant actions remained ongoing at the end of the 2024/25 year.

In the prior year, we concluded that these findings evidenced inadequate governance arrangements and reported this weakness by exception in our 2023/24 audit report. As a result of this and the underlying governance and internal control weaknesses within the Council's Housing Service and Property Service Department, further reviews were commissioned by the Council to gain assurance across three theme areas.

### *Theme 1 Irregularity - Investigated and addressed by the Southern Internal Audit Partnership (SIAP) Counter Fraud Unit (CFU)*

Work was undertaken into:

- The duplication of jobs and approval of work. As part of its investigative work, the CFU developed an understanding of how the work carried out by Cardo Group, the Council's main housing repairs and maintenance contractor, was approved and recorded in the Council's housing management system. The CFU also compared, on a sample basis, the work recorded in the housing management system to the work invoiced by Cardo Group and the subsequent payments.
- Contract extensions for Cardo. The CFU reviewed information including the initial contract between the Council and Cardo Group, the subsequent extensions and evidence of the related approvals.
- Inaccurate returns to regulators. The CFU developed an understanding of the Council's returns submission process and reviewed relevant documentation and information, including evidence provided by the Council of the returns made and subsequent queries received by the Council from the recipients of the returns.

### *Theme 2 Control Weakness or Non-Compliance - Addressed by SIAP as part of internal audit assurance with input from Pennington Choices*

SIAP reviewed process notes and documentation for key elements of the housing repairs and maintenance process. SIAP examined a sample of jobs carried out by Cardo Group as well as a sample of jobs carried out by other contractors. For each sample, SIAP reviewed the information raised on the housing management system, checked for evidence of authorisation, quotes, post-inspection sign-off, and analysed supporting invoices and records to assess whether controls were being applied consistently and whether sufficient evidence existed to support variations in job values (between purchase order value and invoice value) and the approval of completed works. Concerns around health and safety were addressed through work undertaken by the Council prior to CFU and SIAP commencing their investigative work. The Council engaged a third party, Pennington Choices, to provide a high-level assessment of property compliance management and performance for six compliance areas: gas, electric, fire, asbestos, water, and lifts.

### *Theme 3 Council Managed Risks - Investigated and addressed by the Council with the support of South-East Employers*

This theme considered the culture and overall governance of the Council's Housing Service and Property Services Department.

# Value for Money (cont'd)

Risk of significant weakness in VFM arrangements

## Findings (cont'd)

Given the significance of the issues investigated across the three theme areas and their continued relevance to our consideration of the Council's VFM arrangements in 2024/25, the performance of all of the investigations was shadowed and reviewed by EY Forensics (EFY). The investigations and EFY's consideration of them were completed by September 2025. EFY's conclusion was that there was a sufficient basis to rely upon the scope of work and the findings set out in each of the investigation reports.

We considered the following adverse findings from the investigations as relevant to our 2024/25 assessment of the Council's VFM arrangements:

- There were insufficient records or evidence to conclude whether proper value was obtained from the main housing repairs contractor and that there was no duplication of jobs.
- The failure to follow defined processes extended to work undertaken by parties other than the main contractor.
- Although there was no evidence of financial irregularity or non-compliance with laws and regulation, full assurance could not be given that the contract extension with the main housing repairs maintenance contractor was carried out transparently and reported correctly.
- Inaccurate returns on housing stock condition were being submitted to regulators.
- Poor data quality and inadequate oversight and internal control within the housing service may lead to inaccurate data being used for performance reporting.

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We consider that the lack of risk management arrangements to ensure the Council's legal and regulatory obligations in respect of its housing stock are being achieved and poor data quality in housing is evidence of significant weaknesses in arrangements for how the Council monitors and ensures appropriate standards, such as meeting legislative and regulatory requirements.

We consider the fact there are insufficient records or evidence to be able to conclude whether proper value was obtained from the housing repairs contractor and that there was no duplication of jobs, and that the failure to follow defined processes extended to work undertaken by parties other than the main contractor is evidence of significant weaknesses in arrangements for how the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

We consider the findings and conclusions of the investigations above relevant to the Council's arrangements for improving economy, efficiency and effectiveness, particularly:

- Housing stock 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.
- There were insufficient records or evidence to conclude whether proper value was obtained from the main housing repairs contractor and that there was no duplication of jobs.
- The failure to follow defined processes also extended to work undertaken by third parties other than the main contractor.
- Inaccurate returns on housing stock condition were being submitted to regulators. Weaknesses in data quality and a lack of oversight and internal control within the housing service meant that similarly flawed data could be being used to report performance.

We also consider the lack of assurance over the value obtained from payments made to the main housing repairs contractor, potential for duplication of jobs and the fact the failure to follow defined processes also extended to work undertaken by third parties other than the main contractor is evidence of significant weaknesses in arrangements for how the Council assesses whether it is realising the expected benefits where it commissions or procures services.

We expect to report by exception on the Council's VFM arrangements in respect of these matters in our 2024/25 audit report.



# 04 Audit Report

# Audit Report

## Draft audit report

As reported in our 14 February 2025 Audit Results Report, we issued a disclaimer of opinion on the Council's 2023/24 and 2022/23 financial statements under the arrangements to reset and recover local government audit.

In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance. This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements. We also have not been able to complete all planned procedures to gain assurance on the valuation of property, plant & equipment and investment property in either 2023/24 or 2024/25 because of weaknesses in the quality of evidence provided and in certain assumptions adopted by the Council's valuer for assets valued at Existing Use Value and Fair Value.

The areas where we have not obtained those assurances are included within the summary of the assurances we have gained from our 2023/24 and 2024/25 audit procedures, set out at Appendix B.

 Taken together with the requirement to conclude our work by the 2024/25 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2024/25 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2024/25 audit opinion.

 Appendix A sets out the current position of Winchester City Council in rebuilding to return to a position of full assurance on its financial statements as compared with the timeline envisaged by the NAO's LARRIG 01.

As set out in Section 03, we also expect to report by exception on the Council's VFM arrangements in our 2024/25 audit report, particularly in relation to governance and securing economy, efficiency and effectiveness in the use of resources.

The full form and content of the 2024/25 Audit Report will be shared with the Section 151 Officer in due course to enable formal authorisation of the 2024/25 financial statements for issue.



05

## Audit Differences

# Audit Differences

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

## Summary of adjusted differences

We have identified uncorrected misstatements amounting to £240k in relation to the turnaround effect of prior year understatement of CIES expenditure and payable accruals. This has resulted in an overstatement of CIES expenditure in the current audit period.

We have identified the following disclosure misstatements which the management agreed to adjust:

- Note 28 (Accounting policies) - Missing accounting policy on the measurement of heritage assets and impairment loss treatment for council tax and non-domestic rates debtor balances.
- Note 13 (Defined benefit pension schemes) - Actual return on scheme assets was disclosed as £6.4 million and should have been £4.6 million; additional disclosure is needed on the impact of the Virgin Media case on the Local Government Pension Scheme.
- Notes to Housing Revenue Account – Missing HRA depreciation and impairment disclosure.

At the time of writing this report, we have not received the final statement of accounts to confirm the above adjustments have been correctly made.

# Audit Differences (cont'd)

## Summary of unadjusted differences

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

Uncorrected misstatements 31 March 2025 (£'000)	Effect on the current period		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non- current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Errors						
Known differences:	-	-	-	-	-	-
Judgemental differences:	-	-	-	-	-	-
Balance sheet totals	-	-	-	-	-	-
Income effect of uncorrected misstatements (before tax)	-	-	-	-	-	-
Cumulative effect of uncorrected misstatements before turnaround effect	-	-	-	-	-	-
Turnaround effect. See Note 1 below.	-	(240)	-	-	-	-
Cumulative effect of uncorrected misstatements, after turnaround effect	-	(240)	-	-	-	-

The amounts presented above reflect the position at the date of this report and may be updated following the completion of final reviews of detailed audit testing.

As at the date of writing, there are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2025.

Note 1: turnaround effect is the impact of uncorrected misstatements related to the prior period, on results of the current period.



06

## Assessment of Control Environment

# Assessment of Control Environment

## Financial controls

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

During the audit, we identified control deficiency in relation to the weaknesses in the quality of evidence provided and assumptions made by the Council's valuer for assets valued using EUV/FV method. The same observation was raised in the prior year audit results report.

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## Land and Building valuation

### Observation

During our land and building valuations testing we identified weaknesses in the quality of evidence provided and assumptions made by the Council's external valuer for assets valued using EUV/FV method. EYRE applied their own judgments based on available market information and evidence provided by the Council and its external valuer. Results of EYRE review showed that certain assumptions used by the external valuer were inconsistent with wider valuation practice. Due to the statutory backstop date of 28 February 2026, we were unable to complete further procedures to resolve the judgmental differences or conclude on whether it resulted in misstatements in the financial statements.

### Impact

The issue has the potential to delay the Council's progress against the expected timescales for rebuilding assurance set out in LARRIG 01 (see Appendix A for illustration), as this recurring matter has an impact on the audit opinion.

### Recommendation

Management should continue to challenge both the key inputs and assumptions used in the valuation and the outputs from its professional valuer.

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2024/25 audit (including IT controls).

	High	Moderate	Low	Total
Open at 31 March 2024	0	1	1	2
Closed during FY25	0	0	1	1
New points raised in FY25	0	0	0	0
Total open points as at 31 March 2025	0	1	0	1

Key:

A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.

Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.

Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

# Assessment of Control Environment (cont'd)

## Status of previous year's recommendations

Recommendation	Grading			Update
	H	M	L	
Management should continue to challenge both the key inputs and assumptions used in the valuation and the outputs from its professional valuer.	H			Similar with prior year, we identified weaknesses in the quality of evidence provided and assumptions made by the Council's valuer for assets valued using EUV/FV method. EYRE applied their own judgments based on available market information and evidence provided by the Council and its external valuer. Results of EYRE review showed that certain assumptions used by the external valuer were inconsistent with wider valuation practice. As a result, we do not consider the recommendation to be addressed. To be able to fully restore assurance on the Council's financial statements it is essential that this issue is addressed by management. We therefore now consider it be a high priority.
Management to review the existence of assets recognised in its fixed asset register and accounts.		L		We have gained assurance over the existence of assets accounted for through our testing in the current year. We are therefore satisfied the recommendation has been addressed.

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## Other Reporting Issues

# Other Reporting Issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Winchester City Council Statement of Accounts 2024/25 with the audited financial statements

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

Financial information in the Winchester City Council Statement of Accounts 2024/25 and published with the financial statements was consistent with the audited financial statements.

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

## Whole of Government Accounts

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

We have not yet performed the procedures required by the NAO on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete, and the NAO has confirmed no further procedure are required.

## Other powers and duties

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

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



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## Independence

# Independence

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

## Relationships

There are no relationships from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Services provided by EY

There are no services provided by EY from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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

# Independence

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

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

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

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

- Officers meeting the agreed timetable of deliverables;
- Our financial statements opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular, the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. A narrative summary of the areas where we expect to raise scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	Current Year	Prior Year
	£m	£m
Scale Fee - Code Work	172,922	157,826
Proposed scale fee variation	Note 2	59,832 Note 1
<b>Total fees</b>	<b>172,922</b>	<b>217,658</b>

*All fees exclude VAT*

(1) As set in our 2023/24 Audit Results Report / Auditor's Annual Report a scale fee variation was submitted to PSAA covering the following areas:

- Additional procedures to implement the revised ISA 315 (UK) auditing standard as originally set out in our Audit Planning Report.
- 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.
- 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.
- 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.
- Work performed by audit team on VFM risk of significant weakness.
- Additional work performed by audit team and EY Forensics and Integrity Services on potential non-compliance with law and regulation.

As at the date of this report that scale fee variation has now been determined at a total value of £59,832

(2) We propose to submit a scale fee variation to PSAA for additional 2024/25 work covering the following areas:

- Additional procedures to assess the completeness and accuracy of transitional adjustments and disclosures, arising as a result of the implementation of IFRS 16 in 2024/25. PSAA have previously communicated that any additional work required as a result of the implementation of this new accounting standard has not been accounted for within the Scale Fee.
- Work performed by EY Pensions to review the assumptions used in the Pensions Liability and asset ceiling calculation, alongside additional work performed by the EY Audit Team to review the revised IAS 19 report requested from the Pension Fund Actuary.
- Additional work performed by audit team and EY Forensics and Integrity Services in relation to the significant risk identified in VFM arrangements. See Section 03 for details.

Final scale fee variations remain subject to approval by PSAA.



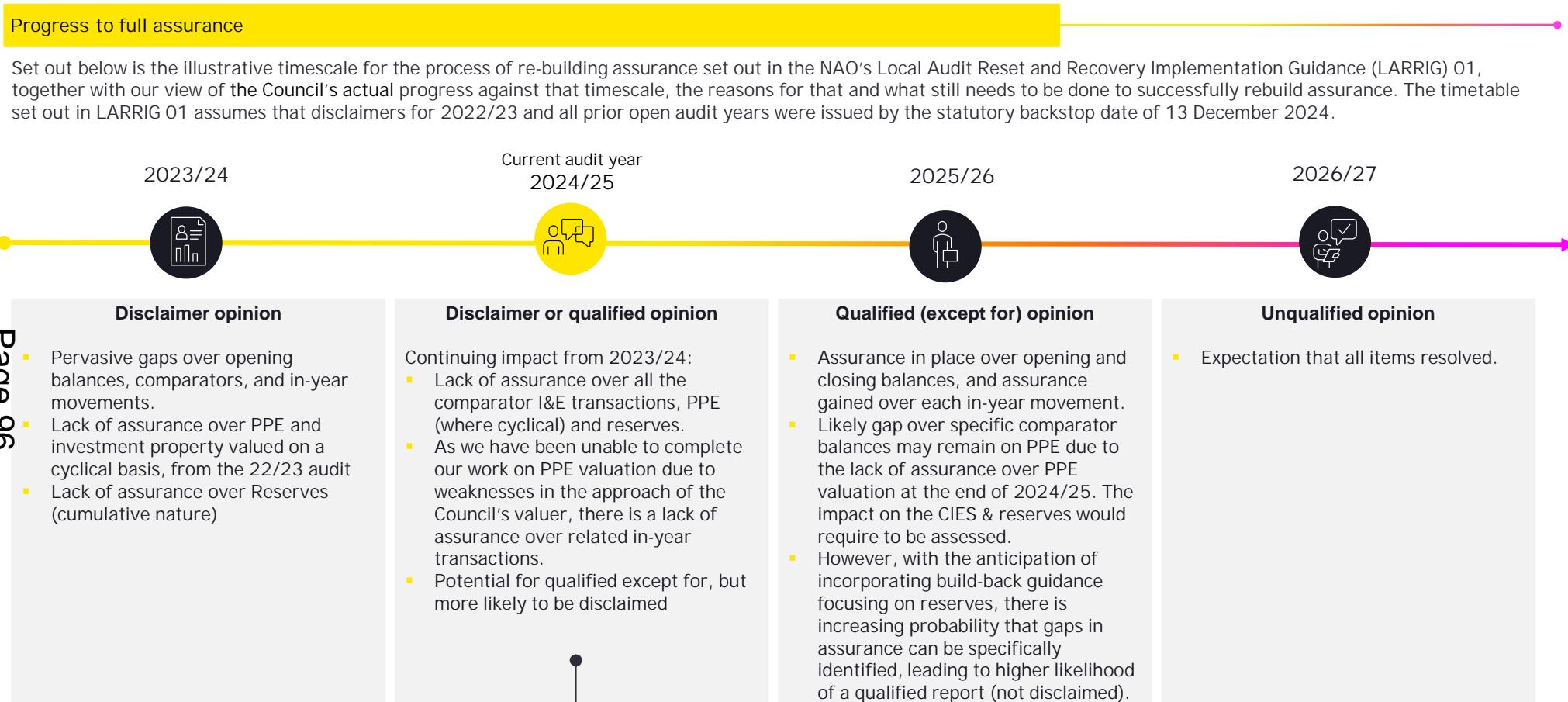
# 09 Appendices

# Appendix A – Progress to full assurance

## Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.

EXPECTED STATUS  
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### CURRENT AUDIT STATUS OF WINCHESTER CITY COUNCIL

- The Council's progress is in line with the expected timescales for rebuilding assurance set out in LARRIG 01.
- Consistent with the prior year, we identified weaknesses in the quality of evidence provided and assumptions made by the Council's external valuer for assets valued using EUV/FV method and therefore were unable to gain assurance over the valuation of property, plant & equipment and investment property accounts for the in the financial statements. To be able to rebuild assurance on the Council's financial statements in line with the expected timescales, it is now essential that this issue is addressed by management. Appendix B sets out in more detail the assurance we have gained by accounts area.

# Appendix B – Updated summary of assurances

## Summary of Assurances

The table below summarises the audit work we have completed on the 2023/24 and 2024/25 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Property, Plant and Equipment – Land and buildings (EUV/FV)	None	None	We have completed testing of the 2023/24 and 2024/25 additions and disposals to the fixed asset register and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets. However, during our land and buildings valuation testing, we identified weaknesses in the quality of evidence provided and in certain assumptions adopted by the Council's valuer for assets valued using the EUV/FV method. Due to the statutory backstop date of 27 February 2026, we were unable to conclude on whether these matters resulted in material misstatements in the financial statements. Until assurance can be rebuilt over PPE additions, disposals, and revaluations in the previously disclaimed periods, and the judgmental differences relating to assets valued using the EUV/FV method are resolved, we are unable to obtain full assurance over the completeness and valuation of PPE.
Property, Plant and Equipment – Land and buildings (DRC) and Council Dwellings	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Property, Plant and Equipment – Non- land and buildings	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Investment Property	None	None	We have completed testing of the 2023/24 and 2024/25 additions and disposals to the fixed asset register and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets. However, during our land and buildings valuation testing, we identified weaknesses in the quality of evidence provided and in certain assumptions adopted by the Council's valuer for assets valued using the EUV/FV method. Due to the statutory backstop date of 27 February 2026, we were unable to conclude on whether these matters resulted in material misstatements in the financial statements. Until assurance can be rebuilt over the revaluations in the previously disclaimed periods, and the judgmental differences relating to assets valued using the EUV/FV method are resolved, we are unable to obtain full assurance over the completeness and valuation of investment.
Heritage Assets	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Cash and Cash Equivalents	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.

# Appendix B – Updated summary of assurances

## Summary of Assurances (continued)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Investments (short and long term)	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short-term Debtors	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short-term Creditors	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Borrowings (short and long term)	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Grants received in advance	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Pension Scheme Liability	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Other Disclosures	Partial	Substantial	We have completed our planned procedures in this area and have obtained assurance over the in-year transactions for the 2024/25 financial year.
Cash Flow Statement	Partial	Substantial	We have completed our planned procedures in this area and have obtained assurance over the in-year transactions for the 2024/25 financial year.
Collection Fund	Partial	Substantial	We have completed our planned procedures in this area and have obtained assurance over the in-year transactions for the 2024/25 financial year.
Comprehensive Income and Expenditure Statement	Partial	Partial	We completed our planned testing on the Comprehensive Income and Expenditure Statement in 2023/24 and 2024/25 but, as we do not have full assurance over income and expenditure entries relating to PPE and investment properties, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Housing Revenue Account	Partial	Substantial	We have completed our planned procedures in this area and have obtained assurance over the in-year transactions for the 2024/25 financial year.
Reserves	None	None	We have completed our work on the movements in reserves in 2023/24 and 2024/25 but, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the useable and unusable reserves of the Council reported in the financial statements. We were able to obtain substantial assurance on the Pension Reserve.

# Appendix E – Required communications with those charged with governance

## Required communications with those charged with governance

There are certain communications that we must provide to those charged with governance. We have detailed these here together with a reference of when and where they were covered:

Required communications	What is reported?	Our Reporting to you	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"><li>▪ The planned scope and timing of the audit</li><li>▪ Any limitations on the planned work to be undertaken</li><li>▪ The planned use of internal audit</li><li>▪ The significant risks identified</li></ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	Audit planning report, as presented to the Audit & Governance Committee, July 2025	
Significant findings from the audit	<ul style="list-style-type: none"><li>▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li><li>▪ Significant difficulties, if any, encountered during the audit</li><li>▪ Significant matters, if any, arising from the audit that were discussed with management</li><li>▪ Written representations that we are seeking</li><li>▪ Expected modifications to the audit report</li><li>▪ Other matters if any, significant to the oversight of the financial reporting process</li></ul>	Audit results report – Audit & Governance Committee, January 2026	

# Appendix E – Required communications with those charged with governance (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▪ Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▪ The appropriateness of related disclosures in the financial statements</li> </ul>	Audit results report – Audit & Governance Committee, January 2026
Misstatements	<ul style="list-style-type: none"> <li>▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▪ The effect of uncorrected misstatements related to prior periods</li> <li>▪ A request that any uncorrected misstatement be corrected</li> <li>▪ Material misstatements corrected by management</li> </ul>	Audit results report – Audit & Governance Committee, January 2026
Fraud	<ul style="list-style-type: none"> <li>▪ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▪ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>▪ Management;</li> <li>▪ Employees who have significant roles in internal control; or</li> <li>▪ Others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▪ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▪ Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	Audit results report – Audit & Governance Committee, January 2026

# Appendix E – Required communications with those charged with governance (cont'd)

Required communications	What is reported?	When and where	Our Reporting to you
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"><li>▪ Non-disclosure by management</li><li>▪ Inappropriate authorisation and approval of transactions</li><li>▪ Disagreement over disclosures</li><li>▪ Non-compliance with laws and regulations</li><li>▪ Difficulty in identifying the party that ultimately controls the entity</li></ul>		Audit results report – Audit & Governance Committee, January 2026
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"><li>▪ The principal threats</li><li>▪ Safeguards adopted and their effectiveness</li><li>▪ An overall assessment of threats and safeguards</li><li>▪ Information about the general policies and process within the firm to maintain objectivity and independence</li></ul> <p>Communications 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, as presented to the Audit &amp; Governance Committee, July 2025</p> <p>Audit results report – Audit &amp; Governance Committee, January 2026</p>

# Appendix E – Required communications with those charged with governance (cont'd)

Required communications	What is reported?	Our Reporting to you	When and where
External confirmations	<ul style="list-style-type: none"><li>Management's refusal for us to request confirmations</li><li>Inability to obtain relevant and reliable audit evidence from other procedures.</li></ul>		Audit results report – Audit & Governance Committee, January 2026
Consideration of laws and regulations	<ul style="list-style-type: none"><li>Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li><li>Enquiry of the audit 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</li></ul>		Audit results report – Audit & Governance Committee, January 2026
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"><li>Significant deficiencies in internal controls identified during the audit.</li></ul>		Audit results report – Audit & Governance Committee, January 2026

# Appendix E – Required communications with those charged with governance (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit results report – Audit & Governance Committee, January 2026
System of quality management	<ul style="list-style-type: none"> <li>How the system of quality management (SQM) supports the consistent performance of a quality audit</li> </ul>	Audit results report – Audit & Governance Committee, January 2026
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit results report – Audit & Governance Committee, January 2026
Auditors report	<ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report – Audit & Governance Committee, January 2026

# Appendix F – Outstanding matters

## Outstanding matters

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

Item	Actions to resolve	Responsibility
Full completion of our work on IFRS 16 implementation and disclosures	EY to complete the testing on the completeness of IFRS 16 leases and review the IFRS 16 disclosures	EY
Final review procedures on some areas of detailed testing	EY to fully complete reviews of detailed testing and follow up any issues arising as appropriate	EY
Receipt of updated Annual Report and accounts	Review of the updated financial statements and consistency check of the financial and non-financial information in the Annual Report	EY and management
Review of final signed accounts	Receipt and checking of final signed accounts	EY and management
Going concern review and disclosures	EY review process and finalisation of disclosures and opinion wording	EY and management
Management representation letter	Receipt of signed management representation letter	Management and Audit & Governance Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion.

# Appendix G – Regulatory update

## The English Devolution and Community Empowerment Bill – Audit Measures

### Background

On 16 December 2024, the Government published the English Devolution White Paper. The White Paper outlines how England is one of the most centralised countries in the world and contends that over-centralisation is holding back the prosperity of the regions. As a result, there is an intention from Government to widen and deepen devolution to local areas across England. The English Devolution and Community Empowerment Bill (the Bill) is intended to provide the legislative framework to do this by setting out a standardised framework of devolved powers, duties and functions. The bill is in six parts:

- Part 1 introduces the new devolution architecture for England, centred around the new category of “strategic authorities” (SAs). These are organisations designated by Government to have responsibility for strategy development and programme delivery over larger functional economic areas.
- Part 2 outlines the powers and duties which existing and future SAs will have, and the new process by which new powers and duties can be conferred on SAs by Government in the future.
- Part 3 is focused on measures designed to strengthen local government and communities.
- Part 4 is intended to strengthen the accountability of the local government sector by reforming the local audit system, including the establishment of the Local Audit Office (LAO) as the body responsible for overseeing local audit.
- Part 5 concerns the banning of upwards only rent review clauses for commercial leases to prevent vacant shops and regenerate high streets in communities across England.
- Part 6 contains the technical sections related to the Bill, including on regulations, commencement and extent.

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The draft legislation can be found in full at [English Devolution and Community Empowerment Bill](#).

### Part 4 of the Bill - Reforming local audit

The Bill is intended to overhaul the local audit system as is part of the wider measures to address the backlog in local government audit previously considered by this report. Specifically:

- The LAO will be established with the aim of radically simplifying the current audit system and bringing functions together under a single organisation with a clear remit. The LAO will be responsible for coordinating the system, standard setting, contracting, quality oversight and reporting. It will also support and enable wider measures to address pressing challenges, including reforms to financial reporting; strengthening audit capacity and capability; and establishing public provision of audit to support the private market.
- The LAO will be responsible for audit quality and the regulation of audit providers. Regulatory powers can be delegated.
- The LAO will be responsible for auditor appointment to all local audits other than for NHS bodies, will set indicative fees, publish those fees and make final determinations on the fees to be paid. The ability of local authorities to appoint their own auditors is removed.
- Audit firms will be required to nominate ‘lead individuals’ and have pre-approval of their own eligibility criteria.
- The responsibility for production of the Code of Audit Practice passes from the NAO to LAO. The LAO is also able to determine technical standards that auditors must follow.
- Statutory guidance for Audit Committees will be developed by LAO in conjunction with the Local Government Association, CIPFA and other relevant bodies.

We will continue to keep you updated as these arrangements develop.

# Appendix G – Draft management representation letter

## Management representation letter

### Draft Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Simon Mathers  
Ernst & Young LLP  
Grosvenor House,  
Grosvenor Square,  
Southampton  
SO15 2BE

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This letter of representations is provided in connection with your audit of the financial statements of Winchester City Council ("the Council") for the year ended 31 March 2025. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Winchester City Council as of 31 March 2025 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

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

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

#### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The material accounting policy information adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].
6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

# Appendix G – Draft management representation letter

## Management representation letter

### Draft Management Rep Letter

#### B. Non-compliance with law and regulations, including fraud

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

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#### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting as published online on the Winchester City Council's website at the date of this letter.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

# Appendix G – Draft management representation letter

## Management representation letter

### Draft Management Rep Letter

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6. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
7. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

#### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 22 to the financial statements all guarantees that we have given to third parties

#### E. Going Concern

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

#### F. Subsequent Events

There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

#### H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, aligned with the statements we have made in the other information or other public communications made by us.

#### I. Reserves

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

#### J. Use of the Work of a Specialist

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

# Appendix G – Draft management representation letter

Management representation letter

Draft Management Rep Letter

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## K. Estimates

Valuations of property, plant and equipment, investment properties and net pension liability

1. We confirm that the significant judgments made in making the valuation of property, plant and equipment, investment properties, and pension liabilities have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of property, plant and equipment, investment properties, and pension liabilities.
3. We confirm that the significant assumptions used in making the valuation of property, plant and equipment, investment properties, and pension liabilities appropriately reflect our intent and ability to carry out valuations on behalf of the Council.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of property, plant and equipment, investment properties, and pension liabilities.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements.

## L. Retirement benefits

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

*Yours faithfully,*

Liz Keys - Section 151 Officer (Chief Finance Officer)

Councillor Jonny Morris – Chairperson of the Audit & Governance Committee

xx February 2026

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ED None

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Simon Mathers  
Partner  
Ernst & Young LLP  
Grosvenor House  
Grosvenor Square  
SOUTHAMPTON  
SO15 2BE

February 2026

This letter of representations is provided connection with your audit of the financial statements of Winchester City Council ("the Council") for the year ended 31<sup>st</sup> March 2025. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Winchester City Council as of 31<sup>st</sup> March 2025 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

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

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

**A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The material accounting policy information adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local

Authority Accounting in the United Kingdom 2024/25 that are free from material misstatement, whether due to fraud or error.

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

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

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

## **C. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the Council's financial statements.
3. We have made available to you all minutes of the meetings of the Full Council, the Cabinet and Audit and Governance Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting as published online on the Council's website at the date of this letter.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the Council's financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
6. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
7. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the Council's financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the Council's financial statements, in

each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

#### **D. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 22 to the financial statements all guarantees that we have given to third parties.

#### **E. Going Concern**

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

#### **F. Subsequent Events**

1. There have been no events subsequent to period end which require adjustment or disclosure in the financial statements or notes thereto.

#### **G. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises Narrative Statement and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

#### **H. Climate-related matters**

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, aligned with the statements we have made in the other information or other public communications made by us.

#### **I. Reserves**

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

## **J. Use of the Work of a Specialist**

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

## **K. Estimates**

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

1. We confirm that the significant judgments made in making the valuation of property, plant and equipment, investment properties and pension liabilities have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of property, plant and equipment, investment properties and pension liabilities.
3. We confirm that the significant assumptions used in making the valuation of property, plant and equipment, investment properties and net pension liability appropriately reflect our intent and ability to carry out valuations on behalf of the Council.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of property, plant and equipment, investment properties and pension liabilities.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

## **L. Retirement benefits**

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

Signed on behalf of Winchester City Council

Elizabeth Keys (Chief Financial Officer/ S151 Officer)

Councillor Jonny Morris (Chairperson of the Audit and Governance Committee)

February 2026

REPORT TITLE: AUDITED ANNUAL FINANCIAL REPORT 2024/25

29 JANUARY 2026

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

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

WARD(S): ALL WARDS

PURPOSE

This report presents the audited Annual Financial Report 2024/25 which includes:

- a narrative statement (for noting); and
- the audited Statement of Accounts for the year ended 31 March 2025 (for approval).

The Accounts and Audit (Amendment) Regulations 2015 were amended in 2024 for financial years 2015-2027 as part of measures to address the audit backlog. The 2024/25 financial statements must be published by 27th February 2026 backstop date.

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

Elsewhere on the agenda the External Auditors have presented their Audit Results Report which includes a proposed disclaimer opinion (AG174). It is important that Members have considered the key issues contained in the Accounts. Members have had the opportunity to raise any queries regarding the Financial Statements in the period since the pre-audit accounts were originally issued in June 2025 and are once again requested to raise any matters of detail with the Director (Finance).

**RECOMMENDATIONS:**

1. That the Committee approves the audited Statement of Accounts 2024/25 as set out in Appendix 1.
2. That the Chair of the Audit & Governance Committee signs the Statement of Responsibilities on page 32 of Appendix 1 to certify the accounts and authorise their issue.

**IMPLICATIONS:****1      COUNCIL PLAN OUTCOME**

1.1    Efficient and Effective

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

**2      FINANCIAL IMPLICATIONS**

2.1    The scale fee for the audit of the 2024/25 accounts is £172,922.

2.2    The 2023/24 scale fee variation has now been agreed by PSAA as £59,832, increasing the final audit fee for the prior year to £217,658. The fee variations were due to:

- Additional procedures to implement the revised ISA 315 (UK) auditing standard
- Additional procedures to consider the Council's readiness for the implementation of IFRS 16
- 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
- Work performed by EY Real Estate (EYRE) to review the assumptions 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
- Work performed by audit team on VFM risk of significant weakness.
- Additional work performed by audit team and EY Forensics and Integrity Services on potential noncompliance with law and regulation.

**3      LEGAL AND PROCUREMENT IMPLICATIONS**

3.1    Local authorities in the UK are required to prepare their accounts in accordance with 'proper (accounting) practices' as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code). The Code specifies the principles and practices of accounting, required to prepare financial statements that give a true and fair view of the financial position and transactions of a local authority.

3.2 The Audit and Accounts Regulations 2015 require an authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and include a statement reporting on the review alongside the Statement of Accounts.

3.3 The necessity to conform to these Regulations and the Code is recognised accurately in this report. There are no direct legal implications.

4 **WORKFORCE IMPLICATIONS**

4.1 None.

5 **PROPERTY AND ASSET IMPLICATIONS**

5.1 None.

6 **CONSULTATION AND COMMUNICATION**

6.1 A public notice is published to inform interested parties of their rights to inspect the statement of accounts and records relating to them. The public notice also details how to access this information and how to ask questions of and make objections to the council's external auditor. This was published the day following publication of the unaudited Annual Financial Report, the 1st July 2025. There have been no requests, questions or objections received by the council or the auditors.

7 **ENVIRONMENTAL CONSIDERATIONS**

7.1 None.

8 **PUBLIC SECTOR EQUALITY DUTY**

8.1 None.

9 **DATA PROTECTION IMPACT ASSESSMENT**

9.1 None.

10 **RISK MANAGEMENT**

<b>Risk</b>	<b>Mitigation</b>
<p>Reputation</p> <p>The financial statements receive an adverse external audit opinion.</p>	<p>The statements are prepared in accordance with the CIPFA code of practice. Accounts staff attend regular public sector accounting workshops delivered by CIPFA.</p> <p>Regular engagement with external audit on potential issues identified.</p>

Achievement of outcome	A project plan for the delivery of the accounts closedown is used to ensure the Statement of Accounts and Annual Financial Report are produced by the statutory and audit deadlines.
Failure to meet the statutory deadline for publication of the financial statements.	A comprehensive set of working papers was produced in advance of the external audit.

## 11 SUPPORTING INFORMATION:

### **External Audit**

11.1 The financial statements have been subject to external audit by Ernst and Young LLP (EY). In accordance with the statutory requirements, it is planned that the audited Statement of Accounts will be published, together with the auditor's opinion, Narrative Statement and Annual Governance Statement, by the 27th February 2026.

11.2 The Accounts and Audit Regulations (2015) were amended in 2024 for financial years 2015-2027 as part of measures to address the audit backlog. The 2024/25 financial statements must be published by 27th February 2026 and if local audits are not finalised by this deadline disclaimers of opinion will be issued.

11.3 EY anticipate that they will issue a disclaimer of opinion on the council's 2024/25 Financial Statements. EY have set out in their annual reports (AG174 and AG175 refer) the reasons for this being twofold:

- As a result of the disclaimer of opinion on the 2023/24 financial statements, EY have said they do not have assurance over some brought forward balances from 2023/24; some 2024/25 in-year movements; and the 2023/24 comparative balances disclosed in the 2024/25 financial statements.
- EY have also not completed their procedures to resolve the judgmental differences regarding the valuation of some PPE and investment property assets, or concluded whether any potential errors might be material to the accounts.

11.4 The lack of assurance over these movements and balances means that they are unable to conclude that the 2024/25 financial statements are free from material and pervasive misstatement, therefore anticipate issuing a disclaimed opinion.

- 11.5 However, it should be noted that these issues are not unique to Winchester and have not put the council behind on the 'progress to full assurance' journey as set out in the NAO's Local Audit Reset and Recovery Implementation Guidance.
- 11.6 Ahead of the audit of the accounts for the year ending 31st March 2026 the council will work with its external professional valuers and the EY team and to try and resolve the judgemental differences that have been identified. This is reliant on the EY Real Estate team sharing their detailed findings and evidence base with the council.
- 11.7 Since the preparation of the pre-audit Statement of Accounts and its publication in June 2025, there have been no material amendments to the draft statements.

### **Approval of the Statement of Accounts**

- 11.8 The Statement of Accounts has been prepared in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and any subsequent Local Authority Accounting Panel (LAAP) recommendations.
- 11.9 The council's Statement of Accounts was signed, prior to the Committee meeting, by the Director (Finance), in her capacity as Section 151 Officer, to certify that they give a true and fair view of the financial position of the Council as at 31 March 2025.
- 11.10 In addition, the Chair of the Audit and Governance Committee is required to sign the Statement of Accounts to certify that they have been approved by a resolution of the Audit and Governance Committee and that they are authorised for issue.

### **12 OTHER OPTIONS CONSIDERED AND REJECTED**

- 12.1 Not applicable.

### **BACKGROUND DOCUMENTS:-**

#### **Previous Committee Reports:-**

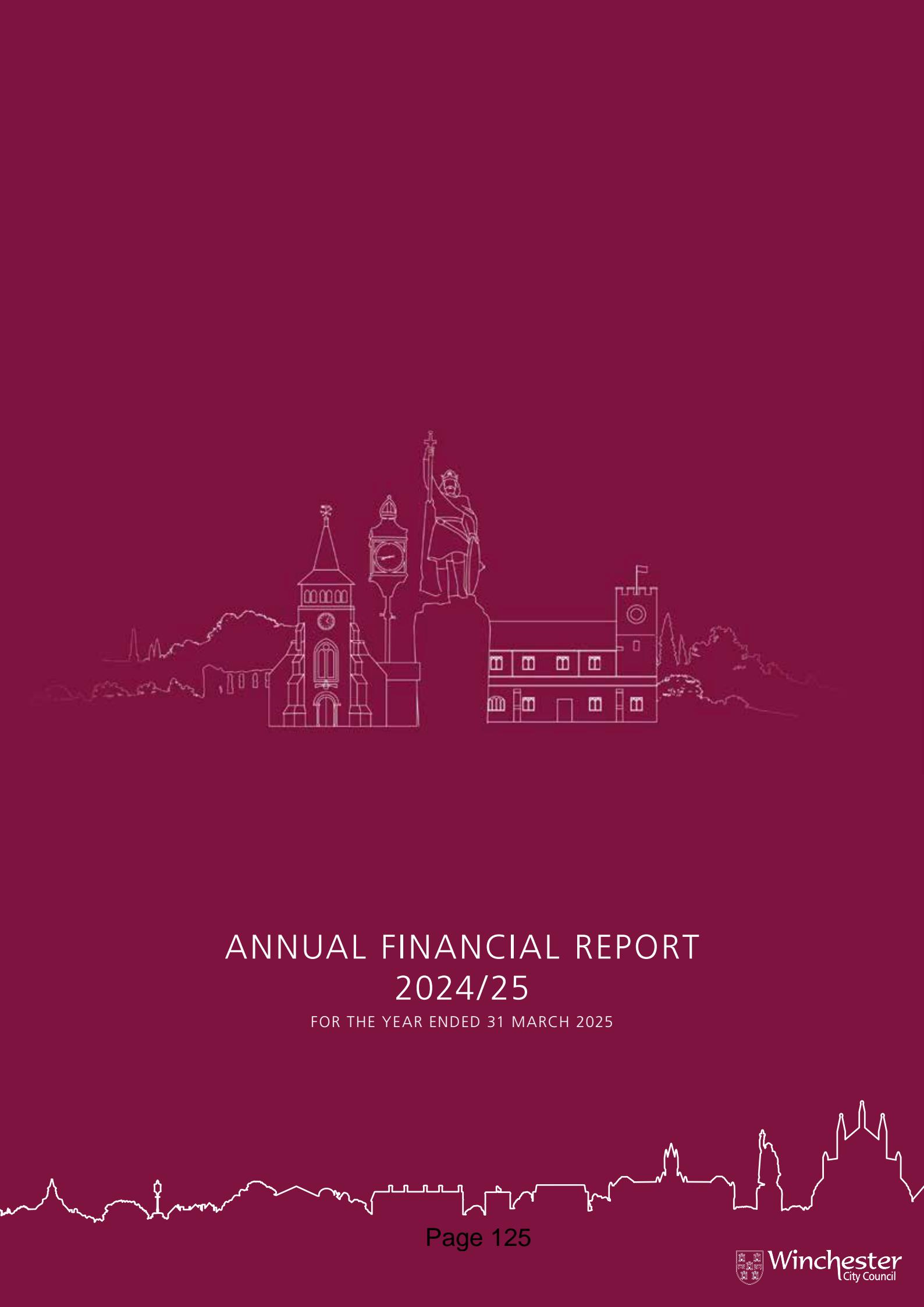
[AG167 Draft Annual Financial Report 2024-25.docx](#)

### **APPENDICES:**

Appendix 1 – Annual Financial Report for the Year Ended 31 March 2025



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# ANNUAL FINANCIAL REPORT 2024/25

FOR THE YEAR ENDED 31 MARCH 2025



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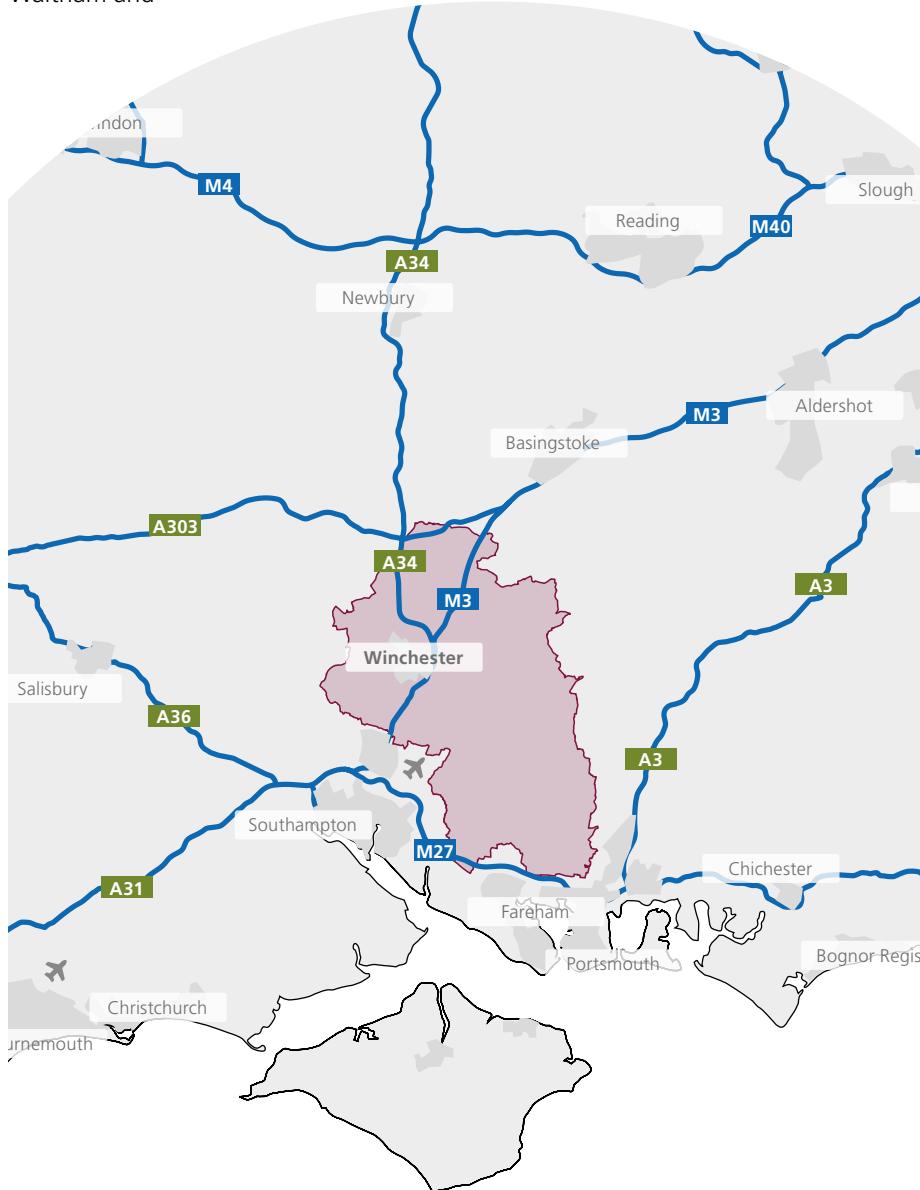
# WINCHESTER CITY COUNCIL NARRATIVE STATEMENT 2024/25

## 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.

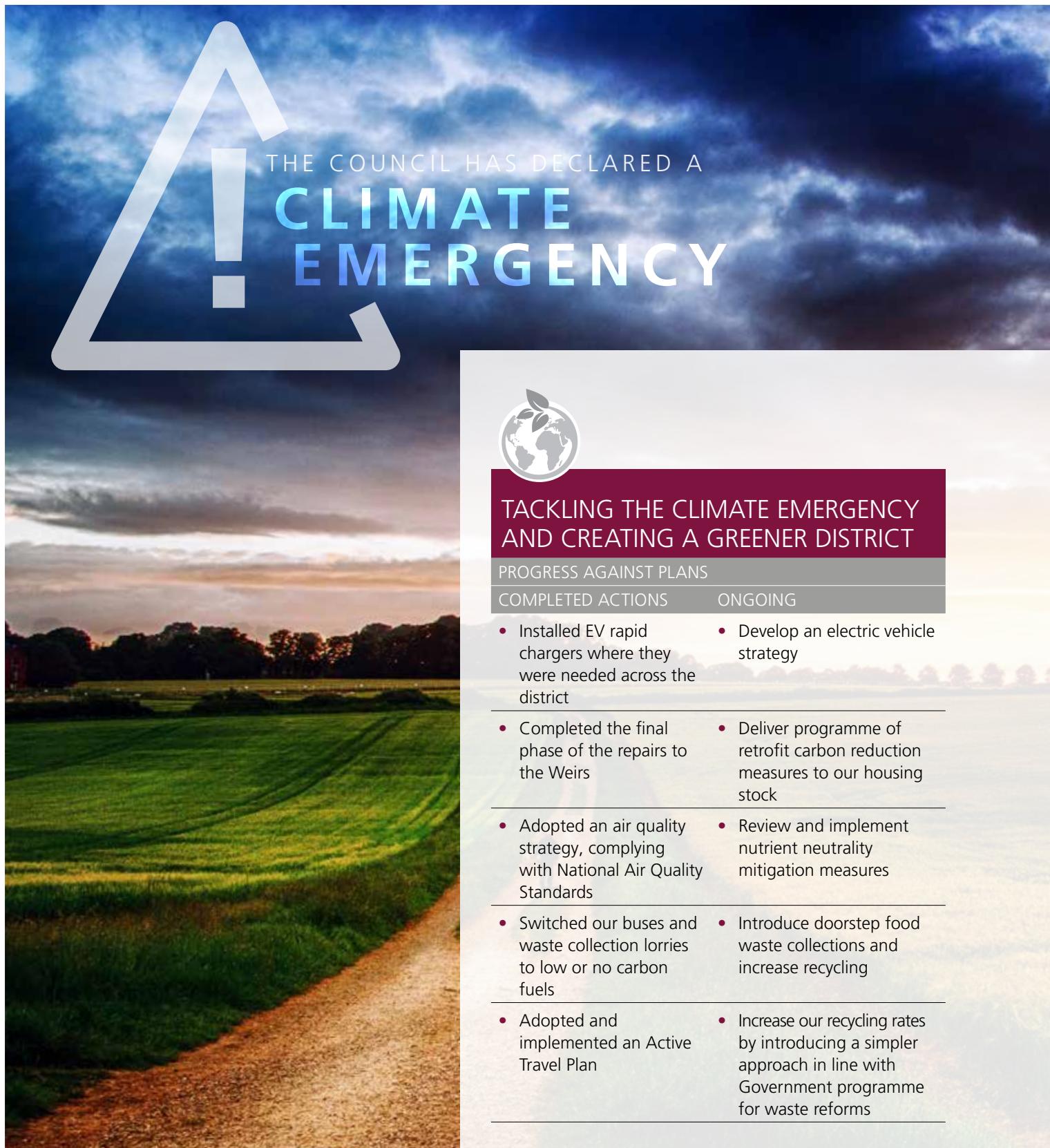
The proposal submitted by Hampshire County Council, Southampton City Council, Portsmouth City Council and Isle of Wight Council was accepted for inclusion in the Devolution Priority programme. This will see the creation of a combined strategic authority across the Hampshire and Solent region to be led 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"><li>Installed EV rapid chargers where they were needed across the district</li><li>Completed the final phase of the repairs to the Weirs</li><li>Adopted an air quality strategy, complying with National Air Quality Standards</li><li>Switched our buses and waste collection lorries to low or no carbon fuels</li><li>Adopted and implemented an Active Travel Plan</li></ul>	<ul style="list-style-type: none"><li>Develop an electric vehicle strategy</li><li>Deliver programme of retrofit carbon reduction measures to our housing stock</li><li>Review and implement nutrient neutrality mitigation measures</li><li>Introduce doorstep food waste collections and increase recycling</li><li>Increase our recycling rates by introducing a simpler approach in line with Government programme for waste reforms</li></ul>

# COUNCIL PLAN ACHIEVEMENTS 2024/25



## LIVING WELL

### PROGRESS AGAINST PLANS

COMPLETED ACTIONS	ONGOING
<ul style="list-style-type: none"><li>Developed a network of private and public sector spaces throughout the district to support a Spaces of Sanctuary scheme</li><li>Delivered a wide range of physical activities through school and community sports coaching programmes</li><li>Supported residents with the cost-of-living crisis with the roll out of Council Tax Hardship Grants</li></ul>	<ul style="list-style-type: none"><li>Work with developers at each major development area to provide public facilities, green spaces, and areas to play</li><li>Develop a Community and Wellbeing Strategy</li><li>Deliver a programme supporting residents to live longer better</li></ul>



## HOMES FOR ALL

### PROGRESS AGAINST PLANS

COMPLETED ACTIONS	ONGOING
<ul style="list-style-type: none"><li>Reviewed HRA Business Plan in light of the economic circumstances and reviewed current planned services and programmes.</li><li>Collaborated with partners to deliver the aims set out in the Winchester Community Safety Delivery Plan 24/25</li><li>Developed a Temporary Accommodation Strategy</li></ul>	<ul style="list-style-type: none"><li>Deliver the outcomes and expectations of the standards set by the Regulator of Social Housing</li><li>Deliver council housing retrofit carbon reduction programme</li></ul>

# COUNCIL PLAN ACHIEVEMENTS 2024/25 - CONTINUED



## VIBRANT LOCAL ECONOMY

### PROGRESS AGAINST PLANS

#### COMPLETED ACTIONS      ONGOING

• Produced an event toolkit and associated event management guidance	• Support independent business (food and drink, retail) and market towns across the district
• Installed new information boards with maps and wayfinding information	• Support employment and skills projects and plans
• Undertaken consumer marketing activity including production of a public art trail leaflet	• Deliver the Green Economic Development Strategy Action Plan 2024 - 2027
• Developed and delivered a programme of Jane Austen 2025 PR and marketing	• Explore future uses of the Guildhall and Abbey House
• Supported local investment through both the UK Shared Prosperity and Rural Prosperity Funding programme	• Develop a Sustainable Tourism Tactical Plan



## YOUR SERVICE YOUR VOICE

### PROGRESS AGAINST PLANS

#### COMPLETED ACTIONS      ONGOING

• Undertaken a district wide Residents' and Young Persons' survey	• Modernise the contact channels our residents and businesses use to contact and do business with the council to improve the customer journey
• Developed a corporate digital strategy that drives innovation across the council	• Review our complaints policy and processes and demonstrate learning from complaints to drive service improvements
• Established and introduced a new tenant/leaseholder engagement programme	• Deliver customer focussed digital transformation of housing services
• Installed improvements to the audio/visual systems for public facing meetings	• 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.
• 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	How we will achieve this
<ul style="list-style-type: none"><li>The Winchester District to be carbon neutral by 2030</li><li>Reduced waste and increased recycling, exceeding national targets</li><li>Cleaner air than national targets</li><li>Better protection against extreme climate events</li><li>Increased proportion of journeys by public transport, foot or bike</li><li>Reversing the long-term decline in nature and biodiversity</li></ul>	<ul style="list-style-type: none"><li>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.</li><li>Measures include:<ul style="list-style-type: none"><li>Energy efficiency measures in homes and commercial buildings</li><li>Carbon sequestration through nature-based solutions</li><li>Further expansion of EV charging</li><li>Maintaining and enforcing robust planning policies in Local Plans that eliminate the risks of pollution from new developments and reduce flood risk</li><li>Upgrading our wastewater treatment works and working with others to secure upgrades to public and private sewage and water treatment plants</li></ul></li><li>Significant improvements to walking, cycling and bus provision</li><li>Further decarbonise our buildings, vehicles and operations</li><li>Increase what can be recycled, support reuse, and help residents and businesses prevent and reduce waste</li><li>Embed the strongest achievable environmental standards in Local Plans</li><li>Audit our buildings, homes and operations against the impacts of climate change, implement necessary actions,</li></ul>

# WINCHESTER CITY COUNCIL'S FIVE YEAR PLAN 2025 - 2030

## Priority: Thriving Places

What we want to achieve	How we will achieve this
<ul style="list-style-type: none"><li>• Strong, sustainable business growth</li><li>• More young people living and working in the district</li><li>• Strong footfall in all our centres with lower than regional vacancy rates</li><li>• Attractive, clean public spaces and facilities</li><li>• Less fly-tipping and graffiti</li><li>• Improved facilities within 20 minutes of people's homes</li><li>• Increased investment in our district</li><li>• Full gigabit broadband and mobile coverage by 2030</li></ul>	<ul style="list-style-type: none"><li>• Work with partners to implement our Green Economic Development Strategy. Key elements include:<ul style="list-style-type: none"><li>- Increasing solar PV installation of large commercial and industrial buildings</li><li>- Deliver a Digital Growth Factory for small and medium sized enterprises</li></ul></li><li>• Work to secure investment via the Hampshire Prosperity Partnership, and other public/private sector partners to:<ul style="list-style-type: none"><li>- Regenerate our run-down areas, especially the Central Winchester Regeneration area</li><li>- Support new business and create new jobs</li><li>- Strengthen public transport</li><li>- Improve our energy infrastructure</li><li>- Fix our digital connectivity</li></ul></li><li>• Work with further and higher education, alongside local business, to support skills and enable research and knowledge transfer</li><li>• Revitalise our street markets and support local festivals</li><li>• Invest in cleaning our city and market town centres</li><li>• Work with partners to promote and develop our unique cultural, heritage and natural environment assets across the district</li><li>• Prosecute fly-tippers and clear fly-tipping faster</li></ul>

## Priority: Healthy Communities

What we want to achieve	How we will achieve this
<ul style="list-style-type: none"><li>• Support for those most affected by the increased cost of living</li><li>• Improved health and wellbeing in our most deprived communities</li><li>• Increasing participation in physical activity for all ages and abilities, including active travel</li><li>• Access to attractive and well-maintained public facilities, green and natural spaces with space to play and gather for all ages</li><li>• Strong health and community infrastructure across the district</li><li>• Thriving local voluntary, and community sector – tackling isolation, building community cohesion and supporting those in need</li></ul>	<ul style="list-style-type: none"><li>• Targeted cost of living support programme, directly and via the voluntary sector and local charities, including Council Tax hardship grants</li><li>• Close working with the police and other partners to tackle anti-social behaviour and domestic abuse</li><li>• Community Action Programmes for our most deprived areas and communities</li><li>• Updated Sports Provision Strategy, incorporating growth sports that support greater inclusion and new participation</li><li>• Continued investment in our leisure centres, sports grounds, parks and play areas</li><li>• Work with the NHS to protect local health provision and encourage increased investment across primary and secondary care</li><li>• Continued support for the City of Sanctuary movement and for refugees to our district</li><li>• Local Plan policies and other measures to support healthy lifestyles in healthy places</li></ul>

# WINCHESTER CITY COUNCIL'S FIVE YEAR PLAN 2025 - 2030

## Priority: Good Homes for All

What we want to achieve	How we will achieve this
<ul style="list-style-type: none"><li>Continue to increase the number of affordable homes across the district, including our 2023 commitment to delivery 1,000 more council homes by 2032.</li><li>Every homeless person to secure a permanent home</li><li>Policy-led planning to deliver National Planning Policy Framework objectives, ensuring the right mix of homes for all, including young people and key workers.</li><li>Ensure all council homes are decent, safe, energy efficient and resilient to the effects of climate change.</li><li>Decarbonisation of district homes, consistent with our net zero goal.</li></ul>	<ul style="list-style-type: none"><li>Buying homes and building homes, in sustainable locations</li><li>Ensure a Local Plan remains in place for the district — and ensuring a minimum requirement of affordable homes across the district:</li><li>Support homeless and most vulnerable people working directly and in partnership with the voluntary sector</li><li>Providing the right mix of support and high-quality temporary accommodation to help people progress to permanent, secure housing</li><li>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</li><li>New maintenance and repair contract, improving quality and responsiveness of council house repairs and retrofit</li><li>Work with partners to drive wider residential decarbonisation across all housing types, including historic and heritage buildings</li></ul>

## Priority: Efficient & Effective

What we want to achieve	How we will achieve this
<ul style="list-style-type: none"><li>Improved satisfaction for our services</li><li>Good value compared to other similar authorities</li><li>High accessibility and usage of our services – with a strong shift to digital for those who prefer it</li><li>A balanced budget and stable council finances</li></ul>	<ul style="list-style-type: none"><li>New Digital Strategy and Action Plan to:<ul style="list-style-type: none"><li>Improve online customer experience</li><li>Improve internal collaboration and efficiency</li><li>to support decision-making</li></ul></li><li>2-yearly transformation programmes embedded in the council's work – reducing cost and improving efficiency.</li><li>Test and deploy new technologies capable of improving efficiency and reducing cost</li></ul>

## Priority: Listening & Learning

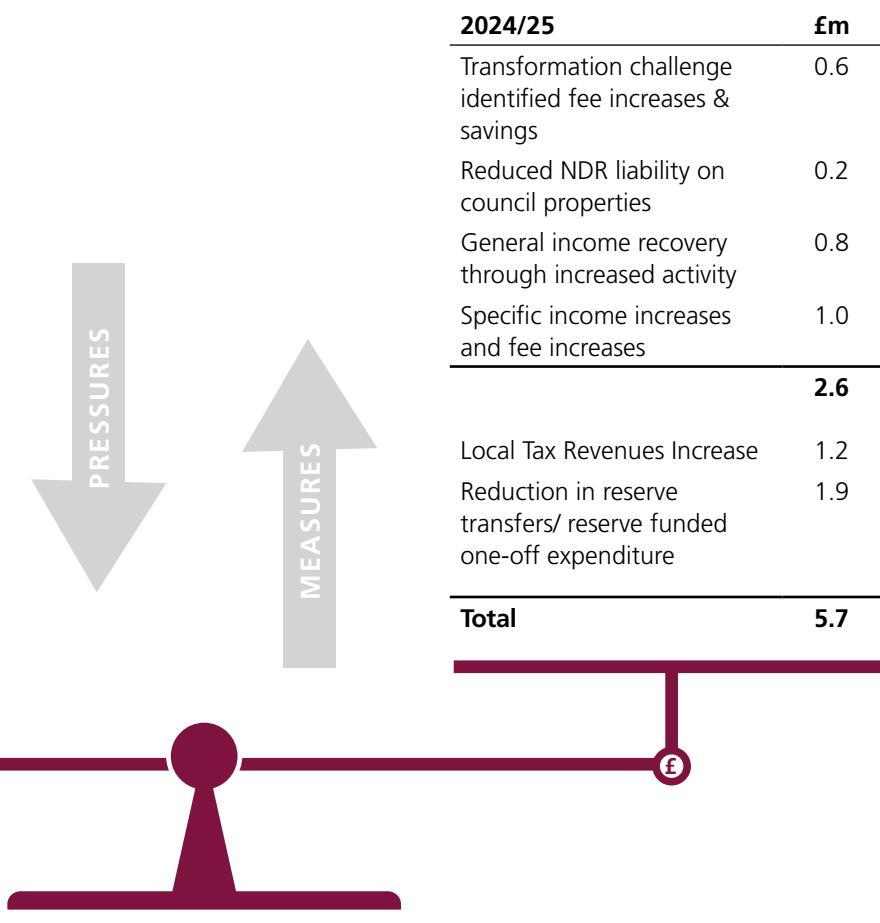
What we want to achieve	How we will achieve this
<ul style="list-style-type: none"><li>Improved resident survey results for involvement, contact and response</li><li>Improved engagement with under-represented groups</li><li>Above average Tenant Satisfaction Measures</li></ul>	<ul style="list-style-type: none"><li>Satisfaction tracking and analysis across our services</li><li>New Tenant Engagement Strategy</li><li>Early and ongoing stakeholder engagement designed into all major projects</li><li>Work with neighbouring authorities to ensure that our communities are involved and heard on major out-of-area developments and initiatives that impact them</li><li>Support a learning culture</li></ul>

# 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
<b>Changes to Service Baseline</b>	<b>3.5</b>
Govt Funding Decrease	1.6
Investment Income decrease	0.6
<b>Total</b>	<b>5.7</b>



# 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 MTFS 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)
Business Rates		(7.931)	(4.385)	(4.696)	(5.024)
Business Rates Pooling			(1.25)		
Gov't Funding		(4.591)	(5.784)	(4.288)	(2.777)
Investment Activity		(2.110)	(2.373)	(2.101)	(1.770)
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:

- a.** Digital redesign
- b.** Structural cost reduction through service change
- c.** Contract management change
- d.** External funding and partnerships
- e.** Income generation
- f.** 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
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)
<b>TOTAL</b>	<b>20,304</b>	<b>19,514</b>	<b>(790)</b>
FUNDING AND OTHER ACTIVITY	(23,139)	(27,908)	(4,769)
TRANSFER TO (FROM) EARMARKED RESERVES	2,835	5,958	3,123
<b>UNDERSPEND</b>		<b>(2,436)</b>	<b>(2,436)</b>

# 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
<b>(INCREASE)/DECREASE IN HRA BALANCE</b>	<b>1,705</b>	<b>(1,855)</b>	<b>(3,560)</b>



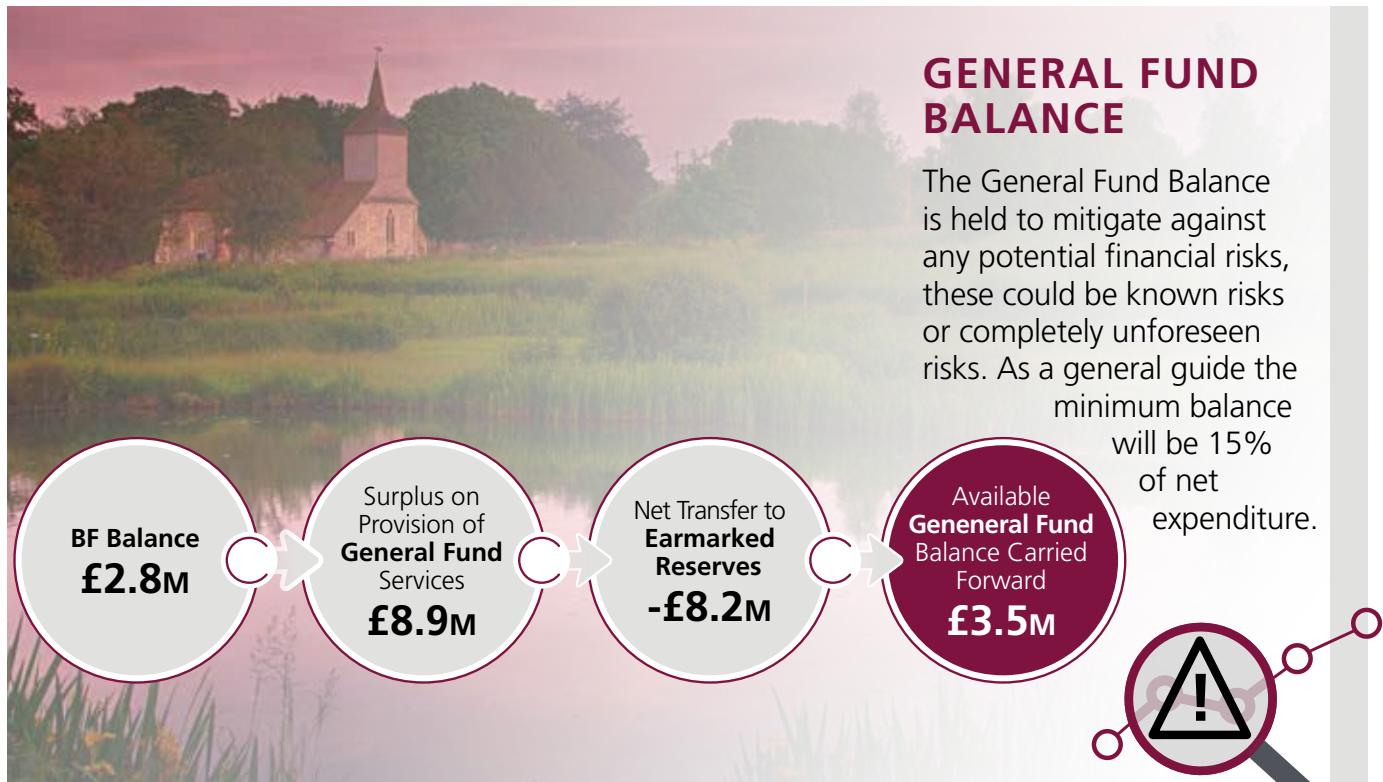
# GENERAL FUND MOVEMENT

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
<b>Brought Forward Balance</b>			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
<b>Net Movements (to)/ from Earmarked Reserves</b>			
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)	
<b>Net Earmarked Reserves transfer</b>			(8.2)
<b>Available General Fund Balance</b>			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

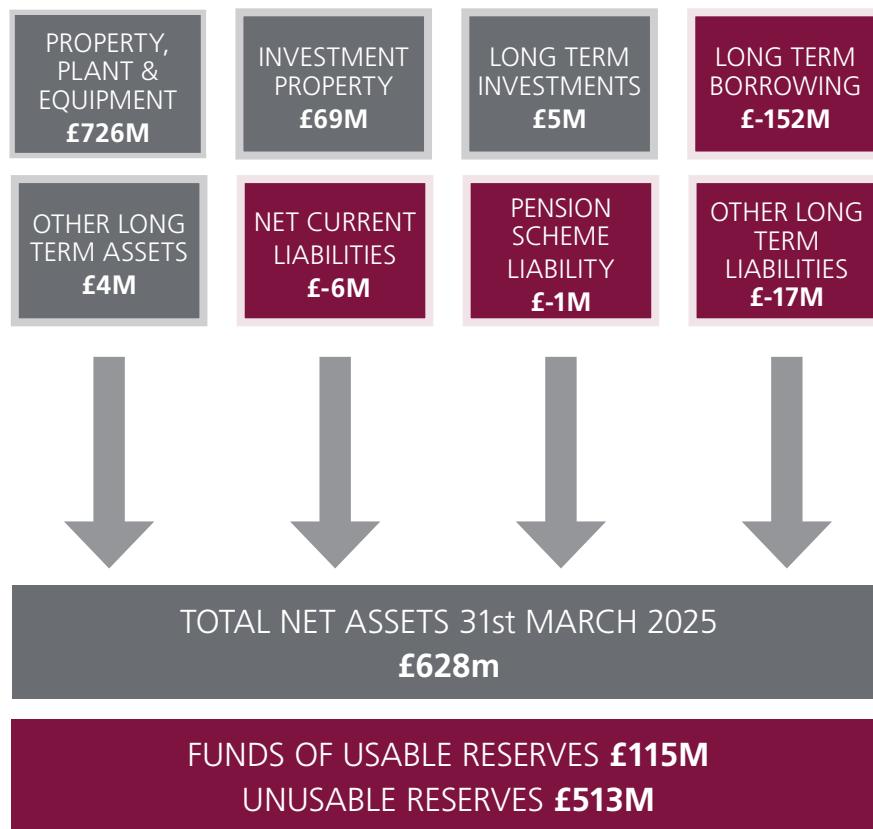
THE COUNCIL'S BALANCE SHEET SHOWS IT HAS A **NET WORTH** OF **£628M**.

**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
	<b>16.8</b>



# 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	158,839
Present value of funded obligations	(139,646)
Effect of the asset ceiling	(19,193)
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.

## **Operational Reserves**

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



## **Asset Reserves**

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



## **Restricted Reserves**

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



## **Risk Reserves**

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



# EARMARKED RESERVES

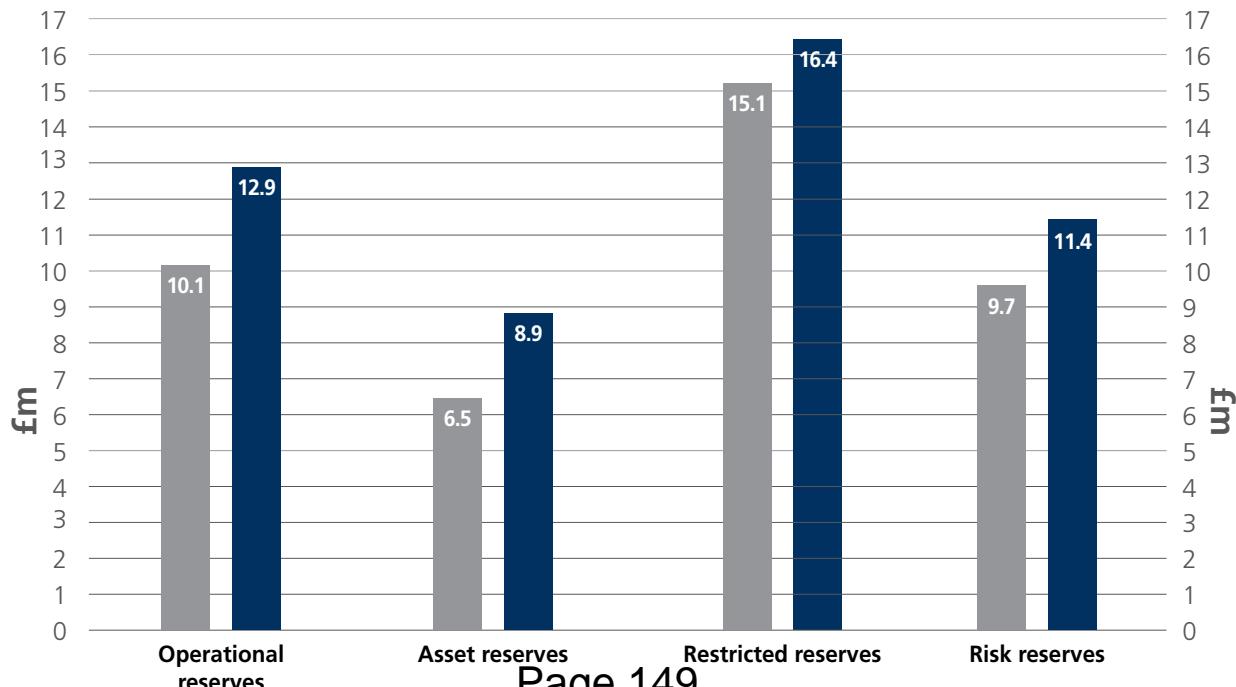
The council holds strategic reserves for specific purposes which are consistent with corporate priorities. These reserves are a key source of funding, helping to support specific service strategies and plans. They are also critical to our ability to fund the transformation of services and ability to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

In summary, reserves are used to support:

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

As at 31 March 2025 the council held £49.7m of earmarked reserves.

## GENERAL FUND 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.

# 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:

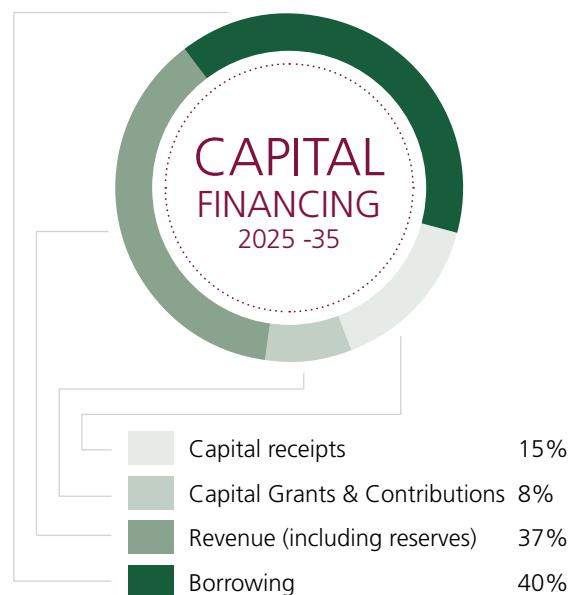
- Capital receipts (from asset sales)
- Capital grants (e.g. Disabled Facilities Grant)
- External contributions (e.g. Section 106 developers' contributions and Community Infrastructure Levy (CIL))
- Revenue contributions, including Earmarked Reserves and the Major Repairs Reserve
- Borrowing, including 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

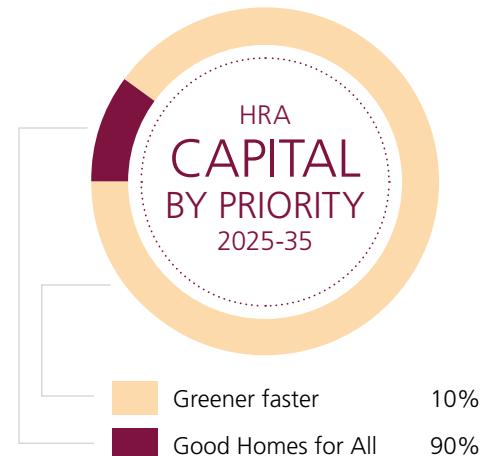
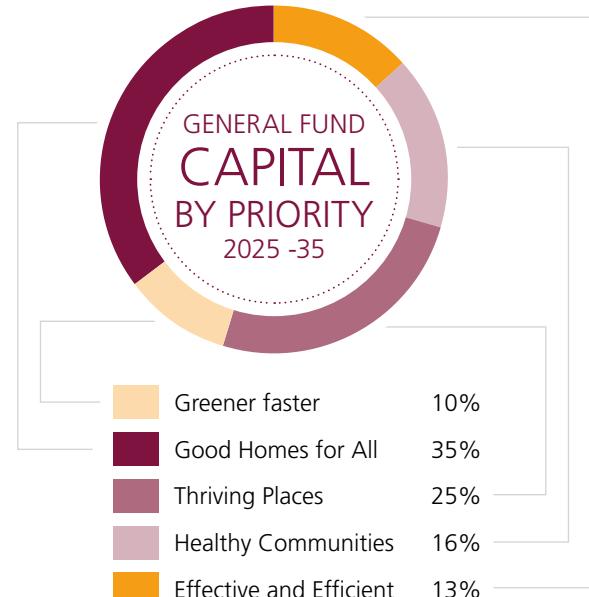
The council has made further progress in 2024/25 in delivering its capital programme. In the General Fund, projects completed or substantially complete this year include:

- 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.



INVESTMENT FUNDING	Total funding	£21M
	Increased financing requirement	£2M
Capital Receipts	£4.4m	
Government Grants and Other Contributions	£5.3m	
General Fund Reserves	£2.5m	
Major Repairs Reserve	£8.8m	
		£21m
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.

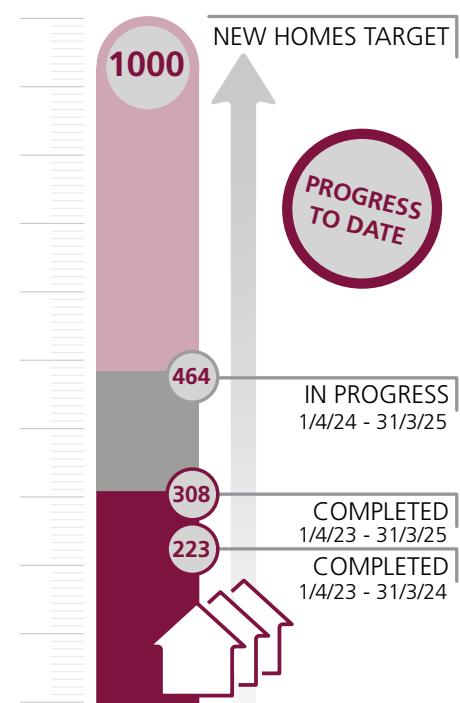
A major feature of the scheme is the upgrading of the public open space around the existing four blocks on the site by changing the previous car-dominated areas to a more people focussed environment – making it more pleasant to walk around the site and also making space for a new pocket park to encourage 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
<b>COMPLETED IN YEAR 1/4/24 - 31/3/25:</b>				
Southbrook cottages		6		
Other acquisitions		3		
Winnall flats	41		35	
<b>Total</b>	41	9	35	<b>85</b>
<b>IN PROGRESS 1/4/24 - 31/3/25:</b>				
Hazeley road		6	4	
Kings barton road		95	51	
<b>Total</b>		101	55	<b>156</b>



# 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 complements 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.



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**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25**  
**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

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**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**

I certify that the Statement of Accounts for the year ended 31 March 2025 has been approved by a resolution of the Audit and Governance Committee at its meeting on 29<sup>TH</sup> January 2025 and is authorised for issue.

Signature: .....

Date:

2025

**Councillor J. Morris**

**Chair of the Audit & Governance Committee**

**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	Environment	19,997	(12,373)
7,130	(1,596)	5,534	Living Well	5,869	(2,095)
13,851	(9,713)	4,138	Homes for All (General Fund)	14,500	(9,835)
29,566	(33,210)	(3,644)	Homes for All (HRA)	30,304	(37,255)
2,266	(667)	1,599	Vibrant Local Economy	3,145	(1,144)
21,494	(12,273)	9,221	Your Services, Your Voice	18,898	(11,733)
92,303	(68,916)	23,387	Cost of service delivery	92,713	(74,435)
(4,816)	0	(4,816)	HRA Property Revaluation (Note 1)	(6,418)	0
<b>87,487</b>	<b>(68,916)</b>	<b>18,571</b>	<b>Cost Of Services</b>	<b>86,295</b>	<b>(74,435)</b>
<b>Other Operating Income and Expenditure</b>					
4,045			Parish Council Precepts		4,403
(926)			(Gains)/Losses on the Disposal of Non Current Assets		(358)
0			Other (Income)/ Expenditure - Surplus Assets		(15)
<b>Financing and Investment Income and Expenditure</b>					
5,287			Interest Payable and Similar Charges (Note 18)		5,292
508			Net Interest on the Net Defined Benefit Liability (Note 13)		371
(1,671)			Interest Receivable and Similar Income (Note 18)		(1,655)
(2,235)			Income and Expenditure in relation to Investment Properties and Changes in their Fair Value (Note 16)		(2,801)
182			(Gains)/losses for financial assets classified as fair value through profit or loss (Note 18)		(106)
<b>Taxation and Non-Specific Grant Income</b>					
(8,082)			Non-Domestic Rates Income and Expenditure (Note 9)		(7,296)
(5,358)			Non-Ringfenced Government Grants (Note 9)		(5,168)
(10,034)			Capital Grants and Contributions (Note 9)		(9,495)
(13,549)			Council Tax Income		(14,355)
<b>(13,262)</b>			<b>(Surplus) or Deficit on Provision of Services</b>		<b>(19,323)</b>
<b>Other Comprehensive (Income) and Expenditure</b>					
(6,995)			(Surplus)/Deficit on Revaluation of Non Current Assets		2,262
(6,611)			Remeasurements on Net Defined Benefit Liability (Note 13)		(6,658)
<b>(26,868)</b>			<b>Total Comprehensive (Income)/ Expenditure</b>		<b>(23,719)</b>

**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
<b>Balance at 31 March 2024</b>	(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)
<b>Movement in Reserves during 2024/25</b>										
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)
<b>Total Comprehensive (Income) and Expenditure</b>	<b>(9,974)</b>	<b>0</b>	<b>(9,349)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(19,323)</b>	<b>(4,396)</b>	<b>(23,719)</b>
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
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(8,914)</b>	<b>0</b>	<b>(1,892)</b>	<b>0</b>	<b>(1,796)</b>	<b>(1,007)</b>	<b>(735)</b>	<b>(14,344)</b>	<b>(9,375)</b>	<b>(23,719)</b>
Transfers to/(from) Earmarked Reserves (Note 23)	8,202	(8,202)	38	(38)	0	0	0	0	0	0
<b>(Increase)/Decrease in Year</b>	<b>(712)</b>	<b>(8,202)</b>	<b>(1,854)</b>	<b>(38)</b>	<b>(1,796)</b>	<b>(1,007)</b>	<b>(735)</b>	<b>(14,344)</b>	<b>(9,375)</b>	<b>(23,719)</b>
<b>Balance at 31 March 2025 Carried Forward</b>	<b>(3,501)</b>	<b>(49,508)</b>	<b>(15,950)</b>	<b>(220)</b>	<b>(34,119)</b>	<b>(9,405)</b>	<b>(1,953)</b>	<b>(114,656)</b>	<b>(513,413)</b>	<b>(628,069)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25**  
**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2025**

	General Fund Balance	Earmarked General Fund Reserves £000	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
<b>Balance at 31 March 2023</b>	(3,512)	(38,248)	(15,355)	(174)	(26,140)	(18,029)	(980)	(102,438)	(463,426)	(565,864)
<b>Movement in Reserves During 2023/24</b>										
(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)
<b>Total Comprehensive (Income) and Expenditure</b>	<b>(2,310)</b>	<b>0</b>	<b>(10,952)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(13,262)</b>	<b>(13,606)</b>	<b>(26,868)</b>
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
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(2,335)</b>	<b>0</b>	<b>1,251</b>	<b>0</b>	<b>(6,183)</b>	<b>9,631</b>	<b>(238)</b>	<b>2,126</b>	<b>(28,994)</b>	<b>(26,868)</b>
Transfers to/(from) Earmarked Reserves (Note 23)	3,058	(3,058)	8	(8)	0	0	0	0	0	0
<b>(Increase)/Decrease in Year</b>	<b>723</b>	<b>(3,058)</b>	<b>1,259</b>	<b>(8)</b>	<b>(6,183)</b>	<b>9,631</b>	<b>(238)</b>	<b>2,126</b>	<b>(28,994)</b>	<b>(26,868)</b>
<b>Balance at 31 March 2024 Carried Forward</b>	<b>(2,789)</b>	<b>(41,306)</b>	<b>(14,096)</b>	<b>(182)</b>	<b>(32,323)</b>	<b>(8,398)</b>	<b>(1,218)</b>	<b>(100,312)</b>	<b>(492,420)</b>	<b>(592,732)</b>

**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.

<b>31 Mar 24</b> <b>£000</b>		<b>Note</b>	<b>31 Mar 25</b> <b>£000</b>
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
<b>786,807</b>	<b>Long-Term Assets</b>		<b>803,714</b>
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
<b>13,113</b>	<b>Current Assets</b>		<b>20,653</b>
(5,522)	Short-Term Borrowing	18	(5,922)
(21,504)	Short-Term Creditors	21	(18,369)
(1,154)	Provisions	22	(1,746)
<b>(28,180)</b>	<b>Current Liabilities</b>		<b>(26,037)</b>
(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)
<b>(179,008)</b>	<b>Long-Term Liabilities</b>		<b>(170,261)</b>
<b>592,732</b>	<b>Net Assets</b>		<b>628,069</b>
100,312	Usable Reserves		114,656
492,420	Unusable Reserves	25	513,413
<b>592,732</b>	<b>Total Reserves</b>		<b>628,069</b>

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.

<b>2023/24</b>		<b>2024/25</b>	
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b><u>Cash Flows from Operating Activities</u></b>			
	(13,262)		(19,323)
<b><u>Adjustments for Non-Cash Movements</u></b>			
(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
<b><u>Accruals adjustments:</u></b>			
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)	<u>(16,772)</u>	Decrease/(Increase) in Grants and Contributions	(2,072) <u>(9,491)</u>
	<u>(30,034)</u>		<u>(28,814)</u>
<b><u>Adjust for Items that are Investing and Financing Activities</u></b>			
5,241		Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	5,234
	<u>5,241</u>		<u>5,234</u>
	<u>(24,793)</u>		<u>(23,580)</u>
<b><u>Net Cash Flows from Operating Activities</u></b>			
<b><u>Cash Flows from Investing Activities</u></b>			
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
(5,241)		Other Payments for Investing Activities	
		Proceeds from the Sale or 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)
	<u>32,026</u>	<b>Net Cash Flows from Investing Activities</b>	<u>9,764</u>
<b><u>Cash Flows from Financing Activities</u></b>			
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
	<u>2,445</u>	<b>Net Cash Flows from Financing Activities</b>	<u>5,787</u>
	<u>9,678</u>	<b>Net (Increase)/Decrease In Cash and Cash Equivalents</b>	<u>(8,029)</u>
	<u>11,624</u>	<b>Cash and cash equivalents at the beginning of the year</b>	<u>1,946</u>
	<u>1,946</u>	<b>Cash and cash equivalents at the end of the year</b>	<u>9,975</u>

## 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**

<b><u>2024/25</u></b>	<b>Net charge to the General Fund &amp; HRA under statutory funding provisions</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for Pensions Adjustments</b>	<b>Other</b>	<b>Net costs in the Comprehensive Income and Expenditure Statement</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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
<b>Cost of Services</b>	<b>2,179</b>	<b>9,732</b>	<b>(51)</b>	<b>0</b>	<b>11,860</b>
Other income & expenditure	(31,786)	232	371	0	(31,183)
Other General Fund & HRA items	16,897	(18,954)	0	2,057	0
<b>(Surplus)/deficit on the General Fund &amp; HRA</b>	<b>(12,710)</b>	<b>(8,990)</b>	<b>320</b>	<b>2,057</b>	<b>(19,323)</b>
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		
<b>Closing General Fund &amp; HRA balance 31 March 25</b>			<b>(103,298)</b>		
<b>Analysis of Reserve Balance</b>	<b>General Fund £000</b>	<b>HRA £000</b>	<b>Total £000</b>		
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)		
<b>Total</b>	<b>(53,009)</b>	<b>(50,289)</b>	<b>(103,298)</b>		

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025**

<b><u>2023/24</u></b>	<b>Net charge to the General Fund &amp; HRA under statutory funding provisions</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for Pensions Adjustments</b>	<b>Other</b>	<b>Net costs in the Comprehensive Income and Expenditure Statement</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Environment	6,394	103	42	0	6,539
Living Well	3,711	1,813	10	0	5,534
Homes for All	(11,332)	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
<b>Cost of Services</b>	<b>6,918</b>	<b>11,663</b>	<b>(10)</b>	<b>0</b>	<b>18,571</b>
Other income & expenditure	(32,980)	594	553	0	(31,833)
Other General Fund & HRA items	18,976	(16,465)	0	(2,511)	0
<b>(Surplus)/deficit on the General Fund &amp; HRA</b>	<b>(7,086)</b>	<b>(4,208)</b>	<b>543</b>	<b>(2,511)</b>	<b>(13,262)</b>
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
<b>Closing General Fund &amp; HRA balance as at 31 March 24</b>					<b>(90,696)</b>

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

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

<b>2023/24</b>		<b>2024/25</b>	
<b>£000</b>		<b>£000</b>	
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)	
<u>(68,916)</u>	<u>External income</u>	<u>(74,435)</u>	
<b>18,571</b>	<b>Cost Of Services</b>	<b>11,860</b>	

<b>2023/24</b>	<b><u>Analysis of External Income</u></b>	<b>2024/25</b>
<b>£000</b>		<b>£000</b>
(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.

- In calculating the net pensions asset, the council has made a judgement that the statutory framework for setting employer's contributions under the Local Government Pension Scheme constitutes a minimum funding requirement. As a result, the Council's ability to realise the full economic benefits of the net pensions asset calculated under the Accounting Code's provisions for post-employment benefits through reductions in future employer's contributions is limited. An asset ceiling therefore applies and has reduced what would otherwise be the net pensions asset of £19.2m to £nil

#### **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.	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

**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
		<p>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 negative revaluations in the CIES.</p>
Fair value measurement of investment property	The council's external valuer uses valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. Valuers base assumptions on observable data where it's available and the best information available where it is not.	<p>Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.</p> <p>Revaluation movements are accounted for in the CIES. If the value of Investment properties reduced by 10%, this would result in a £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).

General Fund Balance £000	Housing Revenue Account £000	2023/24			Capital Grants Unappl'd £000	Adjustments between Accounting Basis and Funding Basis	General Fund Balance £000	2024/25			
		Capital Receipts Reserve £000	Major Repairs Reserve £000	Unappl'd £000				Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unappl'd £000
<b>Adjustments to Revenue Resources</b>											
(550)	7	0	0	0	0	Pensions (transfers to/ from Pensions Reserve)	(344)	23	0	0	0
2,511	0	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	0	Fair value gains/losses of pooled investment funds	106	0	0	0	0
402	(402)	0	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)	
<b>Adjustments between Revenue &amp; Capital Resources</b>											
101	5,122	(5,223)	0	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	0	Funding set aside to Major Repairs Reserve	0	10,542	0	(10,542)	0
1,591	0	0	0	0	0	Statutory provision for the Financing of Capital	1,737	0	0	0	0
0	87	600	0	0	0	Voluntary provision for the Financing of Capital	0	0	0	0	0
1,931	47	0	0	0	0	Capital Expenditure financed from revenue	2,467	0	0	0	0
3,623	15,470	(4,623)	(10,213)	0	0	Total Adjustments between Capital and Revenue Resources	4,405	15,746	(5,405)	(10,542)	0
<b>Adjustments to Capital Resources</b>											
0	0	14,254	0	0	0	Use of Capital Receipts Reserve to finance capital	0	0	4,398	0	0
0	0	0	4,030	0	0	Use of Major Repairs Reserve to finance capital	0	0	0	8,746	0
0	0	14,254	4030	0	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.

<b>2023/24</b>	<b>Credited to Services</b>	<b>2024/25</b>
		<b>£000</b>
(9,578)	Rent Allowances	(8,864)
(8,895)	Rent Rebates	(8,825)
(513)	Contributions	(955)
(790)	Other Grants	(925)
<b>(19,776)</b>	<b>Total</b>	<b>(19,569)</b>
<hr/>		
<b>2023/24</b>	<b>Credited to Taxation and Non Specific Grant Income</b>	<b>2024/25</b>
		<b>£000</b>
<b>Non Domestic Rates Income and Expenditure</b>		
(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)
<b>(8,082)</b>		<b>(7,296)</b>
<hr/>		
<b>Capital Grants and Contributions</b>		
(7,456)	Other Capital Grants and Contributions	(4,493)
(1,240)	Community Infrastructure Levy	(3,474)
(1,338)	Disabled Facilities Grant	(1,528)
<b>(10,034)</b>		<b>(9,495)</b>
<hr/>		
<b>Non-Ringfenced Government Grants</b>		
(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)
<b>(5,358)</b>		<b>(5,168)</b>
<b>(23,474)</b>	<b>Total</b>	<b>(21,959)</b>

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

<b>31/3/24</b>	<b>Grants and Contributions in Advance</b>	<b>31/3/25</b>
		<b>£000</b>
(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)
<b>(14,787)</b>	<b>Total</b>	<b>(16,859)</b>

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
<b>204</b>	<b>Total</b>	<b>200</b>

## 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.

		<u>2023/24</u>				<u>2024/25</u>	
Ongoing employees	Employees left in year	Total Employees	Remuneration Band	Ongoing employees	Employees left in year	Total Employees	
21	2	<b>23</b>	£50,000-£54,999	36	2	<b>38</b>	
15	1	<b>16</b>	£55,000-£59,999	11	2	<b>13</b>	
11		<b>11</b>	£60,000-£64,999	8	2	<b>10</b>	
3	1	<b>4</b>	£65,000-£69,999	10		<b>10</b>	
7		<b>7</b>	£70,000-£74,999	6		<b>6</b>	
1		<b>1</b>	£75,000-£79,999			<b>0</b>	
4		<b>4</b>	£80,000-£84,999	2		<b>2</b>	
		<b>0</b>	£85,000-£89,999	2		<b>2</b>	
2		<b>2</b>	£90,000-£94,999			<b>0</b>	
1		<b>1</b>	£95,000-£99,999	1		<b>1</b>	
		<b>0</b>	£100,000-£104,999	1		<b>1</b>	
1		<b>1</b>	£105,000-£109,999			<b>0</b>	
2		<b>2</b>	£110,000-£114,999			<b>0</b>	
		<b>0</b>	£115,000-£119,999	2		<b>2</b>	
		<b>0</b>	£120,000-£124,999	1		<b>1</b>	
1		<b>1</b>	£135,000-£139,999			<b>0</b>	
		<b>0</b>	£145,000-£149,999	1		<b>1</b>	
<b>69</b>	<b>4</b>	<b>73</b>			<b>81</b>	<b>6</b>	<b>87</b>

**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 <sup>1</sup>	146	1	26	173
Strategic Director: Place	119	1	21	141
Strategic Director: Services	116	1	21	138
Director: Finance <sup>2</sup>	95	1	17	113
Director: Regeneration	121	1	22	144
Director: Legal <sup>3</sup>	52	0	9	61
Monitoring Officer <sup>4</sup>	22	1	4	27

<sup>1</sup>. The Chief Executive also received payments of £20,108 as Returning Officer in 2024/25, that are excluded above.

<sup>2</sup>. The S151 Officer is the Director: Finance.

<sup>3</sup>. The Director: Legal was appointed 16th September 2024 and became the Monitoring Officer from 6th November 2024.

<sup>4</sup>. Monitoring Officer until 5th November 2024.

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

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

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

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

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

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

## 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
0	4	17,456	£0 - £20,000	0	5
0	1	22,465	£20,001 - £40,000	1	0
0	0	0	£40,001 - £60,000	0	1
<b>0</b>	<b>5</b>	<b>39,921</b>		<b>1</b>	<b>6</b>
					<b>117,926</b>

## 13. DEFINED BENEFIT PENSION SCHEMES

As part of the terms and conditions of employment of its officers, the council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The council participates in the Local Government Pension Scheme, administered locally by Hampshire County Council. This is a funded defined benefit final salary scheme, meaning that the council and its employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The council has also awarded discretionary post-retirement benefits upon early retirement. This is also through the Local Government Pension Scheme but as an unfunded defined benefit arrangement. The liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions' liabilities, and cash is paid to the scheme to meet actual pension payments as they eventually fall due. The Pension Scheme is operated under the LGPS (Benefits, Membership and Contributions) Regulations 2007 and the governance of the scheme is the responsibility of the pension committee of Hampshire County Council. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the fund are appointed by the committee.

The principal risks to the council of the scheme are the longevity assumptions; statutory changes to the scheme; structural changes to the scheme; and changes in inflation, bond yields and performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the council's General Fund the amounts required by statute. The constructive obligation on the Council's share of the Hampshire Pension Fund resulting from the McCloud judgement has been included in the figures in the 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.

### Virgin Media Ruling

In June 2023 the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgement has now been upheld by the Court of Appeal. The Local Government Pension Scheme is a contracted out defined benefit scheme, and amendments have been made during the period 1999/2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities, or it can be reliably estimated. As a result, the council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

**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:

<b>2023/24</b> <b>£000</b>	<b>2024/25</b> <b>£000</b>
<u><b>Included in the Cost of Services</b></u>	
3,109 Current Service Cost	3,172
0 Past Service Cost	0
0 Settlement Cost	0
<u><b>Included in Financing and Investment Income and Expenditure</b></u>	
508 Net Interest on the Net Defined Benefit Liability	371
<u><b>Included in Other Comprehensive Income and Expenditure</b></u>	
6,611 Remeasurement of the Net Defined Benefit Liability	6,658
<b>10,228 Total Included in Comprehensive Income and Expenditure</b>	<b>10,201</b>
<u><b>Included in the Movement in Reserves</b></u>	
(3,617) Removal of Notional Charges Made for Retirement Benefits	(3,543)
3,074 Inclusion of Actual Employer's Contributions Payable	3,222
<b>(543) Total Included in the Movement in Reserves</b>	<b>(321)</b>
<u><b>Actual Employer's Contributions Charged Against Council Tax</b></u>	
2,915 Normal Funded Contributions	3,053
0 Lumps Sums for Early Retirements	0
159 Discretionary / Unfunded Added Years	169
<b>3,074 Total Amount Charged to Council Tax</b>	<b>3,222</b>

Assets and liabilities in relation to post-employment benefits

The movement in scheme liabilities was:

<b>2023/24</b> <b>£000</b>	<b>2024/25</b> <b>£000</b>
<u><b>Opening Present Value of Liabilities</b></u>	
<b>(155,316) Funded</b>	<b>(160,568)</b>
<b>(1,625) Unfunded</b>	<b>(1,554)</b>
(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
Actuarial Gains / (Losses) - Demographic	
3,108 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
<b>(162,122) Closing Present Value of Liabilities</b>	<b>(141,064)</b>
<b>(160,568) Funded</b>	<b>(139,646)</b>
<b>(1,554) Unfunded</b>	<b>(1,418)</b>

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

<b>2023/24</b> <b>£000</b>		<b>2024/25</b> <b>£000</b>
<b>143,118</b>	<b>Opening Fair Value of Assets</b>	<b>154,367</b>
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	(1,003)
(5,839)	Net Benefits Paid Out	(6,301)
0	Settlement	0
<b>154,367</b>	<b>Closing Fair Value of Assets</b>	<b>158,839</b>

The closing position of the fund as at 31 March 2025 was (£1.4m).

	<b>2024/25</b> <b>£000</b>
Fair Value of Plan Assets	158,839
Present Value of Funded Obligations	(139,646)
Effect of the Asset Ceiling	(19,193)
Present Value of Unfunded Obligations	(1,418)
<b>Closing Position as at 31 March 2025</b>	<b>(1,418)</b>

Calculation of the effect of the asset ceiling

The effect of the asset ceiling has been determined by the Scheme's actuaries on the basis of the limitation on the Council's ability to recover the full economic benefit of its assets through reductions in future employer's contributions because of the minimum funding requirement imposed on it by the funding strategy for the Scheme in place at 31 March 2024.

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 £6.4 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:

<b>2023/24</b>		<b>2024/25</b>
£000		£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:

	<b>2024/25</b>		
	<b>Quoted</b>	<b>Unquoted</b>	<b>Total</b>
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%
	<b>64%</b>	<b>36%</b>	<b>100%</b>

	<b>2023/24</b>		
	<b>Quoted</b>	<b>Unquoted</b>	<b>Total</b>
Equity Securities	43%	0%	43%
Private Equity	0%	7%	7%
UK Property	0%	7%	7%
Corporate Bonds	0%	5%	5%
UK Government Bonds	15%	0%	15%
Other Debt Securities	6%	7%	13%
Cash	1%	0%	1%
Investment Funds/ Unit Trusts	0%	9%	9%
	<b>65%</b>	<b>35%</b>	<b>100%</b>

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.

<b>Change in Assumptions as at 31 March 2025</b>	<b>Approximate % increase to Defined Benefit Obligation</b>	<b>Approximate Monetary Amount £000</b>
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
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation</u>									
<b>At 1 April 2024</b>	<b>558,912</b>	<b>107,181</b>	<b>14,845</b>	<b>11,512</b>	<b>1,073</b>	<b>5,118</b>	<b>23,846</b>	<b>12,219</b>	<b>734,706</b>
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)
Reclassifications	19,378	3,372	(3,496)	0	0	0	(22,583)	3,497	168
<b>At 31 March 2025</b>	<b>582,443</b>	<b>107,260</b>	<b>6,935</b>	<b>12,630</b>	<b>1,073</b>	<b>4,835</b>	<b>1,841</b>	<b>18,666</b>	<b>735,683</b>
<u>Accumulated Depreciation and Impairment</u>									
<b>At 1 April 2024</b>	<b>0</b>	<b>0</b>	<b>(9,599)</b>	<b>(4,423)</b>	<b>(177)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(14,199)</b>
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
<b>At 31 March 2025</b>	<b>0</b>	<b>0</b>	<b>(2,739)</b>	<b>(4,776)</b>	<b>(177)</b>	<b>0</b>	<b>0</b>	<b>(1,855)</b>	<b>(9,547)</b>
<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
<b>At 1 April 2023</b>	<b>538,012</b>	<b>102,765</b>	<b>16,967</b>	<b>11,080</b>	<b>1,073</b>	<b>5,118</b>	<b>15,792</b>	<b>690,807</b>
Additions	30,076	975	548	431	0	1	8,244	40,275
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	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
<b>At 31 March 2024</b>	<b>558,912</b>	<b>107,181</b>	<b>14,845</b>	<b>11,511</b>	<b>1,073</b>	<b>5,118</b>	<b>23,846</b>	<b>722,486</b>
<u>Accumulated Depreciation and Impairment</u>								
<b>At 1 April 2023</b>	<b>0</b>	<b>0</b>	<b>(11,453)</b>	<b>(4,084)</b>	<b>(177)</b>	<b>0</b>	<b>0</b>	<b>(15,714)</b>
Depreciation Charge	(9,966)	(1,459)	(816)	(338)	0	0	0	(12,579)
Accumulated Depreciation Written-Out to the Gross Carrying Amount on Depreciation Written-Out to the Revaluation Reserve	0	1,459	0	0	0	0	0	1,459
Depreciation Written Out to the Surplus/Deficit on the Provision of Services	9,966	0	0	0	0	0	0	9,966
Derecognition - Disposals	0	0	2,670	0	0	0	0	2,670
Other Movements in Depreciation and Impairment	0	0	0	0	0	0	0	0
<b>At 31 March 2024</b>	<b>0</b>	<b>0</b>	<b>(9,599)</b>	<b>(4,422)</b>	<b>(177)</b>	<b>0</b>	<b>0</b>	<b>(14,198)</b>
<u>Net Book Value</u>								
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

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**Depreciation and estimated useful lives**

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

Boilers	12 years
Heating	30 – 40 years
Kitchens	19 years
Bathrooms	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 £4,898,000 (similar commitments at 31 March 2024 were £3,862,000) made up as follows: -

	<b>£000</b>
HRA - Major Works	1,611
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
	4,898

**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

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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
<b>Total</b>	<b>711,349</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,787</b>	<b>726,136</b>

## **15. HERITAGE ASSETS**

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

	<b>Art Collection</b>	<b>Civic Regalia</b>	<b>Archaeology</b>	<b>Total</b>
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance as at 1 April 2023</b>	<b>750</b>	<b>1,500</b>	<b>500</b>	<b>2,750</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(150)	220	0	70
<b>Balance as at 31 March 2024</b>	<b>600</b>	<b>1,720</b>	<b>500</b>	<b>2,820</b>
<b>Balance as at 31 March 2025</b>	<b>600</b>	<b>1,720</b>	<b>500</b>	<b>2,820</b>

### **Art Collection (Topographical Art and Portraits)**

The Authority undertook an external valuation of its artwork with an independent auction house (Andrew Smith & Son) on 21<sup>ST</sup> February 2024. This was a full market valuation of the collection for insurance purposes, based on commercial markets including recent transaction information from auctions where similar types of painting are regularly being purchased. Due to the majority of the art collection consisting of prints and original works by local amateur artists the individual artworks attract a nominal financial value.

There 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 16<sup>th</sup> – 17<sup>th</sup> 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 knobs
- 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:

<b>2023/24</b> <b>£000</b>		<b>2024/25</b> <b>£000</b>
<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
<b>(2,235)</b>	<b>Net (Income)/Expenditure on Investment Properties</b>	<b>(2,801)</b>

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

<b>2023/24</b> <b>£000</b>		<b>2024/25</b> <b>£000</b>
<b>Balance at the start of the year</b>		
71,033		<b>69,667</b>
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)
<b>69,667</b>	<b>Balance at the end of the year</b>	<b>68,735</b>

### Investment Properties Fair Value (FV) Measurements

	Retail	Offices	Industrial	Residential / Garages	Other	Total
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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

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:

<b>2023/24</b>		<b>2024/25</b>
<b>£000</b>		<b>£000</b>
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
<b>86,073</b>	<b>Total future minimum lease rentals receivable</b>	<b>84,266</b>

The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews, contingent rents are not material.

## 17. 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:

	<b>Property, Plant &amp; Equipment</b> <b>£'000</b>	<b>Non Current Lease Creditors</b> <b>£'000</b>	<b>Current Lease Creditors</b> <b>£'000</b>
Balance at 31 March 2024	708,288	(1,744)	(452)
Assets/ Liabilities recognised on transition	12,219	(506)	(95)
<b>Balance at 1 April 2024</b>	<b>720,507</b>	<b>(2,250)</b>	<b>(547)</b>

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:

	<b>Land &amp; Buildings</b> <b>£'000</b>	<b>Vehicles, Plant and Equipment</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
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)
<b>Balance at 31 March 2025</b>	<b>15,063</b>	<b>1,748</b>	<b>16,811</b>

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.

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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):

	<b>31 March 2025</b> <b>£'000</b>
Less than 1 year	731
1 to 5 years	2,127
More than 5 years	995
<b>Total Undiscounted Liabilities</b>	<b>3,853</b>

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.

<b>Long Term</b> <b>31 Mar 24</b> <b>£000</b>	<b>Short Term</b> <b>31 Mar 24</b> <b>£000</b>		<b>Long Term</b> <b>31 Mar 25</b> <b>£000</b>	<b>Short Term</b> <b>31 Mar 25</b> <b>£000</b>
		<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
<b>5,997</b>	<b>9,327</b>	<b>Total Financial Assets</b>	<b>6,013</b>	<b>16,663</b>
		<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)
<b>(156,466)</b>	<b>(14,471)</b>	<b>Total Financial Liabilities</b>	<b>(151,984)</b>	<b>(13,728)</b>

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

	<b>Financial Liabilities: Amortised Cost</b>	<b>Financial Assets: Amortised Cost</b>	<b>Financial Assets: Fair Value through Profit or Loss</b>	<b>Total</b>
<b>2024/25</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Interest Expense	5,292	0	0	5,292
(Gain)/loss on valuation	0	0	(106)	(106)
Interest Income	0	(460)	(1,195)	(1,655)
<b>Net (Gain)/Loss for the Year</b>	<b>5,292</b>	<b>(460)</b>	<b>(1,301)</b>	<b>3,531</b>
<b>2023/24</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Interest Expense	5,287	0	0	5,287
(Gain)/ loss on valuation	0	0	182	182
Interest Income	0	(459)	(1,212)	(1,671)
<b>Net (Gain)/Loss for the Year</b>	<b>5,287</b>	<b>(459)</b>	<b>(1,030)</b>	<b>3,798</b>

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.

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Balance Sheet	Fair Value		FV Level	Balance Sheet	Fair Value
31/03/24	31/03/24			31/03/25	31/03/25
£000	£000			£000	£000
<b>Financial assets held at fair value:</b>					
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
<b>Financial assets held at amortised cost:</b>					
0	0	Corporate, covered and government bonds	1	0	0
0	0	Long-term investments with local authorities	2	0	0
<b>8,370</b>	<b>8,370</b>	<b>Total</b>		<b>13,627</b>	<b>13,627</b>
2,941		Assets for which fair value is not disclosed		2,665	
<b>11,311</b>		<b>Total financial assets</b>		<b>16,292</b>	
<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	
<b>11,311</b>		<b>Total financial assets</b>		<b>16,292</b>	

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

Balance Sheet	Fair value		FV Level	Balance Sheet	Fair value
31/03/24	31/03/24			31/03/25	31/03/25
£000	£000			£000	£000
<b>Financial liabilities at amortised cost:</b>					
(159,792)	(133,139)	Loans from PWLB	2	(154,559)	(119,173)
(2,196)		Liabilities for which fair value not disclosed		(3,347)	
<b>(161,988)</b>		<b>Total Financial Liabilities</b>		<b>(157,906)</b>	
<i>Recorded on balance sheet as:</i>					
(156,466)		Long-term borrowing		(151,984)	
(5,522)		Short-term borrowing		(5,922)	
<b>(161,988)</b>		<b>Total</b>		<b>(157,906)</b>	

## 19. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The council has adopted CIPFA's Code of Practice on Treasury Management and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in December 2021). In line with the Treasury Management Code, the council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Department for Levelling Up Housing and Communities and Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost. The main risks covered are:

- Credit Risk: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the council.
- Liquidity Risk: The possibility that the council might not have the cash available to make contracted payments on time.
- Market Risk: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

**Credit Risk: Investments**

The council is exposed to credit risk on the following categories of financial assets and commitments.

<b>31/3/24</b>	<b>Exposure Category</b>	<b>31/3/25</b>
<b>£000</b>		<b>£000</b>
6,680	Treasury Investments	9,757
2,609	Trade Receivables	4,106
<b>9,289</b>	<b>Total Credit Risk Exposure</b>	<b>13,863</b>

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

<b>Asset Type</b>	<b>Credit Risk Management Practices</b>	<b>Estimation of Impairment Loss Allowance</b>
Government gilts, bonds Loans to other authorities	Investments guaranteed by statute – no credit risk.	No allowance required.
Deposits with banks, building societies and other investments	Deposits are restricted by the council's Treasury Management Strategy to institutions with high credit ratings and will be recalled if these fall below investment grade A-. 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 31/3/24 £000	Short Term 31/3/24 £000	Credit Rating	Long Term	Short Term
			31/3/25	31/3/25
			£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
<b>5,236</b>	<b>7,494</b>	<b>Total Investments</b>	<b>5,146</b>	<b>10,580</b>

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

#### Credit Risk: Trade Receivables

Trade receivables are not subject to internal credit rating and have been grouped together for the purposes of calculating expected credit losses. Balances are considered for write off when they are more than 12 months past due, but enforcement activity continues until there is no realistic prospect of recovery.

Expected credit losses are calculated using provision matrices based on historical data for defaults adjusted for projections of improving or worsening local economic conditions. The following analysis summarises the council's maximum exposure credit risk, based on experience of the level of default on trade debtors.

	31/03/2024		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
<b>Total</b>	<b>2,609</b>	<b>512</b>	<b>4,106</b>	<b>501</b>

#### Liquidity Risk

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

The maturity analysis of the council's borrowing is as follows:

31/03/24			31/03/25		
Discounted (principal) £000	Undiscounted (principal plus interest) £000	Time to maturity (years)	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)	
<b>(159,792)</b>	<b>(260,209)</b>	<b>Total</b>	<b>(154,559)</b>	<b>(249,733)</b>	

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		31/03/2025	
	£000		£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
<b>(51)</b>	<b>Impact on Surplus or Deficit on the Provision of Services</b>		<b>(76)</b>
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**

<b>31 Mar 24</b> <b>£000</b>	<b>31 Mar 25</b> <b>£000</b>
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
<b>Total</b>	<b>9,574</b>
<b>6,955</b>	

**21. SHORT-TERM CREDITORS**

<b>31 Mar 24</b> <b>£000</b>	<b>31 Mar 25</b> <b>£000</b>
(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)
<b>Total</b>	<b>(18,369)</b>
<b>(21,504)</b>	

**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.

	Other £000	NNDR £000	Total £000
<b>Balance at 1 April 2023</b>	<b>(74)</b>	<b>(3,430)</b>	<b>(3,504)</b>
Additional Provisions made in 2023/24	0	(316)	(316)
Amounts Used in 2023/24	0	2,666	2,666
<b>Balance at 1 April 2024</b>	<b>(74)</b>	<b>(1,080)</b>	<b>(1,154)</b>
Additional Provisions made in 2024/25	(170)	(1,416)	(1,586)
Amounts Used in 2024/25	49	945	994
<b>Balance at 31 March 2025</b>	<b>(195)</b>	<b>(1,551)</b>	<b>(1,746)</b>

**23. TRANSFERS (TO)/FROM EARMARKED RESERVES**

This note sets out the amounts set-aside from the General Fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans; and the amounts released from earmarked reserves to meet General Fund and Housing Revenue Account expenditure in 2024/25.

	<b>Balance at 1/4/2023</b>	<b>Net Transfers</b>	<b>Balance at 31/3/2024</b>	<b>Transfers Out</b>	<b>Transfers in</b>	<b>Balance at 31/3/2025</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>General Fund</b>						
<b>Operational Reserves</b>						
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)
<b>Asset Reserves</b>						
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)
<b>Restricted Reserves</b>						
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)
<b>Risk Reserves</b>						
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)
<b>Total General Fund</b>	<b>(38,249)</b>	<b>(3,057)</b>	<b>(41,306)</b>	<b>7,495</b>	<b>(15,697)</b>	<b>(49,508)</b>
HRA Earmarked Reserves	(174)	(8)	(182)	0	(38)	(220)
<b>Total Earmarked Reserves</b>	<b>(38,423)</b>	<b>(3,065)</b>	<b>(41,488)</b>	<b>7,495</b>	<b>(15,735)</b>	<b>(49,728)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025**

**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.

<b>2023/24</b>		<b>2024/25</b>	
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>271,430</b>	<b>Opening Capital Financing Requirement</b>	<b>282,706</b>	
<b><u>Capital Expenditure</u></b>			
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	
<b>42,374</b>		<b>22,882</b>	
<b><u>Sources of finance</u></b>			
(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	
<b>(1,931)</b>	GF Reserves	(2,467)	
<b>(28,820)</b>		<b>(20,897)</b>	
<b>13,554</b>	<b>Unfinanced capital expenditure in year</b>	<b>1,985</b>	
(1,591)	Statutory provision for the financing of capital investment	(1,737)	
(687)	Voluntary provision for the financing of capital investment	0	
<b>282,706</b>	<b>Closing Capital Financing Requirement</b>	<b>282,954</b>	
<b><u>Explanation for Movement in year</u></b>			
<b>11,276</b>	Increase/(decrease) in underlying need to borrow	<b>248</b>	

**25. UNUSABLE RESERVES**

The unusable reserves contain unrealised gains and losses, timing differences and adjustments between the accounting basis and funding basis under regulations.

<b>31/3/24</b>		<b>31/3/25</b>
<b>£000</b>		<b>£000</b>
(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
<b>(492,420)</b>	<b>Total Unusable Reserves</b>	<b>(513,413)</b>

**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)	<b>Balance at 1 April 24</b>	<b>(45,558)</b>
(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
<b>(45,558)</b>	<b>Balance at 31 March 25</b>	<b>(42,982)</b>

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

**25.2. Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefit earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>2023/24</b>		<b>2024/25</b>
	<b>£000</b>	<b>£000</b>
<b>13,823</b>	<b>Balance at 1 April 24</b>	<b>7,755</b>
(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)
<b>7,755</b>	<b>Balance at 31 March 25</b>	<b>1,418</b>

**25.3. Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	<b>2023/24</b>	<b>2024/25</b>
	<b>£000</b>	<b>£000</b>
<b>(438,871) Balance at 1 April 24</b>		<b>(452,732)</b>
<b><u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:</u></b>		
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
<b>16,215</b>		<b>3,161</b>
(260) Adjusting Amounts Written-Out of the Revaluation Reserve		(314)
<b>15,955</b> Net Written Out Amount of the Cost of Non-Current Assets Consumed in the Year		<b>2,847</b>
<b><u>Capital Financing Applied in the Year:</u></b>		
(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)
<b>(31,097)</b>		<b>(22,634)</b>
1,281 Movements in the Market Value of Investment Properties Debited or Credited to the Comprehensive Income and Expenditure Statement		605
<b>(452,732) Balance at 31 March 25</b>		<b>(471,914)</b>

#### 25.4. Collection Fund Adjustment Account

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

2023/24 £000		2024/25 £000
<b>712</b>	<b>Balance at 1 April 24</b>	<b>(1,799)</b>
	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
<b>(1,799)</b>	<b>Balance at 31 March 25</b>	<b>258</b>

#### 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 £452,494 (£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](http://www.winchester.gov.uk).

The council provides material financial assistance to a number of organisations (mainly arts or voluntary community bodies) although it does not exercise any form of control over these organisations. Councillor L. Thompson is a director of the charity Hampshire Cultural Trust to which the council paid quarterly and other grants totalling £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 22<sup>nd</sup> 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 31<sup>st</sup> 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

#### 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

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**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025**

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- 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 this 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).

## 28.18 Heritage Assets

Heritage Assets are those assets which are intended to be preserved, in trust, for future generations because of their cultural, environmental or historical associations and which are held principally for that purpose. Where assets are principally operational in nature they are accounted for within Property, Plant and Equipment (see 28.12).

Heritage Assets can be tangible or intangible (e.g. recordings of significant events) in nature and are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

### Archaeology

The council does not consider that reliable cost or valuation information can be obtained for the items held in its archaeological collection, due to the diverse nature of the assets held and lack of comparable market values, with the exception of one item (a marble head).

The council does not normally make purchases of archaeological items but acts as a repository of materials excavated by external contractors and normally only accept these where the total excavation archive, including documentation is available. The collection is normally confined to the boundaries of Winchester District. However, in exceptional cases consideration will be given to material from outside the District.

### Local History, Photographic Materials, Numismatics, Ethnography, Foreign Archaeology

The council considers that the cost of obtaining valuations for these collections would involve a disproportionate cost in comparison with the benefits to the users of the council's Statement of Accounts. This is due to the diverse nature of the assets held and the lack of comparable values. Acquisition has mainly been through donation; dispersals are considered where collections would be better maintained in a more specialised collection.

### Topographical Art and Portraits (Art Collection), Civic Items

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation. The assets within these collections are deemed to have indeterminate lives and a high residual value; hence the council does not consider it appropriate to charge depreciation.

Valuations are carried out as required for insurance purposes.

### Structures and Monuments

There is no recognition of these items on the Balance Sheet. The assets are unique and therefore, have no ready market for acquisition/disposal. It is difficult for any meaningful valuation to be attributed to these assets.

Heritage Assets – General

Where Heritage Assets have indefinite lives, they are not subject to depreciation or amortisation, they are however, subject to review. The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets. For example, where an item has suffered physical deterioration or damage or where doubts have arisen as to the asset's authenticity.

Any impairment is recognised and measured in accordance with the council's general policies on impairment. Any assets out on loan are valued on a three-year cycle in keeping with any loan agreements.

The management of the museum will occasionally organise the dispersal of heritage assets which do not fit in with the collection policy; have doubtful provenance; unsuitable for public display; or where they are best suited to another collection. The proceeds of such items are accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the Statement of Accounts and are accounted for in accordance with the statutory accounting requirements relating to capital expenditure and capital receipts.

**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).

	<b>2023/24</b>	<b>2024/25</b>	
	<b>£000</b>	<b>Note</b>	<b>£000</b>
<b><u>Income</u></b>			
(30,417)	Dwelling Rents		(33,863)
(367)	Non-Dwelling Rents		(360)
(2,622)	Charges for Services and Facilities		(3,223)
<b>(33,406)</b>	<b>Total Income</b>		<b>(37,446)</b>
<b><u>Expenditure</u></b>			
8,315	Repairs and Maintenance		8,206
10,304	Supervision and Management		10,833
723	Rents, Rates, Taxes and Other Charges		714
10,213	Depreciation and Impairment of Non-Current Assets	<b>H5</b>	10,542
(4,816)	Revaluation (Gains) or Losses on Property, Plant and Equipment	<b>H5</b>	(6,418)
1	Amortisation of Intangible Assets	<b>H5</b>	0
10	Debt Management Costs		9
<b>24,750</b>	<b>Total Expenditure</b>		<b>23,886</b>
<b>(8,656)</b>	<b>Net (Income) or Expenditure of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement</b>		<b>(13,560)</b>
132	HRA share of Corporate and Democratic Core		134
3	HRA share of other amounts included in the whole Council Net Expenditure of Continuing Operations but not allocated to Specific Services		1
<b>(8,521)</b>	<b>Net (Income) or Expenditure of HRA Services</b>		<b>(13,425)</b>
(948)	Net Gain on Sale of HRA Non-Current Assets		(556)
	Changes in Fair Valuations on Investment		
(131)	Properties		(176)
5,235	External Interest Payable		5,223
(6,587)	Capital Grants and Contributions		(415)
<b>(10,952)</b>	<b>(Surplus)/Deficit for the year on HRA Services</b>		<b>(9,349)</b>

**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
<b>(10,952) (Surplus)/Deficit for the year on the Housing Revenue Account</b>		<b>(9,349)</b>	
<u>Adjustments between Accounting Basis and Funding Basis under Statute:</u>			
		<b>Note</b>	
(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	<b>H1</b>	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	<b>H4</b>	
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	<b>H5</b>	(10,542)
(1)	Amortisation of Intangible Assets	<b>H5</b>	0
10,213	Transfer to Major Repairs Reserve	<b>H2</b>	10,542
<u>12,114</u>			<u>7,457</u>
<b>1,162</b>	<b>Net increase in HRA Balance before transfers to or from Reserves</b>		<b>(1,892)</b>
89	Transfer to Capital Adjustment Account for Debt Repayment		0
8	Transfer to Earmarked Reserves		38
<u>97</u>			<u>38</u>
<b>1,259</b>	<b>(Increase)/Decrease in HRA Balance</b>		<b>(1,854)</b>
<b>(15,355)</b>	Housing Revenue Account Surplus Brought Forward		<b>(14,096)</b>
<b>(14,096)</b>	<b>Housing Revenue Account Surplus Carried Forward</b>		<b>(15,950)</b>

**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.

<b>2023/24</b>		<b>2024/25</b>
<b>£000</b>		<b>£000</b>
(10,213)	HRA Depreciation	(10,542)
(10,213)	Net Charge to HRA	(10,542)
4,030	HRA Capital Financed	8,746
(6,183)	Movement in Year	(1,796)
(26,140)	Balance Brought Forward at 1 April	(32,323)
(32,323)	Balance Carried Forward at 31 March	(34,119)

**H3. HOUSING STOCK**

The number and types of dwelling in the council's housing stock as at 31 March were made up as in the following table:

<b>31/3/24</b>		<b>31/3/25</b>
<b>£000</b>		<b>£000</b>
858	Bungalows	858
1,938	Flats & Maisonettes	1,980
2,328	Houses	2,323
84	Shared ownership	119
<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:

<b>31/3/24</b>		<b>31/3/25</b>
<b>£000</b>		<b>£000</b>
<u><b>Operational Assets</b></u>		
558,912	Dwellings	582,443
1,113	Other Land and Buildings	1,780
0	Vehicles Plant Furniture and Equipment	197
3,798	Infrastructure	3,809
14	Community Assets	14
20,619	Assets Under Construction	1,140
0	Intangibles	0
<u>584,456</u>		<u>589,383</u>
<u><b>Non-Operational Assets</b></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**

<b>2023/24</b>		<b>2024/25</b>	
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>199,777</b>	<b>Opening Capital Financing Requirement</b>	<b>212,546</b>
		<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
	<b>36,200</b>	<b>Expenditure in year</b>	<b>13,238</b>
		<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)
	<b>(23,344)</b>		<b>(13,238)</b>
	<b>12,856</b>	<b>Unfinanced Capital Expenditure in Year</b>	<b>0</b>
(87)		Voluntary Financing of Capital Investment	0
0		Transfer of assets to the General Fund	0
	<b>212,546</b>	<b>Closing Capital Financing Requirement</b>	<b>212,546</b>
		<u>Capital Receipts</u>	
		Operational Assets	
(5,140)		Dwellings	(5,148)
0		Other	(74)
	<b>(5,140)</b>	<b>Total</b>	<b>(5,221)</b>

**H5. DEPRECIATION AND IMPAIRMENT**

<b>2023/24</b>		<b>2024/25</b>
<b>£000</b>		<b>£000</b>
<u><b>Depreciation</b></u>		
9,966	Dwellings	10,282
19	Other Land and Buildings	21
0	Vehicles, Plant, Furniture and Equipment	0
227	Infrastructure	<u>239</u>
<u>10,212</u>	<u>Total Depreciation</u>	<u>10,542</u>
<u><b>Amortisation</b></u>		
<u>1</u>	Intangibles	<u>0</u>
<u>1</u>	<u>Total Amortisation</u>	<u>0</u>
<u><b>Revaluation Below Historic Cost</b></u>		
(4,802)	Dwellings	(6,209)
(14)	Other Land and Buildings	<u>(209)</u>
<u>(4,816)</u>	<u>Total</u>	<u>(6,418)</u>

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

<b>31/3/24</b>		<b>31/3/25</b>
<b>£000</b>		<b>£000</b>
906	Rent Arrears	738
(605)	Provision for Bad Debts	<u>(490)</u>
<u>301</u>	<u>Anticipated Collectable Arrears</u>	<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.

Business Rates	2023/24			2024/25		
	Council Tax £000	Total £000	Income £000	Business Rates £000	Council Tax £000	Total £000
<b>Income</b>						
0	(109,372)	(109,372)	Council Tax Receivable	0	(116,309)	(116,309)
0	(150)	(150)	Transfer for S13A(1c) Relief	0	(100)	(100)
0	0	0	Amounts collected in respect of previous	0	0	0
(58,059)	0	(58,059)	Business Rates Receivable	(65,283)	0	(65,283)
<b>(58,059)</b>	<b>(109,522)</b>	<b>(167,581)</b>		<b>(65,283)</b>	<b>(116,409)</b>	<b>(181,692)</b>
<b>Expenditure</b>						
<u>Precepts and Shares</u>						
31,675	0	31,675	Central Government	33,207	0	33,207
5,701	76,848	82,549	Hampshire County Council	5,977	82,322	88,299
25,340	13,404	38,744	General Fund (WCC)	26,566	14,233	40,799
633	4,233	4,866	Fire and Rescue Authority	664	4,448	5,112
0	13,234	13,234	Police Authority	0	14,038	14,038
<u>Distribution of Previous Year (Deficit)/ Surplus</u>						
(573)	0	(573)	Central Government	1,320	0	1,320
(103)	228	125	Hampshire County Council	238	677	915
(458)	40	(418)	General Fund (WCC)	1,056	118	1,174
(11)	13	2	Fire and Rescue Authority	26	37	63
0	40	40	Police Authority	0	117	117
<u>Charges to Collection Fund</u>						
22	0	22	Interest due to ratepayers on refunds	57	0	57
141	123	264	Less Write-Off of Uncollectable Amounts	434	550	984
116	512	628	Allowance for Impairment	111	(172)	(61)
(5,877)	0	(5,877)	Provision for Appeals	1,179	0	1,179
211	0	211	Cost of Collection	209	0	209
(4,793)	0	(4,793)	Transitional Protection Payment	(1,401)	0	(1,401)
410	0	410	Renewable Energy cost	432	0	432
<b>52,434</b>	<b>108,675</b>	<b>161,109</b>		<b>70,075</b>	<b>116,368</b>	<b>186,443</b>
<b>(5,625)</b>	<b>(847)</b>	<b>(6,472)</b>	(Surplus) / Deficit Arising During the Year	<b>4,792</b>	<b>(41)</b>	<b>4,751</b>
<b>1,886</b>	<b>(428)</b>	<b>1,458</b>	Opening Fund Balance at 1 April	<b>(3,737)</b>	<b>(1,275)</b>	<b>(5,012)</b>
<b>(3,739)</b>	<b>(1,275)</b>	<b>(5,014)</b>	Closing Fund Balance at 31 March	<b>1,055</b>	<b>(1,316)</b>	<b>(261)</b>

**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
<b>Sub Total</b>			<b>53,727.37</b>
Less: Collection Rates Adjustment			-483.55
Add: Band D equivalent Ministry of Defence properties			447.86
<b>Tax Base</b>			<b>53,691.68</b>

**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**

Business Rates £000	Council Tax £000	Total £000
(1,496)	(158)	(1,654)
(2,243)	(1,117)	(3,360)
(3,739)	(1,275)	(5,014)

Business Rates £000	Council Tax £000	Total £000
422	(163)	259
633	(1,153)	(520)
1,055	(1,316)	(261)

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**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25**  
**INDEPENDENT AUDITOR'S REPORT**

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**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25**  
**INDEPENDENT AUDITOR'S REPORT**

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**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25**  
**INDEPENDENT AUDITOR'S REPORT**

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**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2024/25**  
**INDEPENDENT AUDITOR'S REPORT**

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## **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.

- 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.

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**WINCHESTER CITY COUNCIL**  
**ANNUAL GOVERNANCE STATEMENT**

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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:

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

The Internal Audit Plan is based on the Corporate Risk Register and identifies Internal Audit's contribution to the review of the effectiveness of the control environment. Progress reports for the Audit and Governance Committee on progress of audits refer to the opinion assigned to each internal audit review and include a summary of findings for reviews that give "Limited Assurance" together with data on the implementation status of all recommendations. Internal audit provides an annual

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**WINCHESTER CITY COUNCIL**  
**ANNUAL GOVERNANCE STATEMENT**

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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	<b>Landlord Health and Safety Compliance</b> – 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	<b>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</b>	Establish an appropriate governance structure and clearly define the programme scope, including emerging workstreams and designated lead officers	Liz Keys	June 2025	<p>PAC Board review organisational capacity and resources on a regular basis and prioritise as required.</p> <p>Update scope of the Transformation Board to include LGR.</p> <p>Robust programme management of LGR that can adapt as required.</p>
		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	<p>Quarterly Performance and Finance reporting.</p> <p>Robust programme management.</p>

**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.

**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.

**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.

**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.

**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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**WINCHESTER CITY COUNCIL**  
**GLOSSARY OF TERMS**

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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.

	<b>2024/25</b>
	<b>£000</b>
Chargeable Costs	603
Chargeable Income	<u>(463)</u>
<b>Net (surplus) or deficit</b>	<b>140</b>
Building Control Earmarked Reserve (deficit brought forward)	289
<b>Deficit carried forward</b>	<b>429</b>

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

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

Signature: ..... Date: .....

**Liz Keys**  
**Chief Financial Officer, Section 151 Officer**

## 2. CHARGES FOR PROPERTY SEARCHES

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

	<b>2024/25</b>
	<b>£000</b>
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**



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# Agenda Item 12

AG180  
AUDIT & GOVERNANCE COMMITTEE

REPORT TITLE: INTERNAL AUDIT PROGRESS REPORT 25-26 (DECEMBER 25)

29 JANUARY 2026

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](mailto:antony.harvey@hants.gov.uk)

WARD(S): ALL WARDS

## PURPOSE

In accordance with the Global Internal Audit Standards in the UK Public Sector, this report presents the Internal Audit Progress Report to 31<sup>st</sup> December 2025.

The Internal Audit Progress Report, attached as Appendix A, provides the Audit & Governance Committee with an overview and key updates of internal audit activity and assurance work completed in accordance with the approved audit plan.

## RECOMMENDATIONS:

1. The Audit & Governance Committee are requested to note the Internal Audit Progress Report 2025-26 (December 2025).

**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 is £112,100.

**3      LEGAL AND PROCUREMENT IMPLICATIONS**

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

**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 and noted 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

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
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 been externally assessed against conformance with the Global Internal Audit Standards in the UK Public Sector which concluded:

*'SIAP has achieved an excellent result of 'generally achieves' in this EQA in relation to the GIAS and Application Note. The IIA use the term 'general*

*achievement' or 'general conformance' to indicate that "internal audit activities were performed in general conformance with the Global Standards."*

*Given SIAP's high level of performance and achievement with the GIAS, I do not make any formal recommendations in this report.*

***I am delighted to confirm that SIAP fully achieves 46 of the 52 Standards and generally achieves the remaining six Standards. There are no partial conformances, or areas where the team do not conform with any Standards.'***

11.4 In accordance with proper internal audit practices (Global Internal Audit Standards in the UK Public Sector), the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:

- ongoing confirmation or otherwise regarding independence, and impairments [Standard 7.1]
- a summary of significant issues and escalation of matters of importance [Standard 8.1]
- overview and sufficiency of resourcing [Standards 8.2, 10.1, 10.2, and 10.3]
- communication of unresolved issues that fall outside of the Council's risk tolerance [Standard 11.5]
- update on progress and any changes to the annual audit plan [Standard 9.4]
- internal audit performance measures [Standard 12.2]
- status of 'live' internal audit reports and status on the implementation of management actions [Standard 15.2].

11.5 Appendix A summarises the activities of internal audit for the period to 31<sup>st</sup> December 2025 which confirms that 61% of audits have reached the reporting stages with the remaining audits either in progress or are in the process of being lined up for delivery during the final quarter of the year. The Housing Asset Management – Repairs and Maintenance audit has concluded with a 'No Assurance' opinion and a summary of the key observations has been included within the report.

11.6 The report also provides an update on the Council's progress with implementing actions that have been agreed following audits, including confirmation that all actions have been completed in respect of four previous audit review areas, with only four medium priority overdue actions to report.

12 **OTHER OPTIONS CONSIDERED AND REJECTED**

12.1 There are no other options to consider as this report is a requirement under relevant legislation and standards.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG165 Internal Audit Charter and Risk-Based Plan 2025-26

AG172 Internal Audit Progress Report 2025-26 (31<sup>st</sup> October 2025)

Other Background Documents:-

None.

APPENDICES:

Internal Audit Progress Report 2025-26 (December 25) (Appendix A)

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**Southern Internal  
Audit Partnership**

Assurance through excellence  
and innovation

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## **Internal Audit Progress Report**

### **Winchester City Council – December 2025**

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

## 1. 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:

*'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.

## 2. 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.

### 3. Purpose of Report

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

- The monitoring of 'live' internal audit reports
- an update on progress against the annual audit plan and any subsequent revisions
- acknowledgement of any actual or perceived impairments to internal audit independence
- internal audit performance, planning and resourcing issues
- results of audit assignments and insights.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of controls in place focusing on those designed to mitigate risks to the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

<b>Substantial</b>	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.
<b>Reasonable</b>	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.
<b>Limited</b>	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.
<b>No</b>	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.

#### 4. Resourcing

As Chief Internal Auditor I maintain responsibility for ensuring 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 (2025-26) and in the fulfilment of the audit mandate and delivery of the internal audit strategy.

- **Human Resource** - the Southern Internal Audit Partnership has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the internal audit strategy and risk-based audit plan.
- **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.

I have not been made aware of any implications on organisational capacity that may adversely affect the delivery of the internal audit plan.

#### 5. 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 2025-26 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 relating to the scope, performance, or communication of internal audit work during the year to date in the delivery of the internal audit plan or the fulfilment of the internal audit mandate.

#### 6. Impairments

There have been no impairments to internal audit activity during the year. The internal audit function has remained free from all conditions that threaten our ability to carry out 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.

## 7. Rolling Work Programme

The internal audit plan for 2025-26 was originally presented to Senior Management and approved by the Audit & Governance Committee in July 2025. The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed below.

Audit Review	Sponsor	Scoping Held	ToR Issued	Fieldwork Start	Draft Report	Final Report	Assurance Opinion	Comment
Strategic Planning and Performance Monitoring	CFO	06.05.25	15.05.25	22.05.25	30.06.25	10.09.25	Substantial	
Financial Stability – Budget Monitoring and Forecasting	CFO	17.10.25	25.11.25	17.12.25				
Health and Safety	SDP	16.10.25	06.11.25	18.12.25				
Emergency Planning	SDP	18.12.25		23.12.25 (draft)				
Procurement	CFO	18.12.25						
Contract Management – ID Verde & Wetton	SDS	02.07.24	18.09.24	15.11.24	12.09.25			
Human Resources – Use of Agency Staff and Consultants	DL	16.07.25	07.08.25	22.09.25	17.11.25			
Accounts Receivable / Debt Management	CFO	09.11.23	09.11.23	23.01.24	14.11.25			
Accounts Payable	CFO	05.06.25	11.06.25	04.07.25	11.09.25	26.11.25	Reasonable	
Payroll	CFO	21.10.25	26.11.25					
Council Tax	CFO	13.08.25	11.09.25	21.10.25	01.12.25	04.12.25	Substantial	
Networking and Communications – Patch Management	CFO	09.12.24	09.01.25	05.02.25	08.09.25	03.11.25	Reasonable	
Cyber Security – Thrive Actions Implementation	CFO	22.07.25	04.08.25	10.09.25	11.11.25			
Cyber Security – Data Back-up and Ransomware Protection	CFO	01.10.25	21.10.25	17.11.25	16.12.25			
Cyber-Security - User Training and Awareness	CFO							Q4

Audit Review	Sponsor	Scoping Held	ToR Issued	Fieldwork Start	Draft Report	Final Report	Assurance Opinion	Comment
Housing Asset Management – Repairs and Maintenance	SDS	11.09.24	30.09.24	16.05.25	01.10.25		No	
Housing Asset Management – Housing Retrofit Programme	SDS	11.12.24	27.02.25	16.06.25	21.08.25	04.12.25	Reasonable	
Housing – provision of days	SDP							Q4
Clean Streets Enforcement – Fly-Tipping	SDP	16.06.25	17.07.25	11.08.25	22.09.25	28.10.25	Limited	
Homelessness - Prevention	SDS	14.07.25	16.10.25	05.11.25	19.12.25			
Housing Management – Leaseholder Arrangements	SDS							Q4
Building Control – QMS Framework	SDP	17.06.25	10.07.25	23.07.25	13.11.25			
Licensing	SDP							Q4
Play Areas / Tree Management	SDP							Scoping 16.01.26
Markets	SDP							Scoping 05.01.26
Asset Management (Corporate Estate) – Health & Safety – Follow-up	SDS	n/a	06.02.25	10.03.25	08.07.25	29.10.25	n/a	Follow-up
Bus Services Operator Grant	CFO	n/a	n/a	18.08.25	n/a	09.09.25	n/a	Grant Certified
Mayor's Charity Account	CFO	n/a	n/a	22.09.25	n/a	04.12.25	n/a	Account Certified.

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

## 8. Adjustments to the Internal Audit Plan 2025-26

Internal Audit focus continues to be proportionate and appropriately aligned. The plan remains fluid and subject to on-going review and amendment, in consultation with the relevant audit sponsors, Senior Management, and the Audit & Governance Committee, to ensure internal audit are able to react to new and emerging risks and the changing needs of the Council.

Such amendments to the 2025-26 internal audit plan are detailed below with explanations for the proposed amendments.

Additions	Audit Review	Reason for inclusion in the plan
	None	Not applicable
Withdrawals	Audit Review	Reason for removal from the plan
	None	Not applicable

## 9. Acceptance of Risk

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 are considered by internal audit to fall outside of the Council's risk tolerance, these will be escalated to Senior Management and the Audit & Governance Committee as deemed necessary.

There are no such instances to report from our delivery of the 2025–26 internal audit plan to date.

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

Housing Asset Management – Repairs and Maintenance		
Audit Sponsor	Assurance opinion	Management Actions
Strategic Director - Services	No	<span style="background-color: red; border: 1px solid black; padding: 2px 5px; margin-right: 10px;"></span> x High <span style="background-color: yellow; border: 1px solid black; padding: 2px 5px; margin-right: 10px;"></span> x Medium <span style="background-color: green; border: 1px solid black; padding: 2px 5px;"></span> x Low

### Summary of key observations:

Process notes, detailing all of the key elements required in the housing repairs and maintenance process are not in place which impacts on the consistency and effectiveness of the processes listed below. Due to the lack of documented procedures, there was also a backlog and delay of a number of months in the processing and paying of invoices to Cardo in late 2024 due to a key process not being carried out. This also significantly delayed the audit testing. We confirmed that invoices are generally submitted within a couple of months of the job being raised although there was one exception in the sample of jobs we selected where the invoice was not submitted until nine months after the job was raised on the Orchard system.

Testing confirmed that jobs raised on the Orchard system that require authorisation (those with an original value of £5,000 and greater) were authorised appropriately in line with delegated authority limits. However, when works are identified, in many cases a notional value is assigned to job orders on the Orchard system to allow the job to be issued to the contractor and for the works to commence. This notional value is not consistently applied. In some cases an old call out rate is used (£55.01) and in others a different notional value, e.g. £100 may be applied. The actual cost of the completed works can then vary significantly from the original notional value. However, although there is a Variations tab on Orchard, no evidence detailing the reason(s) for the variation between the original value and the actual cost of the completed works is recorded on the system. In some cases, for larger value jobs, we were advised that quotes are obtained and used to record the job value on the system. There is no guidance as to the value of jobs that require quotes, and we were unable to obtain evidence of any quotes for the jobs we selected for testing as they were not held on the system or on SharePoint.

Once works have been completed, the job is required to be signed off on Orchard by the Area Property Surveyor in order to confirm that payment can be made for all works costing over £250 (works costing less than £250 are automatically approved for payment on the system due to the high volume of jobs). This sign off can be completed in one of two ways on the Orchard system, either via ticking the Desktop Check box or the Post Inspection Check box. The system then shows either "Desktop Check – Satisfactory" or "Post Inspection Completed". The name of the officer completing the check is recorded in the system along with the time and date of the check. However, although there is an 'Inspection' tab on Orchard, this was blank for all of the jobs selected in our sample, so there is no evidence recorded of what the Desktop Check entailed or the contents and outcome of the Post Inspection. The Orchard system does not allow photos to be attached. We were advised that photographic evidence of completed works may be stored in SharePoint, however, no evidence of photos could be found for any of the jobs selected in our sample.

Batch invoices are submitted by Cardo, which contain a large volume of jobs. One of the invoices selected in our sample contained over 1,000 jobs. A review of the invoices identified that they include a line-by-line summary for each individual job which records the job number, the property, description of the job, date completed, cost and date signed off on Orchard. However, within the initial sample of invoices tested, the line-by-line summary did not provide a breakdown of the size or cost of the job, e.g. labour, materials, quantities, etc to enable a comparison to an agreed Schedule of Rates (SoR) to ensure that the cost charged for the works is accurate and appropriate and that value for money is obtained.

Following a request for further audit testing, and the subsequent provision of all Cardo invoices from May 2024 to August 2025, it has been observed that the majority of the (smaller) jobs do contain a breakdown of works and hours, however a number of the larger value jobs do not contain such details, merely a total amount and designation of 662 (Unscheduled Works).

Data analysis of all jobs invoiced by Cardo from May 2024 to August 2025 confirmed a total of 10,887 jobs across 3,819 individual properties (or groups of properties). Out of these, 88 properties had 10 or more jobs invoiced in respect of them during this period (some due to void works being carried out). A review of the 25 individual properties with highest number of invoices during this period did not establish any specific patterns or issues, although there were potential indications of unresolved maintenance issues or duplicate jobs which require further investigation.

Testing of records for a sample of jobs carried out by other contractors identified similar issues around the lack of evidence or explanation to support the variations between the original value of jobs and the actual cost of completed works. Also, a similar lack of detail on invoices to enable an assessment of whether the cost charged for the works is accurate and appropriate and that value for money is obtained. For jobs carried out by other contractors, the option for the Surveyor to confirm on the Orchard system that they have completed either a desktop check or a post inspection is not available. We were advised that the Surveyor would be contacted by the Customer Support Team to confirm approval to sign off the job for payment to be made but no evidence of this confirmation was found for the jobs selected in our sample.

We have been advised that the Council are currently formulating an action plan to address the issues identified within this audit and other corresponding reviews. The actions will be tracked through to completion via the established processes with updates provided within future progress reports.

## 11. Analysis of 'Live Audit Reviews'

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions											
				Agreed			Pending			Complete			Overdue		
				L	M	H	L	M	H	L	M	H	L	M	H
Information Governance – Records Management and Retention	06.05.2025	DL	Reasonable	-	3	-	-	1	-	-	2	-	-	-	-
Disabled Facilities Grants	27.05.2025	SDS	Reasonable	-	12	-	-	-	-	-	9	-	-	3	-
Developer Contributions	11.07.2025	SDS	Limited	-	16	2	-	16	-	-	-	2	-	-	-
Housing Company	01.09.2025	SDS	Reasonable	-	1	-	-	-	-	-	-	-	-	1	-
Clean Streets Enforcement – Fly-Tipping	28.10.2025	SDP	Limited	3	2	1	2	2	-	1	-	1	-	-	-
Accounts Payable	26.11.2025	CFO	Reasonable	-	5	2	-	5	-	-	-	2	-	-	-
Housing Retrofit Programme	04.12.2025	SDS	Reasonable	-	4	-	-	-	-	-	4	-	-	-	-
<b>Total</b>				<b>8</b>	<b>43</b>	<b>5</b>	<b>2</b>	<b>24</b>	<b>0</b>	<b>1</b>	<b>15</b>	<b>5</b>	<b>-</b>	<b>4</b>	<b>0</b>

The management team have provided confirmation that all actions have been completed in respect of four previous audit review areas and are therefore not included within the table above. The respective review areas and report dates are:-

- New Homes Programme (Jul 24)
- Tree Management (Oct 24)
- ICT Networking and Communications – Patch Management (Nov 25)
- Housing Asset Management – Housing Retrofit Programme (Dec 25).

## Annexe 1

## Overdue 'High Priority' Management Action

There are no overdue high priority management actions.

## Annexe 2

## Overdue 'Low &amp; Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority		Due Date	Revised Due Date
			Low	Medium		
Disabled Facilities Grants	27.05.2025	Reasonable		3	30.11.2025	31.03.2026
Housing Company	01.09.2025	Reasonable		1	30.09.2025	27.02.2026
<b>Total</b>			-	4		

## Annexe 3

## Southern Internal Audit Partnership - Performance Measures

Performance Measure	Regularity	Target	Actual 25-26	Status	Direction of Travel
<b>1. Percentage of the agreed audit plan completed (issue of draft / final report)</b>	Ongoing	90%	61%		
<b>2. Audits delivered within agreed timescales (% year to date)</b>					
o To issue of draft report	Ongoing	80%	41%		
o To issue of final report	Ongoing	80%	33%		
<b>3. Conformance with the Global Internal Audit Standards in the UK Public Sector</b>	Annual	Generally conforms	Generally conforms		
<b>4. Audits conducted optimising the effective use of data analytics (% year to date)</b>	Ongoing	60%	53%		
<b>5. Stakeholder satisfaction (annual survey)</b>					
o Audit Committee	Annual	90%	100%		
o Senior Management		90%	100%		n/a
o Key Contacts		90%	98%		
<b>6. Internal audit effectively communicates with key stakeholders</b>					
o Audit Committee	Annual	90%	100%		n/a
o Senior Management		90%	100%		n/a
o Key Contacts		90%	100%		n/a
<b>7. Sufficiency of input to and discussion of the internal audit plan</b>					
o Audit Committee	Annual	90%	100%		n/a
o Senior Management		90%	100%		n/a
<b>8. Appropriate focus on key risks</b>					
o Audit Committee	Annual	90%	100%		n/a
o Senior Management		90%	100%		n/a
o Key Contacts		90%	100%		n/a



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REPORT TITLE: EXTERNAL QUALITY ASSESSMENT – FINAL REPORT

29 JANUARY 2026

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](mailto:antony.harvey@hants.gov.uk)

WARD(S): ALL WARDS

PURPOSE

The purpose of this report is to provide the Audit & Governance Committee with the outcome from the External Quality Assessment (EQA) of the Southern Internal Audit Partnership against the new Global Internal Audit Standards in the UK Public Sector.

RECOMMENDATIONS:

1. The Audit & Governance Committee note the report of the External Assessor following the External Quality Assessment of the Southern Internal Audit Partnership against the Global Internal Audit Standards in the UK Public Sector (Appendix A), and the action plan developed against suggested opportunities for future development (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 cost of the External Quality Assessment (EQA) is included within these arrangements.

**3      LEGAL AND PROCUREMENT IMPLICATIONS**

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

**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 and noted 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

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
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	<p>The EQA provides independent and objective assurance to stakeholders that the governance, management and services of internal audit are meeting best practice and the needs of the organisation.</p>	Further enhancement to the internal audit services provided.

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 Standards (8.4) require that *‘the Chief Internal Auditor must develop a plan for an external quality assessment and discuss the plan with the Audit Committee. The external audit assessment must be performed at least once every five years by a qualified, independent assessor or assessment team. The requirement for an external assessment may also be met through a self-assessment with independent validation’*.

### **External Quality Assessment (EQA)**

11.4 An External Quality Assessment of the Southern Internal Audit Partnership was undertaken during September to December 2025. The scope was comprehensive including review of the Southern Internal Audit Partnership’s:

- Conformance with the Global Internal Audit Standards in the UK Public Sector.
- Mandate, charter, strategy, methodologies, processes, risk assessment and internal audit planning.
- Performance measures and outcomes.
- Qualifications and competencies including those of the Chief Internal Auditor.
- Integration into the organisation’s governance processes.
- Contribution towards the organisation governance, risk management, and control processes.
- Contribution to the organisation’s operations and ability to attain its objectives.
- Ability to meet the expectations of stakeholders.

11.5 The External Quality Assessment was undertaken by John Cheshire of JC Training Ltd who met all of the necessary requirements of the enhanced qualification and experience required of an external assessor in the public sector. John is also the current Chairman of the Internal Audit Standards and Advisory Board whose role includes oversight of the development and periodic revision of the Global Internal Audit Standards. As such John is ideally positioned to provide the most credible assessment of the Southern Internal Audit Partnership against the new Standards.

### **External Quality Assessment Outcome**

11.6 A full copy of the External Quality Assessment – Final Report is provided (Appendix A), in concluding their conformance opinion, the external assessor states:

*'I undertook this EQA review to provide an independent, objective, examination of SIAP against the GIAS, the Application Note, and the expectations within the CIPFA Code, as well as considering the function's effectiveness and delivery compared with other internal audit functions, current and emerging good practice(s).*

*The GIAS comprises five Domains, 15 Principles and 52 Standards. For each Standard, there are Requirements, Considerations for Implementation and Examples of Evidence of Conformance to achieve.*

**SIAP has achieved an excellent result of 'generally achieves' in this EQA in relation to the GIAS and Application Note. The IIA use the term 'general achievement' or 'general conformance' to indicate that "internal audit activities were performed in general conformance with the Global Standards."**

*I include a summary of SIAP's conformance to the GIAS, below. Overall, I believe that the team has achieved an excellent performance given its size, together with the breadth and depth of the benchmark established by the new GIAS.*

**I am delighted to confirm that SIAP fully achieves 46 of the 52 Standards and generally achieves the remaining six Standards. There are no partial conformances, or areas where the team do not conform with any Standards.**

**I have undertaken ten reviews of diverse internal audit functions using the (new) GIAS to date and this result puts SIAP firmly within the top quartile and represents the highest level of achievement and conformance with the new GIAS that I have seen to date.'**

Summary of IIA Conformance	Standards	Does not Conform	Partially Conforms/ Achieves	Generally Conforms/ Achieves	Fully Conforms/ Achieves	Total
Purpose of Internal Auditing	N/A					N/A
Ethics and Professionalism	13				13	13
Governing the Internal Audit Function	9			3	6	9
Managing the Internal Audit Function	16			1	15	16
Performing Internal Audit Services	14			2	12	14
	52	0	0	6	46	52

11.7 In contextualising the overall assessment outcome, the external assessors clarify:

*'Given these results, you may ask why does SIAP not fully achieve/conform, overall, given this level of attainment? The reason is that the IIA have set an incredibly high, and some may say excessively high, benchmark for the 'fully achieves' level of attainment. To fully achieve or conform, the IIA state that "The internal audit function is fully achieving all 15 principles and the Purpose of Internal Auditing." To fully achieve each of the 15 Principles, an internal audit function must fully conform with each of the 52 Standards.'*

*Given that the GIAS remains 'comply or explain' in nature, an internal audit function can reasonably decide that some elements are not necessary to fully adopt, given the team's nature, size, sector, cost/benefit, value for money considerations, or target maturity level. Not everything must be platinum-plated, and a level of common sense, judgement and proportionality is important.'*

### **Opportunities for improvement**

11.8 It is important to note that the external assessor in their final report clearly states *'I do not make any formal recommendations in this report. To aid continuous improvement however, I do make a small number of suggestions for future development'.*

11.9 Whilst there is no obligation on the Southern Internal Audit Partnership to address the highlighted areas of improvement, our culture as a learning organisation seeks continual development in ensuring our service is future proofed, lean, efficient, and effective. Consequently, an Action Plan (Appendix B) has been compiled to consider each of the suggested future development opportunities.

### **Conclusion**

11.10 The decision to undertake an early external quality assessment and the resulting outcome provides assurance to the Council that the Southern Internal Audit Partnership are operating in general conformance with the Global Internal Audit Standards in the UK Public Sector and remain well positioned as your internal audit provider.

### **12 OTHER OPTIONS CONSIDERED AND REJECTED**

12.1 There are no other options to consider as an EQA is a requirement of the Global Internal Audit Standards against which all internal audit providers must conform.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG151 Implementation of the Global Internal Audit Standards

AG165 Internal Audit Charter and Risk-Based Plan 2025-26

AG176 External Quality Assessment

Other Background Documents:-

None.

APPENDICES:

External Quality Assessment – Final Report (Appendix A)

External Quality Assessment – Action Plan (Appendix B)

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**Neil Pitman**  
Head of Southern Internal Audit Partnership

Dear Neil,

Please see attached my final report as promised.

This report forms the final phase of the external quality assessment exercise. Congratulations on an excellent result.

Many thanks once again to you and the team for facilitating the exercise smoothly, professionally and efficiently.

Best wishes as ever and very happy to answer any questions.

**John Cheshire**  
Director, JC Audit Training Ltd



Assurance through excellence  
and innovation

# External Quality Assessment

## INDEPENDENT REVIEW FINAL REPORT

GENERAL ACHIEVEMENT	SOUTHERN INTERNAL AUDIT PARTNERSHIP GENERALLY ACHIEVES THE GLOBAL INTERNAL AUDIT STANDARDS, THE INTERNATIONAL PROFESSIONAL PRACTICES FRAMEWORK AND THE UK PUBLIC SECTOR APPLICATION NOTE
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John Cheshire CIIA CRMA CIA CISA  
JC Audit Training Ltd

11 December 2025

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## Executive Summary

1. The Institute of Internal Auditors (IIA) launched their new Global Internal Audit Standards (GIAS) in January 2024, providing organisations, and their internal audit functions, twelve months to adapt their practices to meet the updated benchmark. The UK public sector delayed formal implementation to align with reporting years, and the GIAS became formally effective across this sector from 1<sup>st</sup> April 2025.
2. The GIAS comprises five Domains, 15 Principles, and 52 Standards. They replace the previous iteration and the UK's Public Sector Internal Audit Standards (PSIAS), which in turn were based upon the IIA's earlier International Standards.
3. The Southern Internal Audit Partnership (SIAP) commissioned this external quality assessment (EQA) in 2025 to assess their service against the new GIAS, as the very latest, best international internal audit practice. The GIAS requires an EQA at least once every five years, with SIAP last having one in September 2020. I was requested to undertake this current engagement, and, for the record, I also delivered the previous exercise on behalf of the Chartered IIA.
4. I am an experienced EQA reviewer, a former Head of Internal Audit and Chief Assurance Officer, and current Audit Committee Chair. I have delivered approximately 60 EQA reviews over the last eight years to a variety of clients of all sectors and sizes, across the UK and overseas. I have already undertaken several of these using the new GIAS.
5. I undertook this EQA by undertaking a formal validation of the team's internal assessment in Autumn 2025. This included examining SIAP's approach, ways of working, methodologies, remote document review and analysis, a selection of stakeholder and team member interviews, a targeted review of a selection of recent internal audit assurance and advisory engagement files, evaluation and the drafting and communication of this report.
5. I am delighted to report that SIAP **generally achieves** the GIAS which represents the global benchmark for internal audit quality. The IIA use the term 'general achievement' or 'general conformance' to indicate that "internal audit activities were performed in general conformance with the Global Standards."
6. This is an **excellent result**, particularly given the recent launch of the GIAS and SIAP's complexities as a multi-client provider of internal audit services. Many internal audit functions are struggling to conform with aspects of the GIAS, and others within the public sector are certainly not as well advanced in their implementation and maturity.

7. I have undertaken ten reviews of diverse internal audit functions using the (new) GIAS to date and this result puts **SIAP firmly within the top quartile and represents one of the highest levels of achievement and conformance with the new GIAS that I have seen to date.** Congratulations to all involved.
8. SIAP, and their key stakeholders, have established an effective governance and management framework over their activity that includes:
  - Well-established Audit Committee (or equivalent) oversight, appropriate functional and administrative reporting lines, with revised Internal Audit Mandates and Charters, updated in line with the new GIAS.
  - A very experienced Head of Partnership leads SIAP, supported by an Assistant Head, four deputies and a knowledgeable professional team with diverse knowledge, backgrounds and capabilities. The SIAP team are trusted, valued and respected for their professionalism by key stakeholders.
  - SIAP strategic and operational priorities are guided by regular engagement with key stakeholders, an overarching audit strategy aligned with the new GIAS, flexible periodic audit plans, an updated quality assurance and improvement programme, investment in learning and development, and increasingly effective use of specialist internal audit software applications.
  - Revised SIAP working practices, templates, tools and an updated internal audit methodology aligned with the GIAS that seeks to balance agility and efficiency, with root cause analysis and depth to deliver added value, insight and - increasingly - foresight to its key stakeholders.
9. From the EQA results, I am satisfied that SIAP clearly conforms with the fifteen GIAS Principles. SIAP also conforms with the fifty two Standards. **I am very pleased to report that there are no Standards that the Internal Audit Service 'partially achieves' or 'does not achieve'.** Once again, this is very positive and represents an excellent level of performance against a challenging - and new - set of demanding benchmarks.
10. Given SIAP's high level of performance and achievement with the GIAS, I do not make any formal recommendations in this report. To aid continuous improvement, however, I do make a small number of suggestions for further development.
11. I would like to thank everyone who assisted us in this review, most obviously the Head of Partnership, for organising everything, and their SIAP colleagues and key stakeholders I interviewed as part of this EQA process. Thank you all.

## Introduction and approach

12. The Head of Southern Internal Audit Partnership (SIAP) commissioned this External Quality Assessment (EQA) against the Institute of Internal Auditors (IIA) Global Internal Audit Standards (GIAS). The GIAS were formally implemented across the UK public sector on 1<sup>st</sup> April 2025 and forms the key part of the broader IIA International Professional Practices Framework (IPPF) alongside the new Topical Requirements<sup>1</sup>.
13. The GIAS builds upon the previous International Standards and the associated UK Public Sector Internal Audit Standards. For the UK public sector, the GIAS are also supplemented by the Global Internal Audit Standards in the UK Public Sector Application Note (Application Note).
14. The Chartered IIA state that the GIAS, “guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are fifteen guiding principles that enable effective internal auditing. Each principle is supported by standards that contain requirements, considerations for implementation, and examples of evidence of conformance. Together, these elements help internal auditors achieve the principles and fulfill the Purpose of Internal Auditing”. The GIAS comprises five Domains, 15 Principles and 52 Standards, with some additional public sector nuances introduced through the Application Note.
15. In local government, the CIPFA Code of Practice for the Governance Internal Audit in UK Local Government (CIPFA Code) also applies to address the ‘essential conditions’ for the governance of internal audit set out in Domain III of the GIAS. The Code concerns the roles of senior management and the audit committee regarding internal audit. EQAs must also consider the governance of internal audit, which for local government is set out in this CIPFA Code.
16. Where internal audit providers have more than one local government client, like SIAP, the governance arrangements for internal audit should be separately considered so that there can be a conclusion for each client. This does not mean that a separate EQA is required for each authority, only that the EQA must be able to conclude individually for each principal local authority client. I have undertaken this in this EQA.

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<sup>1</sup> The IIA states that the Topical Requirements “enhance the consistency and quality of internal audit services, increasing the professionalism of internal auditors’ performance. They help strengthen the relevance of internal auditing to address pervasive and evolving risks.” The first Topical Requirement on Cybersecurity becomes properly effective on February 5, 2026. As a result, Topical Requirements were not applicable at the time of this EQA.

17. Where the internal audit function applies a common approach to its working practices for all its clients (e.g. engagement planning and conduct of audits), again like SIAP, then the EQA assessor may sample across the client base to verify those aspects of the standards. Where the internal audit provider has a large client base, this may mean the conduct of internal audit engagements at an authority may not be selected for sample testing. If the EQA assessor is satisfied that the provider adopts a common approach across the clients, then the authority can still be satisfied with the assessor's conclusion. This is the approach that I have also undertaken in this EQA exercise.
18. The SIAP team comprises 61 internal audit, IT audit and counter fraud professionals. SIAP seeks to bring together the professional discipline of internal audit across partnering organisations, pooling expertise and enabling a flexible, responsive and resilient service to its partner and client portfolio. SIAP currently delivers internal audit services to 20 local authorities, including Hampshire and West Sussex County Councils, five blue light clients and six other smaller clients. The SIAP partner and client base has continued to grow since the 2020 EQA exercise and delivers nearly 10000 days' chargeable work.
19. The Head of Partnership, supported by the Assistant Head and four Deputy Heads fulfil the Chief Internal Auditor (CIA) roles for their respective portfolios. They report functionally to Audit Committees in the partner and client organisations. In addition, the Head of Partnership reports strategically to the Strategic and Key Stakeholder Boards.
20. SIAP last had an EQA in 2020, undertaken by the Chartered Institute of Internal Auditors (Chartered IIA). The GIAS mandate these EQAs at least once every five years.
21. Like many internal audit teams, SIAP has reviewed its governance, management and operational practices because of the update and implementation of the GIAS. The IIA are keen that the GIAS help 'raise the bar' for internal audit services across the world. As a result, SIAP undertook a thorough gap analysis and embarked upon identifying and implementing changes and enhancements to better align with the new GIAS, the associated Application Note and the expectations of the Code.
22. This EQA included examining SIAP's overall approach, methodology, processes, remote document review and analysis, interviews with the team and stakeholders, a targeted review of a selection of their recent internal audit assurance engagement files, evaluation and the drafting and communication of this report. I have included a list of stakeholder interviewees at appendix one, SIAP team members interviewed at appendix two, and a sample of the feedback at appendix three.

23. The EQA primarily involved comparison of working practices against the GIAS. The tried and tested process I followed involved:

- Examining and reflecting upon the requirements of the Purpose of Internal Auditing, the five Domains, the 15 Principles and the 52 Standards. I have also employed the 'Considerations for Implementation' and the 'Examples of Evidence of Conformance'.
- Assessing the key criteria needed to demonstrate appropriate compliance.
- Recording the necessary evidence to demonstrate SIAP's conformance status with each Standard. I have undertaken this through documentation review, thorough consideration of SIAP's latest (and comprehensive) self-assessment, a targeted examination of working papers, with evidence drawn from across the whole client base, discussions with team members and selected interviews (et al), as noted above. I have recorded the sample SIAP engagements I reviewed in detail in appendix four, but I examined aspects of work SIAP have undertaken with each client.
- Comparing the evidence to the key conformance criteria and assessing the degree of conformance. I have employed the standard IIA definitions for this and have provided these in appendix five.

## Conformance opinion

24. As noted above, I undertook this EQA review to provide an independent, objective, examination of SIAP against the GIAS, the Application Note, and the expectations within the CIPFA Code, as well as considering the function's effectiveness and delivery compared with other internal audit functions, current and emerging good practice(s).

25. The GIAS comprises five Domains, 15 Principles and 52 Standards. For each Standard, there are Requirements, Considerations for Implementation and Examples of Evidence of Conformance to achieve.

26. **SIAP has achieved an excellent result of 'generally achieves' in this EQA** in relation to the GIAS and Application Note. The IIA use the term 'general achievement' or 'general conformance' to indicate that "internal audit activities were performed in general conformance with the Global Standards."

27. I include a summary of SIAP's conformance to the GIAS, below. Overall, I believe that the team has achieved an excellent performance given its size, together with the breadth and depth of the benchmark established by the new GIAS.

28. I am delighted to confirm that SIAP fully achieves 46 of the 52 Standards and generally achieves the remaining six Standards. There are no partial conformances, or areas where the team do not conform with any Standards.

29. I have undertaken ten reviews of diverse internal audit functions using the (new) GIAS to date and this result puts SIAP firmly within the top quartile and represents the highest level of achievement and conformance with the new GIAS that I have seen to date.

Summary of IIA Conformance	Standards	Does not Conform	Partially Conforms/Achieves	Generally Conforms/Achieves	Fully Conforms/Achieves	Total
Purpose of Internal Auditing	N/A					N/A
Ethics and Professionalism	13				13	13
Governing the Internal Audit Function	9			3	6	9
Managing the Internal Audit Function	16			1	15	16
Performing Internal Audit Services	14			2	12	14
	52	0	0	6	46	52

30. Given these results, you may ask why does SIAP not fully achieve/conform, overall, given this level of attainment? The reason is that the IIA have set an incredibly high, and some may say excessively high, benchmark for the 'fully achieves' level of attainment. To fully achieve or conform, the IIA state that "The internal audit function is fully achieving all 15 principles and the Purpose of Internal Auditing." To fully achieve each of the 15 Principles, an internal audit function must fully conform with each of the 52 Standards.

31. Given that the GIAS remains 'comply or explain' in nature, an internal audit function can reasonably decide that some elements are not necessary to fully adopt, given the team's nature, size, sector, cost/benefit, value for money considerations, or target maturity level. Not everything must be platinum-plated, and a level of common sense, judgement and proportionality is important.

32. I summarise the results further using a red, amber, light and dark green (RAGG) colour-coding covering each of the 15 Principles as shown below:

Principles	
1	Demonstrate Integrity
2	Maintain Objectivity
3	Demonstrate Competence
4	Exercise Due Professional Care
5	Maintain Confidentiality
6	Authorized by the Board
7	Positioned Independently
8	Overseen by the Board
9	Plan Strategically
10	Manage Resources
11	Communicate Effectively
12	Enhance Quality
13	Plan Engagements Effectively
14	Conduct Engagement Work
15	Communicate Engagement Conclusions and Monitor Action Plans

33. For SIAP's conformance with the 52 Standards, the results are:

Standards						
1.1		6.1		9.5		13.2
1.2		6.2		10.1		13.3
1.3		6.3	Support	10.2		13.4
2.1		7.1		10.3		13.5
2.2		7.2		11.1		13.6
2.3		8.1	Board	11.2		14.1
3.1		8.2		11.3		14.2
3.2		8.3		11.4		14.3
4.1		8.4		11.5		14.4
4.2		9.1		12.1		14.5
4.3		9.2	Strategy	12.2		14.6
5.1		9.3		12.3	Oversee	15.1
5.2		9.4	Plan	13.1		15.2

## Deliverables

34. In addition to this report, I have provided the Head of Partnership and the Internal Audit Service with a briefly annotated version of their own Internal Quality Assessment (IQA) which I have validated through this EQA. This evidences my view of the team's own IQA.
35. I make several small suggestions to help promote ongoing development and continuous improvement. I have included these suggestions on pages 11-14 below.

## Key achievements

36. I believe that SIAP performs very effectively in its own governance, risk management and internal audit practices. I was particularly impressed with the following:
  - SIAP delivers a very effective, efficient, independent, and objective assurance and advisory service across its partners and clients, covering their diverse and complex activities.
  - SIAP's own governance framework is mature, with strategic oversight through a well-established Key Stakeholder Board, as well as partner and client Audit Committee (or equivalent) and senior management engagement, oversight, reporting and regular communications.
  - SIAP's revised Internal Audit Charter fully aligns to the good practice detailed in the GIAS. It clearly details the team's mandate, purpose, authority, and accountability.
  - A very experienced Head of Partnership leads SIAP, supported by an Assistant Head, four deputies and a knowledgeable professional team with diverse knowledge, backgrounds and capabilities. The Learning and Development Plan 2024-26 represents good practice, covering SIAP's overall approach to induction, vocational training, performance management, and learning and development.
  - Team members have considerable practical and professional experience and undertake an appropriate range of Continuing Professional Development (CPD) activities to maintain and enhance knowledge, skills, and experience. Less experienced colleagues are supported through a very well-received, effective induction programme. SIAP maintains a useful log of the team's collective Knowledge, Qualifications, Skills and Experience.

- Partners and clients highly value the team's specialisms and capabilities in IT audit and counter fraud expertise, together with the resilience and capacity that SIAP bring.
- SIAP has established an Internal Audit Strategy for 2025-2028. This is clear and well presented, with valid relevant objectives and priorities for the team to aim for and deliver. This has been developed with partner and client involvement and indicates how SIAP aims to continue to enhance the assurance and advisory services it delivers to help them enhance their own governance, risk management and control practices, and thereby deliver their own objectives.
- SIAP agree flexible internal audit plans with their partners and clients. These include future engagements based upon key risks, client priorities, other sources of assurance and SIAP views and judgement. The client Audit Committee (or equivalent), senior management and other assurance providers are closely involved in, or contribute to, the SIAP planning process.
- SIAP have sought to develop effective working relationships with other partner and client functions in the second and fourth lines of assurance, most obviously with risk management and external audit. Some reliance is placed on the work of other teams, when appropriate, such as transformation or quality assurance, and SIAP have developed a methodology for this
- Delivery of the Internal Audit Strategy 2025-2028 and internal audit plans are supported by an updated, effective Quality Assurance and Improvement Programme, with associated improvement priorities and a suite of Internal Audit Performance Measures.
- In recent years, SIAP has enhanced its use of technology, invested in K10 audit management software, data analytics tools and expertise and is continuing to explore how generative artificial intelligence (Copilot) can further enhance efficiency and effectiveness. This technology focus outpaces many comparable functions. The team has achieved clear benefits and efficiencies from their use of technology to date but also recognise that there is more to be achieved in each area.
- SIAP have also updated their own methodologies, procedures and templates in line with the GIAS. In particular, the team's refreshed report template is particularly user-friendly, and the embedding of root cause analysis, together with the benefits this should bring SIAP, its partners, and clients, continues.

- It is clear from the EQA that SIAP are trusted, respected and valued by key stakeholders. Feedback was very positive about the service and its delivery, both in the interviews undertaken for this review and through the team's own surveys and related feedback mechanisms.

37. In conclusion, SIAP have invested time and effort in reviewing, updating, communicating and aligning their own governance, planning, quality and delivery methodologies to the GIAS. This has clearly paid off with an approach that clearly mirrors good global practice.

38. I believe that the Head of Partnership and SIAP have clearly embedded a culture of continuous improvement in their approach and ethos. And like most internal audit functions everywhere, they continue their journey embedding the new GIAS and ensuring their services are future-proof, lean, efficient and effective.

39. I include a small number of observations and suggestions for the Head of Partnership and SIAP to consider below, linking them to relevant elements of GIAS. Some are general points to consider, but I also mention the rationale for each of the six 'generally achieves' results below.

40. I will repeat again, however, that these areas still appropriately meet the expectations of the GIAS, and me as the EQA assessor. They **do not** represent shortcomings or failures in respect of conformance with the GIAS. These observations and suggestions do not require a formal response.

- SIAP fully achieves Standard 1.1 Honesty and Professional Courage and Standard 1.2 Organisation's Ethical Expectations.

Going forward within the planned training on these areas and Domain II in general, detailed in the Learning and Development Plan 2024-2026, the Head of Partnership could usefully consider including practical ethical dilemmas, ethics scenarios or case studies, common challenges and how to deal with them, in future learning coverage.

- SIAP fully achieves Standard 3.1, Competency.

While many of the team are highly skilled, knowledgeable and experienced, other team members continue to gain competence and confidence. SIAP actively supports team members as they gain experience. SIAP have certainly also put effort and resources into growing their specialist teams, primarily IT audit and counter fraud, and developing the skills sets within these teams.

SIAP leadership and their stakeholders recognise that additional emphasis on advisory, rather than assurance engagements, will be needed over the medium term as Local Government Reorganisation and Devolution proceeds. Additional advisory skills and learning may be necessary to add value, insight and foresight across SIAP.

The team does not always have deep, specialist expertise in everything they may be asked to deliver assurance over, such as AI as a topical example, and staying up to date with IT and cyber security changes and associated developments are a real challenge for any internal audit function. This is normal for any internal audit function.

A clear related risk is that of succession and service continuity, whether in respect of the potential loss of more experienced team members, or specialists within the IT audit or counter fraud teams. SIAP has clearly recognised these challenges and has boosted both capacity and capability.

Continuing to manage these risks will be key to SIAP's future resilience at a time of change.

- SIAP generally achieves Standard 6.3, Board and Senior Management Support, and 8.1, Board Interaction.

The Head of Partnership and SIAP have undertaken everything I would expect of them under these Standards, the related Application Note and CIPFA Code.

Where SIAP do not have a direct influence, I am satisfied that the team have engaged with each partner and client highlighting the importance of Domain III, the Application Note and Code and developing an action plan to encourage compliance, highlighting its importance and their ability as an organisation to confirm in the 2025/26 Annual Governance Statement that they are conforming with the GIAS in the UK Public Sector. Some partners and clients are fully compliant, while others still have some actions to progress, resulting in a general, rather than full, level of achievement for SIAP against these Standards.

- SIAP fully achieves Standard 8.3, Quality. The team revised their Quality Assurance and Improvement Programme in June 2025. The result is excellent. SIAP will need to continue to focus on embedding and implementing the various actions and priorities contained within this document to progress the five identified areas for improvement. I support these next steps and the periodic reporting of progress to partner and client Audit Committees (or equivalent) and senior management, as well as to other key stakeholders.

- SIAP generally achieves Standard 9.2, Internal Audit Strategy.

SIAP has established an Internal Audit Strategy for 2025-2028. This is clear and well presented, with valid relevant objectives and priorities for the team to aim for and deliver. This has been developed with partner and client involvement, but given the number of partners and clients, it is not practical for this to be aligned to each separate organisation's key objectives and priorities.

The Head of Partnership and SIAP have consciously chosen not to seek to implement every aspect of this Standard, where it makes little practical sense to do so, given the size and nature of their function. In my opinion, this makes perfect sense, as there is little value in conformance for the sake of conformance, but it does result in this generally (rather than fully) achieves assessment here.

- SIAP generally achieves Standard 9.4, Internal Audit Plan.

Going forward, SIAP should add additional detail – ideally bespoke for each partner or client – on the rationale for not including an assurance engagement in a high-risk area or activity in its flexible internal audit plans. SIAP currently includes a short standard statement, but this would benefit from being more tailored to the individual partner or client if a 'fully achieved' rating is considered necessary.

- SIAP fully achieves Standard 11.1, Building Relationships and Communicating with Stakeholders, and 11.3, Communicating Results.

At interview, and in the April 2025 SIAP survey responses, some stakeholders commented whether there was more that could be done in terms of sharing cross-client themes, issues, results, root causes and insights. This is an obvious benefit of the partnership model and AI may enable the development of additional insights that could be efficiently created and add value.

- SIAP generally achieves both Standard 12.3, Oversee and Improve Engagement Performance, and 13.5 Engagement Resources.

SIAP has set a strategic objective to innovate to explore a more agile approach to the audit process, building efficiencies and producing more timely feedback to the organisation. Some stakeholders at interview, through the April 2025 SIAP survey, and my own sample of engagements, commented that occasionally there were delays in the completion of engagements.

While there can be varied reasons for these delays, this may require closer monitoring and earlier supportive intervention from engagement managers if delivery is affected and the allocation of additional resources, where necessary, to help ensure any particularly critical milestones or deadlines are achieved.

I support the planned actions detailed in the Internal Audit Strategy 2025-2028 for investigating and addressing these concerns.

- SIAP fully achieves Standard 13.3, Engagement Objectives and Scope, 13.4, Evaluation Criteria, and 14.3 Evaluation of Findings

SIAP will need to consider how best to incorporate the IIA's Topical Requirements into their methodology, particularly when it comes to engagement scope and objectives. At the time of this EQA, two Topical Requirements have been finalised to date, two have been released in draft, and others are in the production pipeline. The first on Cybersecurity comes into effect in February 2026.

Additional thinking, guidance and review on what constitutes the 'criteria' against which performance is assessed could also prove beneficial, as this is a key change included within the GIAS.

Finally, the use of root cause analysis has commenced within the team, and the initial results are promising from both a SIAP and stakeholder perspective. There will be further opportunity to deliver insights on common root cause categories and themes across the partner and client base.

- The obvious opportunities and challenges associated with Local Government Reorganisation were highlighted by several SIAP team members and stakeholders during this EQA.

In times of change and transformation, there is likely to be a far greater demand for SIAP to support its partners and clients through advisory and/or 'real time' assurance engagements. To date, the majority of SIAP work has been of an assurance nature, given stakeholder resourcing constraints and priorities.

Ensuring that the team can meet partner and client diverse assurance and advisory needs in this volatile time of change will be key to maintaining effective relations, supporting and helping clients through added value, insights and foresight when stakeholder capacity for internal audit activity may be stretched.

## Appendix One - Stakeholder Interviewees

Interviewee	Position
Peter Appleton	Section 151 Officer, Surrey/Sussex Police Force
Cllr Ian Booth	Chair, Audit and Scrutiny Committee, Tandridge District Council
Jo Cassar	Monitoring Officer, Eastleigh Borough Council
Cllr Nigel Dennis	Chair, Regulation, Audit and Accounts Committee, West Sussex County Council
Ian Duke	Chief Executive, Crawley Borough Council
David Ford	Chief Executive, Tandridge District Council
Caroline Martlew	S151 Officer, Crawley Borough Council
Cllr Steve Holes	Chair, Audit and Resources Committee, Eastleigh Borough Council
Cllr Kiran Khan	Chair, Audit Committee, Crawley Borough Council
Sarah King	S151 Officer, Eastleigh Borough Council
Cllr Derek Mellor	Chair, Audit Committee, Hampshire County Council
Kelvin Menon	S151 Officer, Surrey Office of the Police and Crime Commissioner
Patrick Molineux	Chair, Surrey Joint Audit Committee
James Strachan	Chief Executive, Eastleigh Borough Council
Mike Suarez	S151 Officer, West Sussex County Council
John Ward	Chief Operating Officer and S151, Chichester District Council
Andy Lowe	Director of Corporate Operations (S151), Hampshire County Council
Gary Westbrook	Chief Executive, Hampshire County Council
Leigh Whitehouse	Chief Executive, West Sussex County Council

## Appendix Two - SIAP Interviewees

Interviewee	Position
Vanessa Anthony	Audit Manager
Nick Barrett	Audit Manager
Donna Bone	Auditor
Amanda Fahy	Auditor
Liz Foster	Audit Manager
Emma Fullerton	Senior Auditor
Laura Hutchison	Auditor
Dorota Kruczynska	Senior Auditor
Lisa Lowe	Auditor
Neil Pitman	Head of SIAP
Hayley Pothecary	Auditor
Laura Scull	Auditor
James Short	IT Audit Manager
Lisa Smy	Audit Manager
Nigel Spriggs	Senior Auditor
Sophie Taylor-D'Arcy	Auditor
Sun Wong	Senior Auditor

## Appendix Three - Selected Interview Feedback

“I’m very pleased with the SIAP service – it is very professional and very prepared. They know what they are doing and involve the right stakeholders.”

“We really value internal audit’s conclusions and advice – even though we have had a run of limited assurances recently.”

“They have had some staffing issues last year and this caused some delays in delivery of the plan, but these have been resolved now.”

“SIAP are flexible, responsive and adapt the plan when we request it so that the focus is on higher priority areas. We get sufficient assurance from them because of their risk-based approach.”

“Communications with the Audit Committee are good, clear and professional. We really value the quality of their reports.”

“We have seen a stepped improvement since bringing SIAP in, leading to an elevated profile for internal audit and their work is taken far more seriously by management.”

“The development of the internal audit plan is participative and iterative, resulting in good engagement and a very good plan that looks at the right areas at the right time.”

“Because SIAP generally work remotely, interactions feel slightly more distant and a step removed from us. This has some disadvantages, and I wonder whether they can effectively pick up on the things an embedded service would pick up on.”

“I particularly value the IT audit expertise that SIAP bring.”

“SIAP resources are my only concern. They have been upfront about the challenges, and they are managing these. They do a good job on prioritizing their work on the most important areas.”

“They are definitely a trusted partner to us and where there have been the occasional issues, they get it right.”

“The specialist fraud team is really useful and a big benefit of having SIAP.”

“I’m very happy with the Partnership and their continued growth speaks volumes about their quality, effectiveness and delivery.”

“SIAP are very collaborative, and they are challenging when they need to be.”

“Some of the SIAP reports are a little confusing, lengthy and too detailed.”

“They have faced some challenges with resourcing, vacancies and churn, but we have not seen an impact on the internal audit programme, on delivery or on quality.”

“The SIAP induction process was excellent. I had a good mentor and the whole process was supportive and informative. It has given me confidence in the new role.” (SIAP)

“LGR is an obvious challenge for us and for SIAP. How we come up with an internal audit workplan that adds value in the time of LGR may be difficult, especially when combined with the capacity of the organisation to accept internal audit work and reviews.”

“SIAP are approachable and flexible, but firm when they need to be.”

“I like the quality of the internal audit reports – they are well-structured, readable and not too long. The actions are appropriate and address the issues.”

“SIAP’s presentations at Audit Committee are good, professional, and clear. They deal with the Committee’s questions confidently and effectively.”

“I have nothing bad to say about the service we get from SIAP. Their communications are good, they are approachable and they involve us appropriately in developing the internal audit plan and in the delivery of individual engagements.”

“They have briefed the Audit Committee on the new Standards. I have found the team to be helpful, and they deliver the assurance we need.”

“Some audits have taken longer than expected, but on balance it is beneficial having a bigger partnership and I’m pretty happy with the service we have received.”

“I feel very well engaged, supported and assured by the SIAP team. I have regular dialogue and ongoing interaction with them. This has led to a mature and trusted relationship.”

“We have had some benefits from SIAP consultancy services and not just their assurance work. In respect of LGR, we need to make sure we use internal audit in this process.”

“Future proofing will be important – not just because of LGR, but because of developments in digital, AI, the general technology space and data governance.”

“We are wanting to see more in the way of best practice from others so we can learn from SIAP’s wider client base. No onsite presence does also mean less visibility of internal audit.”

“Overall, we are getting the assurance we need. They are engaging, receptive and professional in their approach and work.”

## Appendix Four - List of Reviewed 'Deep Dive' Internal Audit Engagements<sup>2</sup>

Engagement
Chichester District Council, Safeguarding, 2025/26
Crawley Borough Council, Food Safety 2025/26
Eastleigh Borough Council, Treasury Management, 2025/26
Epsom and Ewell Borough Council, Tree Preservation Orders 2024/25
Hampshire County Council – Information Governance 2025/26 (in progress at review)
Hampshire and the Isle of Wight Fire and Rescue Service, Risk Management 2025/26
Runnymede Borough Council, Emergency Planning and Business Continuity 2024/2025
Spelthorne Borough Council, Main Accounting 2025/26
Tandridge District Council, Climate Change Strategy 2025/26
West Sussex County Council, Pool Cars 2025/26 (in progress at review)

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<sup>2</sup> As noted earlier, I also briefly reviewed governance and engagement documentation for each client.

## Appendix Five - External Quality Assessment Ratings

Quality Rating	Total Opinion	Principle Opinion	Standard Opinion
<b>Full achievement</b> The HIA can state that all internal audit activities were performed in full conformance with the Global Standards.	The internal audit function is fully achieving all 15 principles and the Purpose of Internal Auditing.	The internal audit function is fully achieving all the Standards related to the Principle and the Principle's intent.	The internal audit function is fully conforming with all requirements of the Standard and the Standard's intent.
<b>General achievement</b> The HIA can state that internal audit activities were performed in general conformance with the Global Standards.	The internal audit function is achieving the Purpose of Internal Auditing however it is not fully achieving at least one Principle or aspect of Domain I.	The internal audit function is achieving the Principle's intent. However, it is not fully achieving at least one Standard.	The internal audit function is achieving the intent of the Standard but not fully conforming with at least one requirement of the Standard.
<b>Partial achievement</b> The HOIA may not state that all internal audit activities were performed in conformance with the Standards but may be able to depending on the activity.	The internal audit function achieves some Principles. However, it is not fully achieving at least one Principle and one aspect of Domain I and the impact is significant enough to rate the function's overall achievement as partially achieving.	The internal audit function achieves some Standards. However, it is not fully conforming with at least one Standard, and the impact is significant enough to rate the function as Partially achieving the principle.	The internal audit function achieves some requirements of the Standard. However, it is not fully conforming with at least one requirement, and the impact is significant enough to rate conformance with the Standard as partially conforming.
<b>Nonachievement</b> The HIA may not state that internal audit activities were performed in conformance with the Standards.	The internal audit function fully achieves some Principles; however it is not fully achieving more than one aspect of Domain I and the impact is significant enough to rate the function's overall achievement as not achieving.	The internal audit function is not fully conforming with more than one Standard, and the impact is significant enough to rate the function as not achieving the Principle's intent.	The internal audit function is not fully conforming with more than one requirement, and the impact is significant enough to rate conformance with the standard as not achieving the Standard's intent.

**External Quality Assessment December 2025 - Action Plan**

Standard	Detail	Action Owner	Target Date	Action
<b>Non – Compliance with the Global Internal Audit Standards in the UK Public Sector; Application Note; and Code Governance</b>				
N/A	N/A	N/A	N/A	N/A
<b>Suggested areas of improvement</b>				
1.1 & 1.2	<p>SIAP <b>fully achieves</b> Standard 1.1 Honesty and Professional Courage and Standard 1.2 Organisations Ethical Expectations</p> <p>Going forward within the planned training on these areas and Domain II in general, detailed in the Learning and Development Plan 2024-2026, the Head of Partnership could usefully consider including practical ethical dilemmas, ethics scenarios or case studies, common challenges and how to deal with them, in future learning coverage</p>	Deputy Head of Partnership (IB)	March 2026	To include including practical ethical dilemmas, ethics scenarios or case studies, common challenges and how to deal with them, in future learning coverage
3.1	<p>SIAP <b>fully achieves</b> Standard 3.1, Competency.</p> <p>SIAP leadership and their stakeholders recognise that additional emphasis on advisory, rather than assurance engagements, will be needed over the medium term as Local Government Reorganisation and Devolution proceeds. Additional advisory skills and learning may be necessary to add value, insight and foresight across SIAP.</p> <p>Staying up to date with IT and cyber security changes and associated developments are a real challenge for any internal audit function. This is normal for any internal audit function.</p>	Head of Partnership	July 2026	<p>Arrange training and support to develop advisory skills to compliment future client needs (particularly in light of LGR &amp; Devolution).</p> <p>Review IT staff CPD and ongoing training needs to support the evolving technical landscape (particular focus on AI and cyber)</p>

Standard	Detail	Action Owner	Target Date	Action
6.3 & 8.1	<p>SIAP generally achieves Standard 6.3, Board and Senior Management Support, and 8.1, Board Interaction.</p> <p>The Head of Partnership and SIAP have undertaken everything I would expect of them under these Standards, the related Application Note and CIPFA Code.</p> <p>Where SIAP do not have a direct influence, I am satisfied that the team have engaged with each partner and client highlighting the importance of Domain III, the Application Note and Code and developing an action plan to encourage compliance, highlighting its importance and their ability as an organisation to confirm in the 2025/26 Annual Governance Statement that they are conforming with the GIAS in the UK Public Sector. Some partners and clients are fully compliant, while others still have some actions to progress, resulting in a general, rather than full, level of achievement for SIAP against these Standards.</p>	SMT	February 2026	<p>Discuss and implement action plans developed as part of partner organisations compliance with the Code of Practice for the Governance of Internal Audit in UK Local Government.</p>
8.3	<p>SIAP fully achieves Standard 8.3, Quality.</p> <p>The team revised their Quality Assurance and Improvement Programme in June 2025. The result is excellent. SIAP will need to continue to focus on embedding and implementing the various actions and priorities contained within this document to progress the five identified areas for improvement. I support these next steps and the periodic reporting of progress to partner and client Audit Committees (or equivalent) and senior management, as well as to other key stakeholders.</p>	Head of Partnership	December 2026	<p>Ongoing implementation of actions within the QAIP.</p> <ul style="list-style-type: none"> <li>• Continue to develop K10 to optimise SIAP efficiencies and effectiveness</li> <li>• Review and update the Partnership website</li> <li>• Explore the opportunities presented from the use of AI in the audit process</li> </ul> <p>*Actions in relation to Code of Governance &amp; Topical Requirement covered elsewhere in this action plan</p>

Standard	Detail	Action Owner	Target Date	Action
9.2	<p>SIAP generally achieves Standard 9.2, Internal Audit Strategy.</p> <p>SIAP has established an Internal Audit Strategy for 2025-2028. This is clear and well presented, with valid relevant objectives and priorities for the team to aim for and deliver. This has been developed with partner and client involvement, but given the number of partners and clients, it is not practical for this to be aligned to each separate organisation's key objectives and priorities.</p> <p>The Head of Partnership and SIAP have consciously chosen not to seek to implement every aspect of this Standard, where it makes little practical sense to do so, given the size and nature of their function. In my opinion, this makes perfect sense, as there is little value in conformance for the sake of conformance, but it does result in this generally (rather than fully) achieves assessment here.</p>	N/A	N/A	No action – accepting of the fact that due to SIAPs multi-client provider status we will never fully achieve this standard.
9.4	<p>SIAP generally achieves Standard 9.4, Internal Audit Plan.</p> <p>Going forward, SIAP should add additional detail – ideally bespoke for each partner or client – on the rationale for not including an assurance engagement in a high-risk area or activity in its flexible internal audit plans. SIAP currently includes a short standard statement, but this would benefit from being more tailored to the individual partner or client if a 'fully achieved' rating is considered necessary.</p>	SMT	March 2027	To incorporate an additional annex in the audit plan report listing all areas assessed as high priority that are not covered in the plan along with a reason for their omission.

Standard	Detail	Action Owner	Target Date	Action
11.1 & 11.3	<p>SIAP <b>fully achieves</b> Standard 11.1, Building Relationships and Communicating with Stakeholders, and 11.3, Communicating Results.</p> <p>At interview, and in the April 2025 SIAP survey responses, some stakeholders commented whether there was more that could be done in terms of sharing cross-client themes, issues, results, root causes and insights. This is an obvious benefit of the partnership model and AI may enable the development of additional insights that could be efficiently created and add value.</p>	Head of Partnership	April 2026	Head of Partnership to engage with Key Stakeholders to determine the ask. From there to develop a process and means of correspondence to meet stakeholder expectations.
12.3 & 13.5	<p>SIAP <b>generally achieves</b> both Standard 12.3, Oversee and Improve Engagement Performance, and 13.5 Engagement Resources.</p> <p>SIAP has set a strategic objective to innovate to explore a more agile approach to the audit process, building efficiencies and producing more timely feedback to the organisation. Some stakeholders at interview, through the April 2025 SIAP survey, and my own sample of engagements, commented that occasionally there were delays in the completion of engagements. While there can be varied reasons for these delays, this may require closer monitoring and earlier supportive intervention from engagement managers if delivery is affected and the allocation of additional resources, where necessary, to help ensure any particularly critical milestones or deadlines are achieved.</p> <p>I support the planned actions detailed in the Internal Audit Strategy 2025-2028 for investigating and addressing these concerns.</p>	SMT	As per Strategy December 2025/27	<p>To complete objectives within the internal audit strategy 'Innovate to explore a more agile approach to the audit process, building efficiencies and producing more timely feedback to the organisation'</p> <p>KPIs have been put in place to help identify process bottlenecks.</p>

Standard	Detail	Action Owner	Target Date	Action
13.3, 13.4, &14.3	<p>SIAP <b>fully achieves</b> Standard 13.3, Engagement Objectives and Scope, 13.4, Evaluation Criteria, and 14.3 Evaluation of Findings</p> <p>SIAP will need to consider how best to incorporate the IIA's Topical Requirements into their methodology, particularly when it comes to engagement scope and objectives. At the time of this EQA, two Topical Requirements have been finalised to date, two have been released in draft, and others are in the production pipeline. The first on Cybersecurity comes into effect in February 2026.</p> <p>Additional thinking, guidance and review on what constitutes the 'criteria' against which performance is assessed could also prove beneficial, as this is a key change included within the GIAS.</p> <p>Finally, the use of root cause analysis has commenced within the team, and the initial results are promising from both a SIAP and stakeholder perspective. There will be further opportunity to deliver insights on common root cause categories and themes across the partner and client base.</p>	Head of Partnership	March 2026 July 2026	<p>To update audit Practice Notes to incorporate consideration of Topical Requirements</p> <p>Ensure root cause is appropriately captured at year end to inform themes to be incorporated within the Annual Conclusion(s)</p>

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