



# ANNUAL FINANCIAL REPORT 2019/20

FOR THE YEAR ENDED 31 MARCH 2020





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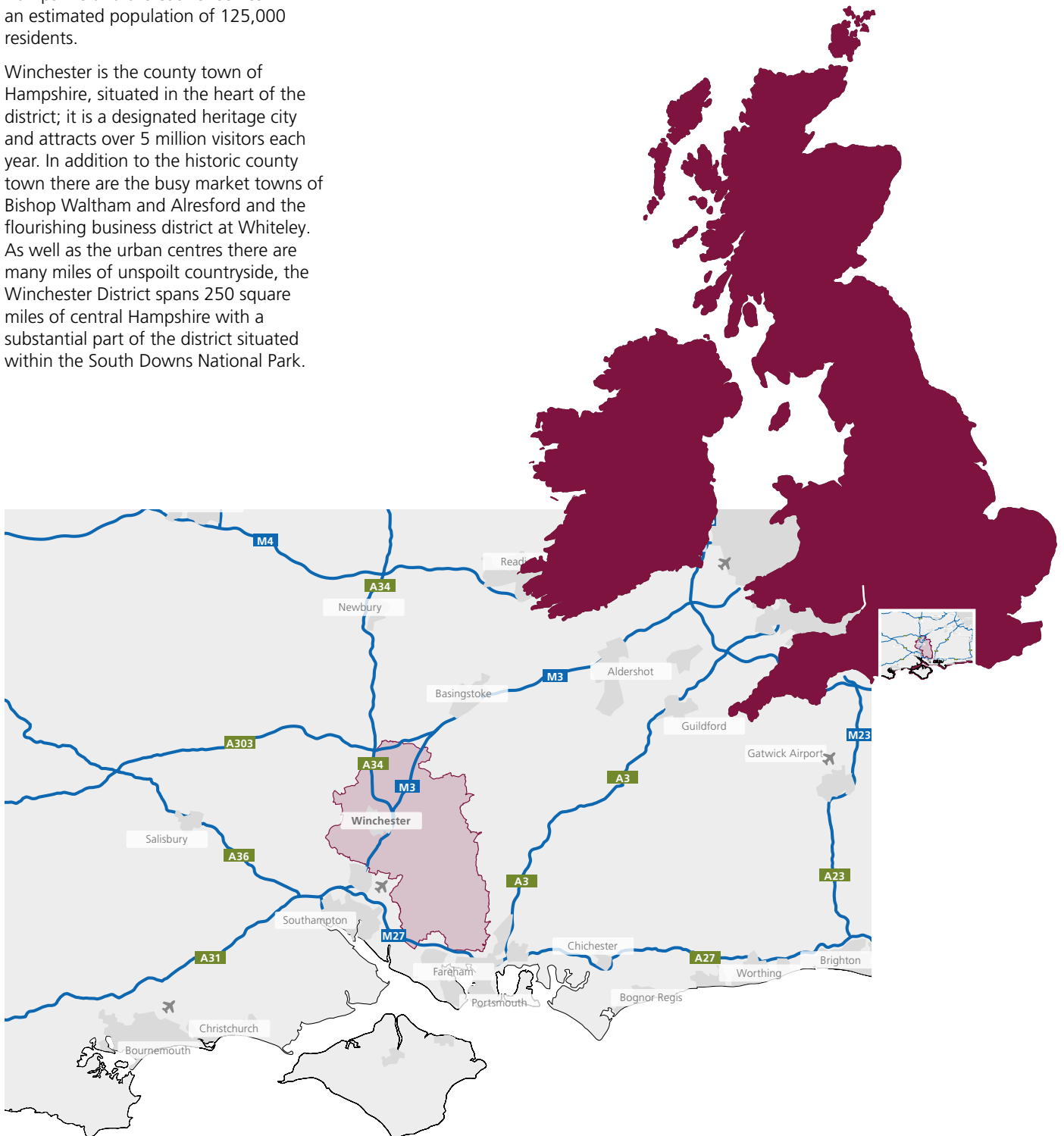
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# WINCHESTER DISTRICT

Winchester City Council is one of 11 district and borough councils in Hampshire and the council serves an estimated population of 125,000 residents.

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





**Life expectancy** for men is higher than the UK average (79.5 years) at 82 years. On average women in Winchester live more than two years longer than in the rest of the UK (85.3 years against 83.2 years)



Over 50% of the working age population have a qualification at level 4 or higher



Residents enjoy access to great open space and countryside with 40% of the district lying in the South Downs National Park.



Employment at 83.1%, is significantly higher than the national average



A higher proportion (96.6%) of residents report being in good or fairly good health compared to the national average of 94.6%



Great employment prospects with 31.6% more jobs in the district than resident workers



The Winchester district residents are among the happiest, satisfied, content and the least anxious people in the UK, scoring highly in the Personal Well-Being Survey (Office for National Statistics).



We benefit from crime rates among the lowest in the country, with a burglary rate of 11.5 per 10,000 people compared to an average of 28.7 for the rest of the UK



# ORGANISATION

## ORGANISATION

**MEMBERS**

**45 Councillors**  
**16 wards**

The political make-up of the council is:  
 Liberal Democrat    27 Councillors;  
 Conservative        16 Councillors;  
 Independent         2 Councillors

**EMPLOYEES**

466 employees (424 F/T equivalents)  
 Chief Executive,  
 Four Strategic Directors,  
 Eight Corporate Heads/Programme Leads

Just under two-thirds of the council workforce is female.

**PARTNERSHIPS**

Shared Information Management and Technology (IMT) service with Test Valley Borough Council.

Hampshire County Council provides internal audit and treasury management service.

A two tier system of local government operates in this part of the county, whereby Hampshire County Council provides public 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.

A list of services the council provides is shown to the right.

Services are split into three directorates each led by a Strategic Director under the directorate heading.

## ORGANISATION 3 DIRECTORATES

**RESOURCES**

HR  
 IMT  
 Financial Services  
 Payroll  
 Revenues & Benefits  
 Legal

**SERVICES**

Waste & Recycling Collections  
 Housing  
 Planning  
 Parking

**PLACE**

Major Projects  
 Tourism & Leisure  
 Economy & Arts  
 Health & Wellbeing  
 Asset Management

Most council employees are based in Winchester at the civic offices or at the council's special maintenance building in Winnal. The delivery of services is overseen by committees led by Members.



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

- There are Cabinet Members for
- Service quality and transformation
  - Finance and risk
  - Communications
  - Built environment and wellbeing
  - Housing and asset management
  - Sport, leisure and communities
  - Climate Emergency and local economy

# TACKLING THE CLIMATE EMERGENCY

At the heart of Winchester  
City Council's five year plan





# COUNCIL PLAN

Tackling the climate emergency and providing excellent services are at the core of Winchester City Council's five year plan for 2020 to 2025. The plan sets out the council's key ambitions and focuses on five priority outcomes which are:

- Tackling the climate emergency and creating a greener district
- Homes for all
- Vibrant local economy
- Living well
- Your services, your voice

As part of the process the council invited residents, stakeholders and businesses to have their say about what matters to them.

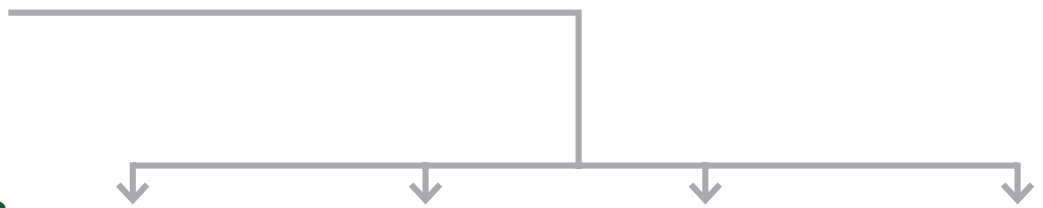
The plan recognises that the council will face some very significant challenges over the next five years.

The main challenges include:

- The climate emergency and reducing the district's carbon footprint;
- ensuring that resources are available to support an ageing population;
- responding to the potential impacts of Brexit on the economy;
- expensive housing;
- reduced central government grant funding;
- maintaining high quality services whilst balancing the budget.

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

The new plan also focuses on ensuring that the Winchester district economy remains vibrant by finding increased opportunities for high quality, well paid employment across the district.



Tackling the Climate emergency and creating a greener district

Homes for all

Living well

Vibrant local economy

Your services, Your voice

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

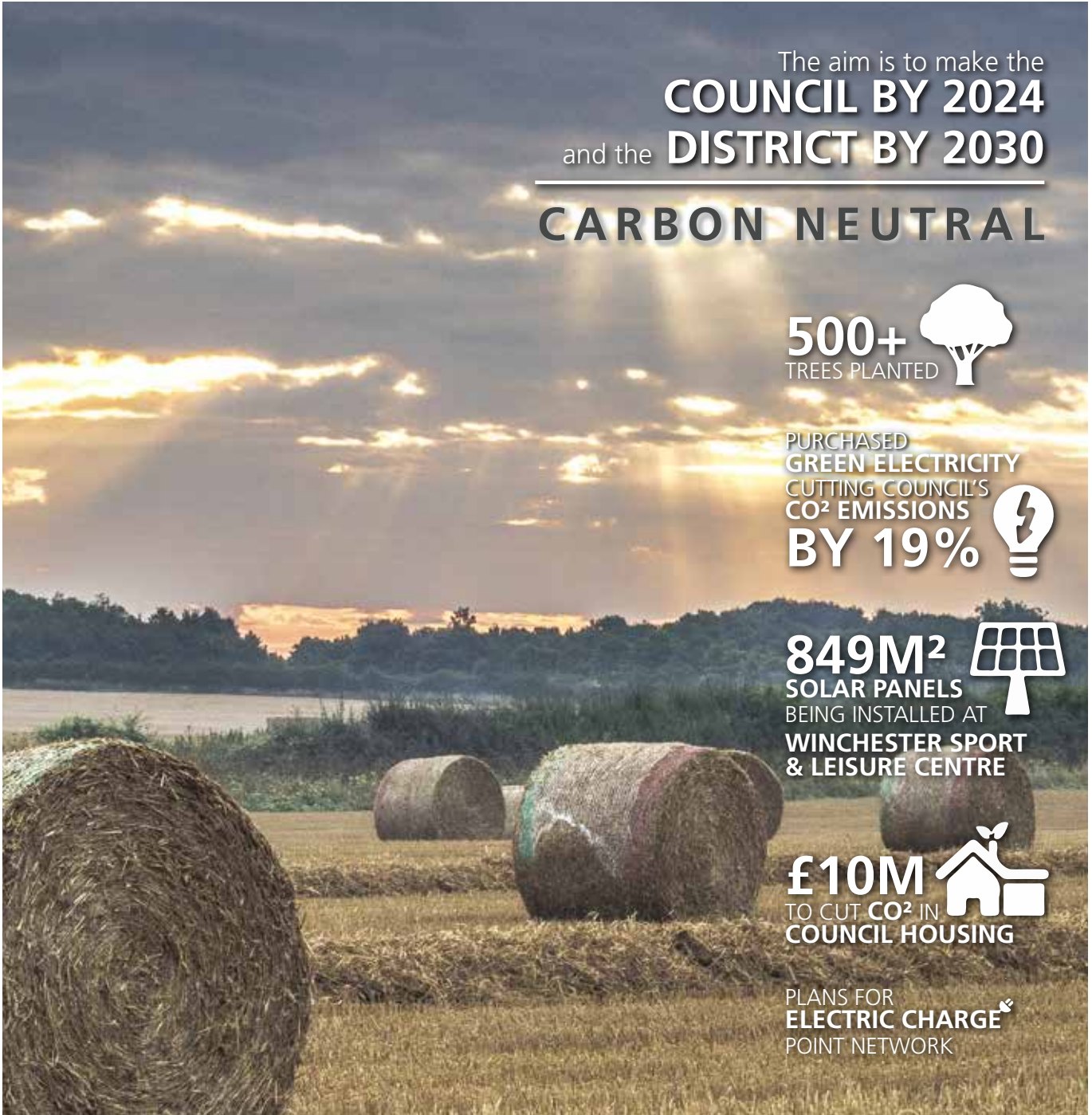
Health and well being are also high on the council's agenda, and we aim to address health inequalities and improve participation in physical and cultural activities. This is underpinned by the planned opening of Winchester's new Sport and Leisure Park in 2021.

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

The plan will set the agenda for the way the council spends its budget and how it invests in the community.

86%

Of our residents wish to maintain the District's environmental character



The council joined more than 70 authorities in declaring a climate emergency. The aim is to make the council carbon neutral by 2024 and the district by 2030. A priority is to improve recycling and look at introducing a food waste collection. Glass collection boxes have been distributed to residents in the

district. A fleet of greener refuse vehicles form part of the council's commitment to reducing carbon emissions.

Several city centre sites have been identified for the installation of water fountains in a bid to reduce the use of disposable plastic drinking bottles and cups.

The new sport and leisure park has a focus on sustainability. The building will include solar panels, heat recovery and other energy efficiencies. As part of the carbon offsetting work there will also be 200 trees planted on site.

# THE COUNCIL'S FINANCES

The council has a strong record of financial management, supported by achieving balanced budgets, target in year savings, and providing sufficient reserves to support services and deliver key projects.

Over the current four year settlement period there has been a clear shift from central government grant, such as the revenue support grant, to locally generated funding. Winchester has benefited significantly from strong growth in housing (new homes bonus) and business (business rates retention), which has balanced out other funding reductions. Locally generated income is a key focus of the medium term financial strategy, with the council looking to replace the reductions in government funding with new income sources.

However, the economic impacts of COVID-19 have resulted in a major downturn in projected income for the council, as well as difficulties in collecting Council Tax and business rates revenues: initial forecasting indicates a potential 2020/21 year end deficit of £10 million. Work is underway to review options meeting this significant budget challenge.

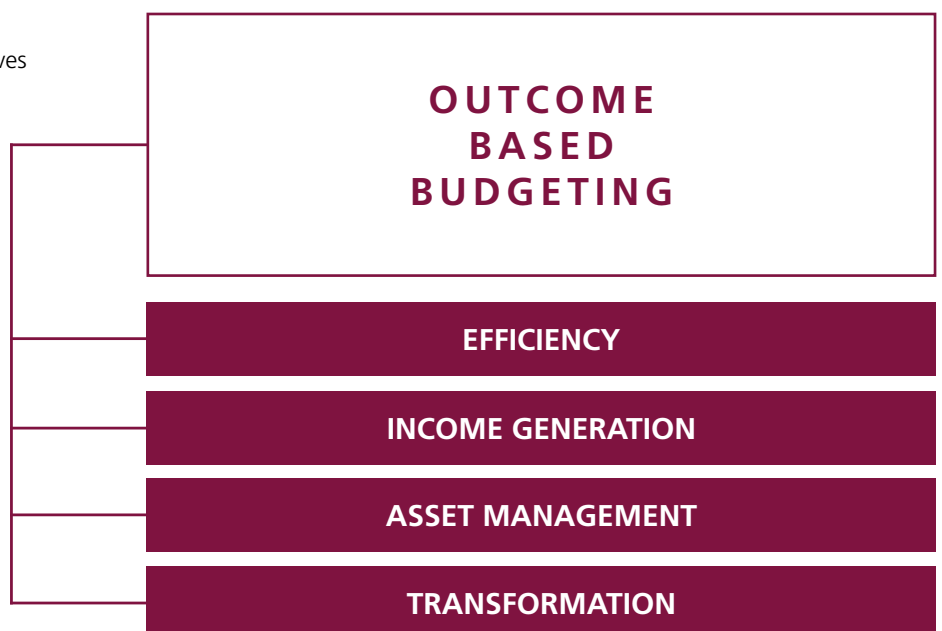


## Outcome Based Budgeting

Outcome Based Budgeting (OBB) is the budget strategy used to develop budgets over the medium term. This process involves greater alignment between the council's strategic objectives and financial resources, and is reflected in the council's financial reporting. It is also the basis for the continuous review and development of the four year medium term plans including the challenge and prioritisation of resources.

The OBB strategy covers a rolling four year period and is refreshed each year in order to provide budget options.

Due to the financial impact of COVID-19, this year in 2020/21 the council is taking the unusual step of a mid-year revision of its Medium Term Financial Strategy.





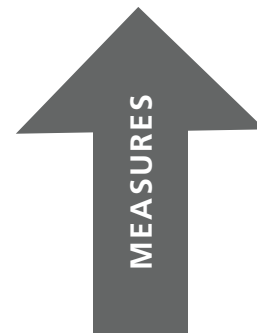
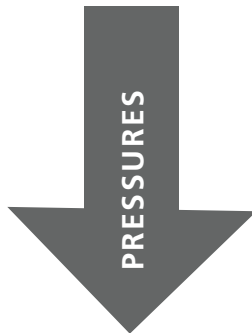
# SECTION 2019/20 GENERAL BUDGET

The council's budget is strongly aligned to its strategy. The council manages its General Fund and HRA budgets separately. The focus of the administration in 2019/20 concentrated on 3 areas reducing the carbon footprint of the council and wider district, balancing the budget and building homes for all sectors of the community.

Specific costs pressures recognised in budget setting included:

- Employee costs pressures £0.8m
- Contract and Capital programme pressures £1.3m
- One-off budget and reserve related movements £1m
- There were a number of factors and actions taken to mitigate the cost pressures
- Additional funding from increased business rates retention and central government grants £0.8m
- A mixture of additional savings and increased income identified through Outcome Based Budgeting totalling just under £1 million
- The council decided to raise additional Council Tax revenue from applying a 100% premium on properties vacant for longer than 2 years
- The council applied an Inflationary uplift of 2.4% on fees and charges, increasing income by £0.3m.

The council was able to set a balanced budget and freeze the rate of District Council Tax in 2019/20.



## GENERAL FUND BUDGET PRESSURES

- £0.8m  
Employee Cost Pressures
- £1.3m  
Contract and Capital Programme Pressures

## MEASURES TAKEN TO BALANCE BUDGET

- +£1m  
Outcome Based Budgeting
- +£1m  
Funding increases
- +£0.1m  
Fees & Charges increases





## 2019/20 OUTTURN

Higher than budgeted grant funding and taxation plus an overall underspend on service expenditure has resulted in lower than planned usage of usable reserves, allowing overall usable reserve levels to remain the same.

SERVICE	BUDGETED NET EXPENDITURE	OUTTURN	VARIANCE
	£'000	£'000	£'000
HOUSING	2,053	1,849	(204)
ENVIRONMENT	6,556	5,669	(887)
HEALTH & HAPPINESS	2,142	2,825	683
BUSINESS	1,891	1,508	(383)
OPERATIONAL DELIVERY	3,050	3,756	706
INVESTMENT ACTIVITY	(2,337)	(2,440)	(103)
ORGANISATIONAL MANAGEMENT	5,922	4,929	(993)
	19,277	18,095	(1,181)
TAX & GRANT INCOME	(15,296)	(16,190)	(894)
FINANCING & TREASURY ACTIVITY	677	(1,520)	(2,197)
RESERVE RELATED MOVEMENTS	(4,658)	(385)	4,273
<b>TOTAL FUNDING</b>	<b>(19,277)</b>	<b>(18,095)</b>	<b>1,181</b>

## HOUSING REVENUE ACCOUNT OUTTURN 2019/20

The HRA outturn shows an increase in the HRA balance of £1.4m. The increase is primarily caused by slippage in the HRA capital programme, meaning that £6.2m of planned revenue financing has not been required in 2019/20.

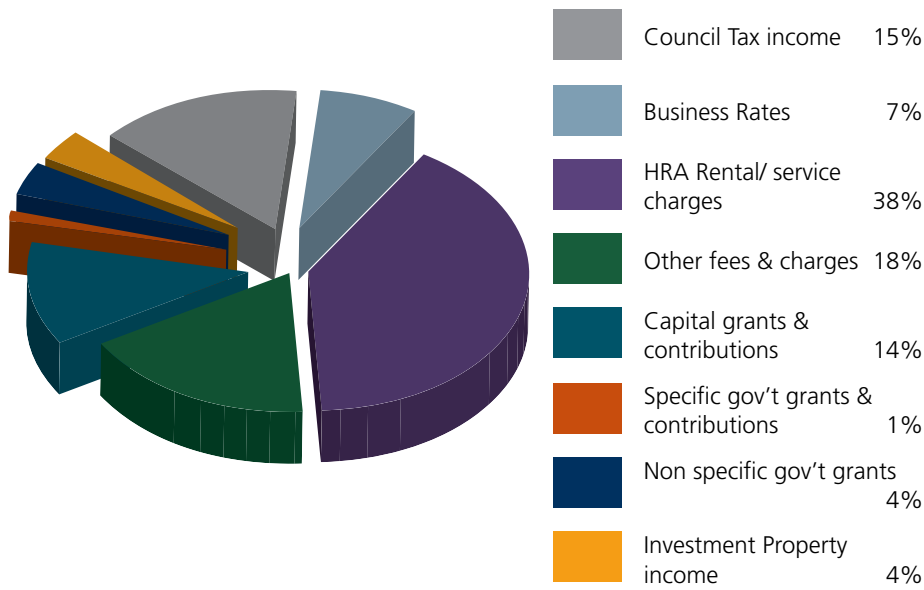
The increase in depreciation is caused by changes to the assumptions in support of the original estimate.

A major factor in the Housing management favourable outturn is reduced support required for the Housing new build program.

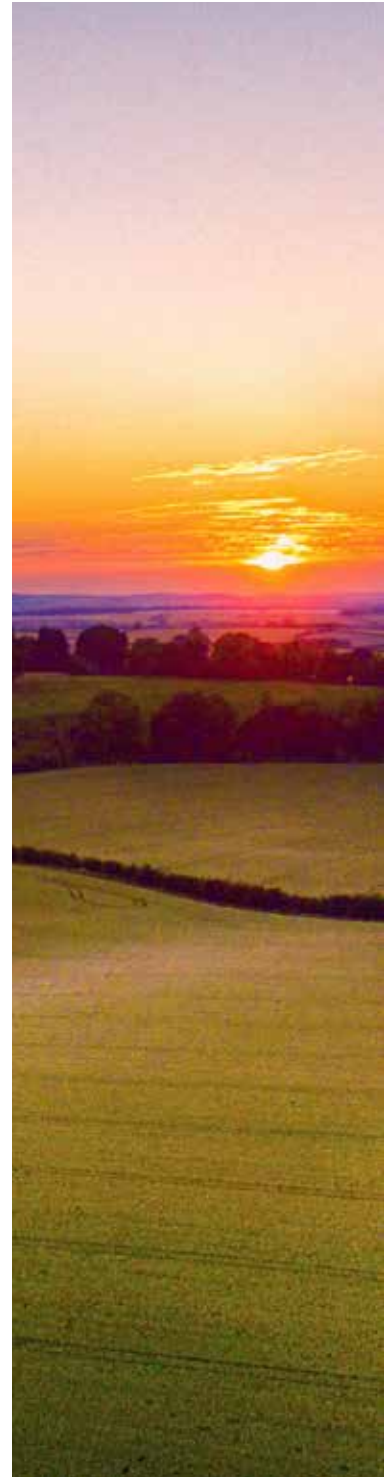
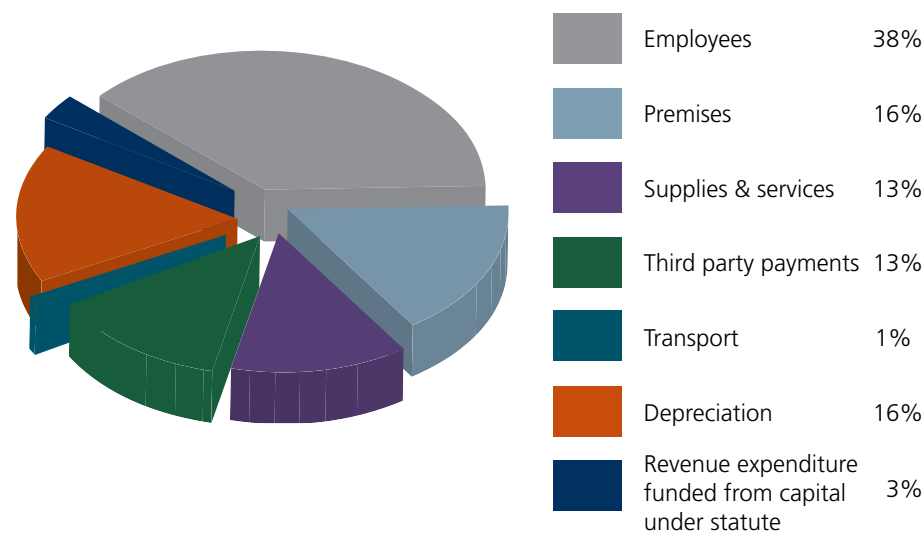
SERVICE	BUDGETED NET EXPENDITURE	OUTTURN	VARIANCE
	£'000	£'000	£'000
RENT, SERVICE CHARGES AND OTHER INCOME	(27,667)	(27,804)	(137)
HOUSING MANAGEMENT GENERAL	4,847	3,703	(1,144)
HOUSING MANAGEMENT SPECIAL	1,397	1,799	402
REPAIRS (INCLUDING ADMINISTRATION)	5,255	5,274	18
EXTERNAL INTEREST PAYABLE	5,188	5,168	(20)
DEPRECIATION	6,904	8,095	1,191
CAPITAL EXPENDITURE FUNDED BY HRA	8,622	2,461	(6,161)
OTHER INCOME AND EXPENDITURE	43	(52)	(95)
<b>INCREASE / DECREASE IN HRA BALANCE</b>	<b>4,590</b>	<b>(1,356)</b>	<b>(5,946)</b>

# REVENUE SOURCES

## 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)



# THE COUNCIL'S BALANCE SHEET

The council's balance shows it has a net worth of £386m.

Total long term assets of £610m at the balance sheet date include:

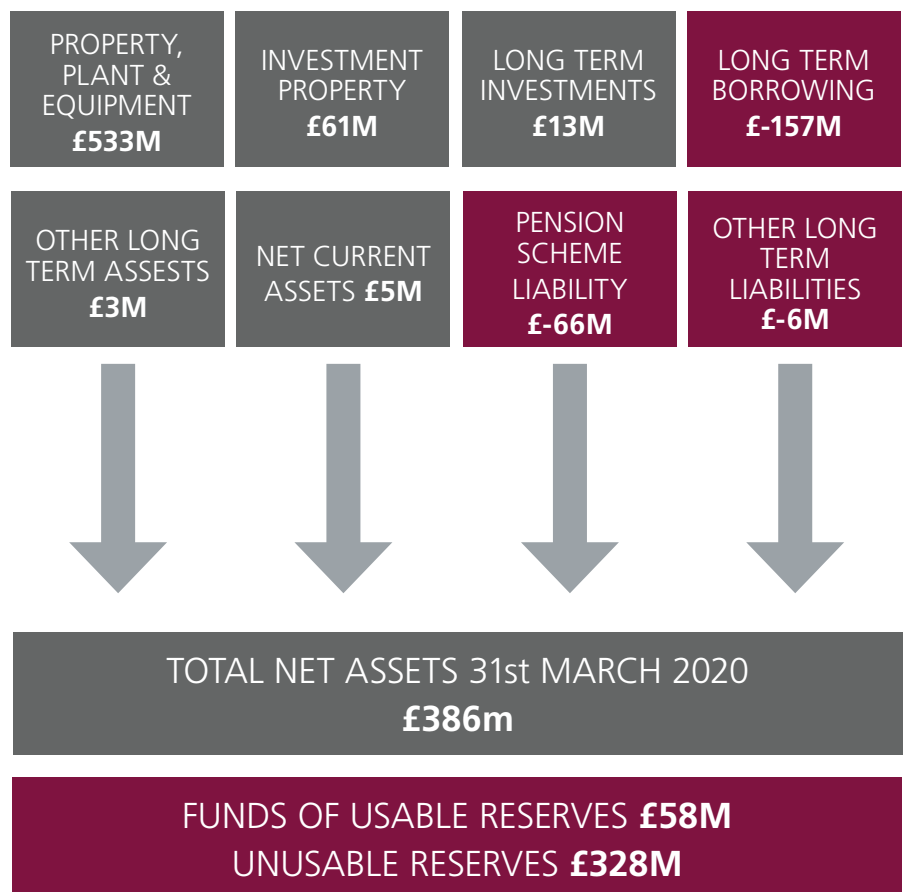
- Council dwellings £420m
- Other operational land and buildings £71m;
- Investment property £61m.

Total long term liabilities of £229m include:

- Long term borrowing of £157m
- The pension scheme potential future liability of £66m.

The council's balance sheet includes £58m of usable reserves available to fund future spending plans and programmes.

The overall increase in the council's net worth of £25m is primarily as a result of valuation increases in the value of the council's housing stock and the council's investment properties.



Investing in health and wellbeing - Iwan Thomas opening new play areas



Purchase of Friarsgate Medical Centre as part of Central Winchester Regeneration



Sport & Leisure Park due for completion in Spring 2021

# RESERVES

General Fund reserves have all been reviewed as part of the budget process and the levels are considered to be appropriate. Operational Reserves including the Major Investment Reserve are revenue reserves which can be used to support revenue or capital expenditure, for example major projects. Risk Reserves, such as business rates retention, are available to mitigate risks faced by the council. The overall levels are reviewed each year in line with the medium term financial strategy.

The council's level of general fund usable reserves remains almost the same at the end of the 2019/20 financial year.

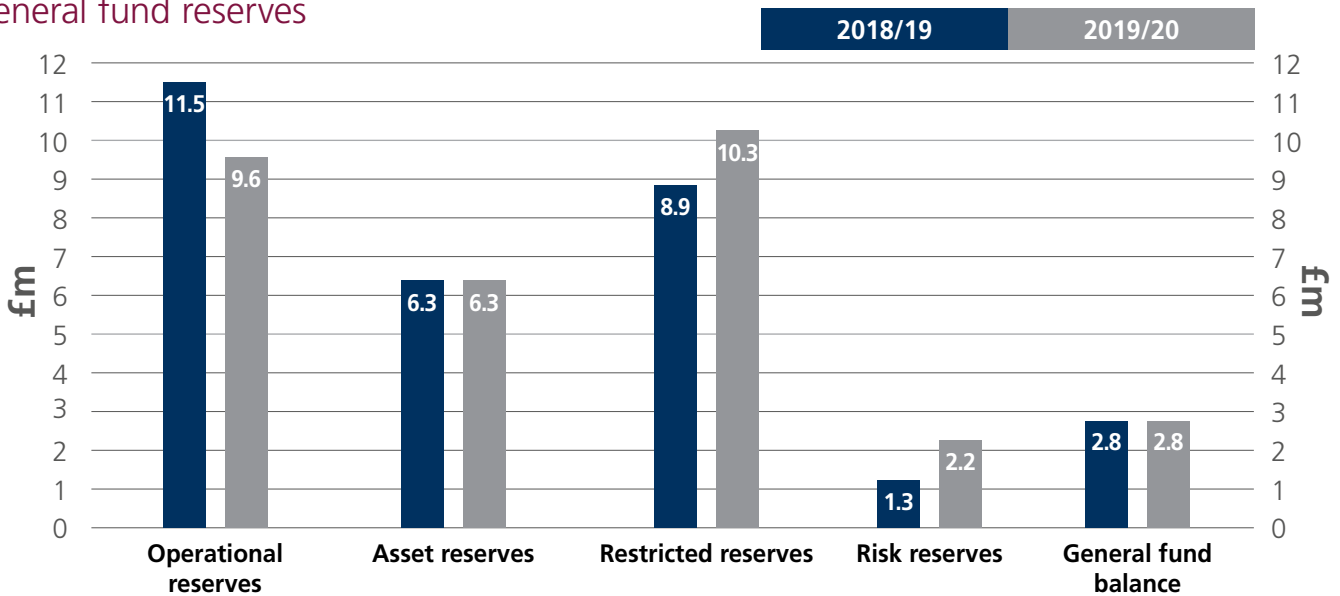


The North Pond near Bishop's Waltham



Hockley Viaduct

## General fund reserves



**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 strategy.

**General fund**  
which is held to mitigate against any potential financial risks, these could be known risks or completely unforeseen risks. As a general guide the minimum balance will be 15% of net revenue expenditure.



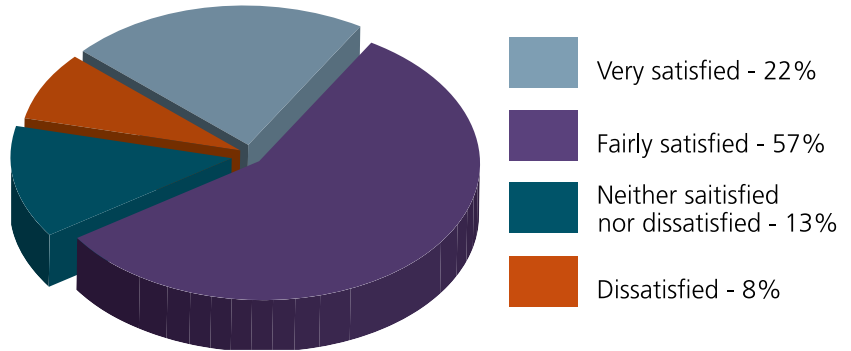
# RESIDENTS' SURVEY 2019

Towards the end of 2018 the council commissioned a statistically valid survey of residents to gain their opinion of the council and its services and gain views on the focus for future improvements.

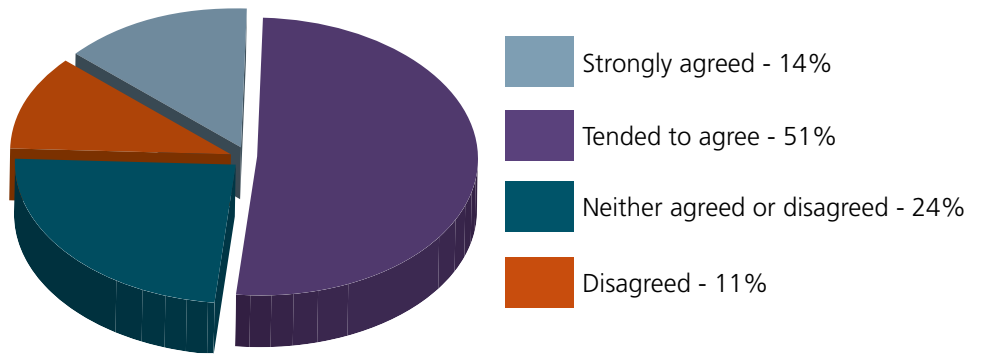
The council's headline results are above the Local Government Association's comparable regional indicators.

The council will use the results from the survey to support future decision making and setting priorities to improve services.

## Satisfaction with how the council runs things



## The council provided value for money



# CAPITAL PROGRAMME

The council has an ambitious capital programme; in February 2019, council approved a total capital programme over ten years of £356m of which £116m related to General Fund projects and £240m Housing Revenue Account.

In the General Fund there are several key projects including:

- Winchester Sport & Leisure Park £15.3m
- myHome Partnered Home Purchase scheme £1.4m
- Disabled facilities grants £1.3m

The capital programme has a significant impact on the General Fund revenue budget which overall adds to the deficit in the short to medium term during the construction phase of major projects but is estimated to deliver a net surplus in the future.

In addition to those projects already included in the capital programme, work on developing the business case/ scope for several other projects is underway including Central Winchester Regeneration.

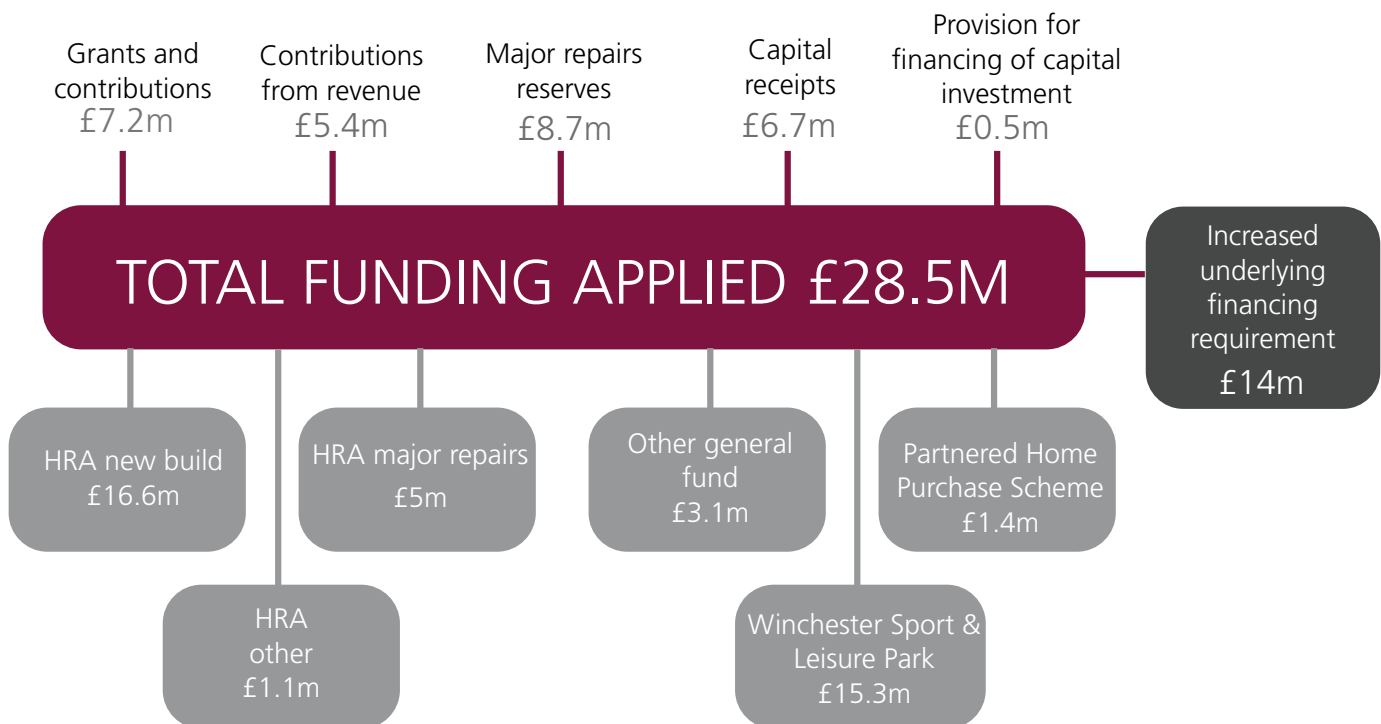
Housing Revenue Account capital expenditure in 2019/20 totalled £22.7m and included:

- Major repairs - £5m
- New build programme - £16.6m

Of the £42.5m total expenditure in 2019/20, £28.5m was funded meaning an increase in the underlying financing requirement of £14m.



Chesil Lodge extra care home



# CAPITAL PROGRAMME

## New Build Program

The council is committed to building 10,000 affordable homes over the next 10 years.

Budgeted new build schemes in 2019/20 include the £7.7m The Valley Stanmore scheme. The scheme will provide 77 new homes, with a mix of 1, 2 and 3 bedroom flats; 2 and 3 bedroom houses and a 3 bedroom bungalow; with associated landscaping and parking. The scheme will be helped by a Homes England grant of £6.4m meaning the scheme can provide social rents making it more affordable for tenants.

The council also has plans to establish a new housing company which will aim to invest £10m in new homes in Winchester. The homes developed by the company will supplement the council's existing housing options by offering a range of tenures not available through the housing revenue account (HRA).

There are 3 major development areas in place with the district.

The North Whiteley major development area is located to the north of the existing settlement at Whiteley. The development has been carefully designed to fit within the existing landscape and includes large retained areas of woodland and open space. The outline consent is for 3,500 homes, two primary schools, a secondary school and significant highway improvements. The

development is promoted by three major housebuilders and a land owner acting as a consortium and working closely with the city council and the county council.

The Barton Farm Major Development Area is located to the north of Winchester and will provide 2,000 new homes including much needed affordable housing, along with community facilities, a new school and a new park and ride facility to serve the north of Winchester.

The West of Waterlooville Major Development Area, now served by the recently established Newlands Parish Council, is located in the south eastern corner of the District and will provide 3,000 new homes as part of a new community. This will include 2 primary schools, leisure, retail, employment and community facilities as well as much needed affordable housing. The site is owned by and being developed by private developers, and is administered by both Winchester City Council, and Havant Borough Council. The rate of housebuilding will match market conditions, and is expected to be nearing completion around 2030.



AIM  
**10,000**  
**New homes**  
**over 10 years**



Award-winning new homes



New homes at Ashburton Road, Alresford



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# CAPITAL PROGRAMME

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## Other Major Projects

The Council has implemented Open Forums on each of the current development projects (the Central Winchester Regeneration and Winchester Sport and Leisure Park) to allow for discussion between residents, councillors and other interest parties about the developments.

## Winchester Sport and Leisure Park

The project is in its construction phase. The centre is due to open in 2021.

Everyone Active has been chosen as the service provider for the centre. There will be a focus on providing a wide range of activities and facilities for all members of the community to enjoy, with Everyone Active promising to develop excellent health and wellbeing programmes that are tailored to the needs of each individual using the centre. The facility will include a fantastic range of facilities including a 50m pool, separate training pool with movable floor, sport hall, four squash courts, 200 gym stations, two large studios and one spin studio. There will also be a hydrotherapy suite and eight treatment rooms along with a clip and climb facility.

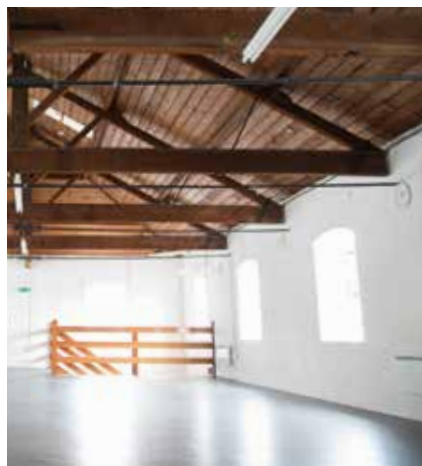




# CAPITAL PROGRAMME

## Central Winchester Regeneration

This project is an opportunity to bring positive change to the city centre by delivering a dynamic mix of uses to create a vibrant new retail, cultural and heritage area. The site is 4.5 hectares including the bus station, the Broadway; the former Friarsgate Medical Centre; St Clements Medical Centre; Kings Walk; Friarsgate Car Park; the former antiques market building and Woolstapler's Hall. The council has engaged with the community and other stakeholders to create a vision for the identified area. The Supplementary Planning Document (SPD) which sets out the vision for project was approved in June 2018. Since the SPD was approved, different work is taking place to bring parts of the area to life and prepare other parts for regeneration.



## COVID-19

The global pandemic and the government's lockdown measures have had a big impact on the council and the way it operates. It has been necessary to close public facilities including: the council's leisure centres; the Visitor Information Centre; the Guildhall and play areas as well as the the council's main reception area. About 80% of the council's workforce has remained available to work with the majority of the council's office-based staff working from home. Most services have continued to be provided whilst employees are able to comply with social distancing measures, and where it has been necessary to suspend some services, staff have been redeployed to other front-line areas.

In collaboration with the county council and other districts, the council is part of a system to provide assistance to those that need it as a result of the lockdown.

The council has established a local response centre to provide assistance to district residents; putting people in touch with volunteer groups; delivering prescriptions and shopping for people not able to go out.

The council has also played a key part in delivering the government's measures to support business. By the end of April the council had rapidly mobilised payments of 1,494 grants, totalling £19.365m of financial support to smaller businesses and the retail, leisure and hospitality sector across the district. In addition the council automatically applied business rate relief to all those businesses eligible to receive it.

79  
Prescriptions  
hand delivered





## Financial Impact

The financial impact of COVID-19 has not had a significant effect on the financial outturn of 2019/20 as the pandemic only started to affect the council's operations towards the end of March. However, the true scale of the impact on the council's finances will be felt in 2020/21.

All councils are facing additional costs in responding to COVID-19 but a far more significant impact for Winchester is the loss of revenue through reduced income and from arrears of Council Tax and business rates. The general fund budget and medium term financial strategy relies heavily on income from fees and charges and rents from commercial property and the impact of the current measures will be very significant on the 2020/21 budget and potentially future years.

It is difficult to quantify the impact of COVID-19 at this stage with any certainty, as this will depend on the speed at which lockdown measures can be eased. Depending on the speed of the easing of lockdown measures, forecast income losses indicate a potential deficit on the 2020/21 budget of between £6m and £12m.

In April, the Government awarded a further £1.24m to the council to assist with covering the impacts on council finances. Whilst this

is in no way sufficient to cover projected deficits, it will make a very positive contribution to the mitigation measures under consideration.

The council is undertaking measures to mitigate the size of this deficit.

Firstly expenditure on services is being reviewed. Whilst the council has worked hard to maintain services and deliver business as usual, there has been a reduction in demand for some services and this may continue for some time. It will also be necessary to review all proposed projects and developments in light of the current financial position.

There is currently £9.5 million of available earmarked reserves that could be redirected to support achieving a balanced budget. Whilst this would not impact on current approved projects, it is currently held to support future spend on maintaining council property, car parks and grants as well as supporting climate emergency and transformation programmes. Any use of reserves would have an immediate impact on the medium term financial strategy. Some retention of earmarked reserves will be required to support future years and to ensure there is adequate provision to support the asset management strategy and Council Plan.

Going forward the structure of the budget and how this needs to change will be reviewed. The council will also need to reset its Medium Term Financial Plan having assessed the impact of COVID-19 and the council's strategic objectives.



**661,000**  
Bins collected



**79**  
Virtual public meetings launched



Over **422**  
vulnerable residents helped by our Local Response Centre



**1650**  
Reassurance calls to elderly tenants



**23.5m**  
Distributed via 1900 business grants



**3** Editions of business e-newsletters



Full planning and building control services offered remotely



Safe homes provided



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**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**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 2020 and its income and expenditure for the year then ended.

Signature: .....

Date:

xx July 2020

**Richard Botham, Strategic Director Services (Interim), Section 151 Officer**



**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2020**

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 6.

2018/19			2019/20			
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
1,901	(219)	1,682	Business	1,838	(217)	1,621
13,983	(10,096)	3,887	Environment	15,904	(9,864)	6,040
4,918	(506)	4,412	Health and Happiness	4,086	(244)	3,842
3,230	(336)	2,894	Housing Strategy & Homelessness	3,490	(244)	3,246
21,260	(28,805)	(7,545)	Delivering Quality Housing (HRA)	21,342	(29,836)	(8,494)
34,853	(26,765)	8,088	Operational Delivery	27,179	(23,308)	3,871
6,064	(336)	5,728	Organisational Management	5,846	(716)	5,130
86,209	(67,063)	19,146	Cost of service delivery	79,685	(64,429)	15,256
32,850	0	32,850	HRA Property Revaluation (Note 1)	(12,969)	0	(12,969)
<b>119,059</b>	<b>(67,063)</b>	<b>51,996</b>	<b>Cost Of Services</b>	<b>66,716</b>	<b>(64,429)</b>	<b>2,287</b>
		472	(Surplus)/Deficit on Trading Accounts			618
			<b>Other Operating Income and Expenditure</b>			
		3,091	Parish Council Precepts			3,224
		779	Payments to the Government Housing Capital Receipts Pool			763
		(2,352)	(Gains)/Losses on the Disposal of Non Current Assets			(2,963)
			<b>Financing and Investment Income and Expenditure</b>			
		5,176	Interest Payable and Similar Charges (Note 11)			5,169
		1,570	Net Interest on the Net Defined Benefit Liability (Note 22)			1,416
		(660)	Interest Receivable and Similar Income (Note 11)			(657)
		(5,811)	Income and Expenditure in relation to Investment Properties and Changes in their Fair Value (Note 10)			(7,001)
		(84)	Changes in the Fair Value of Investments (Note 11)			211
			<b>Taxation and Non-Specific Grant Income</b>			
		(5,266)	Non-Domestic Rates Income and Expenditure (Note 18)			(5,346)
		(2,729)	Non-Ringfenced Government Grants (Note 18)			(2,946)
		(8,531)	Capital Grants and Contributions (Note 18)			(10,582)
		(10,713)	Council Tax Income			(11,122)
		<b>26,938</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(26,929)</b>
			<b>Other Comprehensive (Income) and Expenditure</b>			
		(11)	(Surplus)/Deficit on Revaluation of Non Current Assets			(1,150)
		(5,780)	Re-measurements on the Net Defined Benefit Liability (Note 22)			2,103
		<b>21,147</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(25,976)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2020**

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 £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2019 Brought Forward</b>	<b>(2,788)</b>	<b>(28,118)</b>	<b>(11,627)</b>	<b>(70)</b>	<b>(596)</b>	<b>(14,527)</b>	<b>(855)</b>	<b>(58,581)</b>	<b>(302,097)</b>	<b>(360,678)</b>
<b>Movement in Reserves during 2019/20</b>										
(Surplus) or Deficit on Provision of Services	(2,871)	0	(24,058)	0	0	0	0	(26,929)	0	<b>(26,929)</b>
Other Comprehensive (Income) and Expenditure	0	0	0	0	0	0	0	0	954	<b>954</b>
<b>Total Comprehensive (Income) and Expenditure</b>	<b>(2,871)</b>	<b>0</b>	<b>(24,058)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(26,929)</b>	<b>954</b>	<b>(25,975)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 6)	2,599	0	22,702	0	584	1,077	312	27,274	(27,274)	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(272)</b>	<b>0</b>	<b>(1,356)</b>	<b>0</b>	<b>584</b>	<b>1,077</b>	<b>312</b>	<b>345</b>	<b>(26,320)</b>	<b>(25,975)</b>
Transfers to/(from) Earmarked Reserves (Note 7)	272	(272)	0	0	0	0	0	0	0	<b>0</b>
<b>(Increase)/Decrease in Year</b>	<b>(0)</b>	<b>(272)</b>	<b>(1,356)</b>	<b>0</b>	<b>584</b>	<b>1,077</b>	<b>312</b>	<b>345</b>	<b>(26,320)</b>	<b>(25,975)</b>
<b>Balance at 31 March 2020 Carried Forward</b>	<b>(2,788)</b>	<b>(28,390)</b>	<b>(12,983)</b>	<b>(70)</b>	<b>(12)</b>	<b>(13,450)</b>	<b>(543)</b>	<b>(58,236)</b>	<b>(328,417)</b>	<b>(386,653)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2020**

	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 2018</b>	<b>(2,790)</b>	<b>(23,366)</b>	<b>(9,116)</b>	<b>(70)</b>	<b>(14)</b>	<b>(14,366)</b>	<b>(607)</b>	<b>(50,329)</b>	<b>(331,494)</b>	<b>(381,823)</b>
<b>Movement in Reserves During 2018/19</b>										
(Surplus) or Deficit on Provision of Services Other Comprehensive (Income) and Expenditure	(668)	0	27,690	0	0	0	0	27,022	(84)	<b>26,938</b>
	0	0	0	0	0	0	0	<b>0</b>	(5,793)	<b>(5,793)</b>
<b>Total Comprehensive (Income) and Expenditure</b>	<b>(668)</b>	<b>0</b>	<b>27,690</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27,022</b>	<b>(5,877)</b>	<b>21,145</b>
Adjustments between Accounting Basis & Funding Basis Under Regulations (Note 6)	(4,082)	0	(30,201)	0	(582)	(161)	(248)	(35,274)	35,274	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(4,750)</b>	<b>0</b>	<b>(2,511)</b>	<b>0</b>	<b>(582)</b>	<b>(161)</b>	<b>(248)</b>	<b>(8,252)</b>	<b>29,397</b>	<b>21,145</b>
Transfers to/(from) Earmarked Reserves (Note 7)	4,752	(4,752)	0	0	0	0	0	0	0	<b>0</b>
<b>(Increase)/Decrease in Year</b>	<b>2</b>	<b>(4,752)</b>	<b>(2,511)</b>	<b>0</b>	<b>(582)</b>	<b>(161)</b>	<b>(248)</b>	<b>(8,252)</b>	<b>29,397</b>	<b>21,145</b>
<b>Balance at 31 March 2019 Carried Forward</b>	<b>(2,788)</b>	<b>(28,118)</b>	<b>(11,627)</b>	<b>(70)</b>	<b>(596)</b>	<b>(14,527)</b>	<b>(855)</b>	<b>(58,581)</b>	<b>(302,097)</b>	<b>(360,678)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**BALANCE SHEET AS AT 31 MARCH 2020**

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 19</b>		<b>Note</b>	<b>31 Mar 20</b>
<b>£000</b>			<b>£000</b>
494,994	Property, Plant and Equipment	8	533,044
2,800	Heritage Assets	9	2,800
53,794	Investment Property	10	61,459
251	Intangible Assets		188
16,208	Long-Term Investments	11	12,931
237	Long-Term Debtors	11	226
<b>568,284</b>	<b>Long-Term Assets</b>		<b>610,648</b>
15,076	Short-Term Investments	11	5,022
40	Inventories		36
10,724	Short-Term Debtors	12	12,606
7,932	Cash and Cash Equivalents		11,938
<b>33,772</b>	<b>Current Assets</b>		<b>29,602</b>
(229)	Short-Term Borrowing		(57)
(16,075)	Short-Term Creditors	13	(21,356)
(3,049)	Provisions	14	(3,848)
<b>(19,353)</b>	<b>Current Liabilities</b>		<b>(25,261)</b>
(156,722)	Long-Term Borrowing	11	(156,722)
(60,790)	Pension Scheme Liability	22	(66,031)
(4,513)	Grants and Contributions in Advance	18	(5,583)
<b>(222,025)</b>	<b>Long-Term Liabilities</b>		<b>(228,336)</b>
<b>360,678</b>	<b>Net Assets</b>		<b>386,653</b>
58,581	Usable Reserves		58,236
302,097	Unusable Reserves	15	328,417
<b>360,678</b>	<b>Total Reserves</b>		<b>386,653</b>

These financial statements replace the unaudited financial statements certified by Richard Botham on xx/xx 2020.

Signature: .....

Date: xx July 2020

**Richard Botham**  
**Strategic Director Services (Interim), Section 151 Officer**



**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2020**

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>2018/19</b>			<b>2019/20</b>	
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
		<b>Cash Flows from Operating Activities</b>		
	26,938	Surplus on the Provision of Services		(26,929)
		<b>Adjustments for Non-Cash Movements</b>		
(10,461)		Depreciation of Property, Plant and Equipment	(9,995)	
(34,524)		Revaluation gains on property, plant and equipment and investment property	17,174	
(64)		Amortisation of Intangible Assets	(91)	
(4,460)		Pension Fund Adjustments	(3,138)	
198		(Increase)/Decrease in Impairment for Bad Debts	(696)	
(759)		Contributions (to)/from Provisions	(799)	
(4,426)		Carrying Amount of Property, Plant and Equipment sold or derecognised	(3,502)	
		Carrying Amount of Intangible Assets Sold	(10)	
0		Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	(211)	
		<b>Accruals adjustments:</b>		
6		Increase/(decrease) in Inventories	(4)	
(83)		Decrease/(Increase) in Short-term and Long-term Debtors	2,567	
(3,291)		Increase/(Decrease) in Short-term Creditors	(5,281)	
(92)	(57,956)	Decrease/(Increase) in Grants and Contributions	(1,070)	(5,056)
	<b>(31,018)</b>			<b>(31,985)</b>
		<b>Adjust for Items that are Investing and Financing Activities</b>		
6,778	6,778	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	6,465	6,465
	<b>(24,240)</b>	<b>Net Cash Flows from Operating Activities</b>		<b>(25,520)</b>
		<b>Cash Flows from Investing Activities</b>		
30,509		Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	40,915	
18,253		Purchase of Short Term and Long Term Investments	8,067	
(6,778)		Proceeds from the Sale of Property, Plant, Equipment, Investment Property and Intangible Assets	(6,465)	
(24,754)		Proceeds from the Sale of Short Term and Long Term Investments	(21,006)	
	<b>17,230</b>	<b>Net Cash Flows from Investing Activities</b>		<b>21,511</b>
		<b>Cash Flows from Financing Activities</b>		
334		Cash Payments for the Reduction of the Outstanding Liabilities Relating to Finance Leases	3	
	<b>334</b>	<b>Net Cash Flows from Financing Activities</b>		<b>3</b>
	<b>(6,676)</b>	<b>Net (Increase)/Decrease In Cash and Cash Equivalents</b>		<b>(4,006)</b>
	<b>(1,256)</b>	<b>Cash and cash equivalents at the beginning of the year</b>		<b>(7,932)</b>
	<b>(7,932)</b>	<b>Cash and cash equivalents at the end of the year</b>		<b>(11,938)</b>

## **1. EXCEPTIONAL ITEM**

In prior periods, there have been significant downward valuations below historic cost in the HRA, in particular in 2010/11 when a change in the social housing adjustment factor from 45% to 32% resulted in a downward valuation of £104 million. In line with proper accounting practice, subsequent upward valuations will reverse prior year charges to the Comprehensive Income and Expenditure Statement until the historic cost value is reached, at which point a revaluation reserve will be created.

In 2019/20 the value of dwellings has increased by £12.97 million, in consequence there is a material decrease in expenditure which has been treated as an exceptional item on the face of the Comprehensive Income and Expenditure Statement.

## **2. EXPENDITURE AND FUNDING ANALYSIS**

The Expenditure and Funding Analysis shows how the council has used the funding available to it (Government grants, rents, Council Tax, business rates, etc.) to deliver services, compared with those resources consumed or earned by the Council in accordance with International Accounting Standards (IAS). It also shows how this expenditure is allocated for decision making purposes between the council strategy outcomes. 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 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

2019/20	Net charge to the General Fund & HRA under statutory funding provisions £000	Adjustments for Capital Purposes £000	Net change for Pensions Adjustments £000	Other Adjustments £000	Net costs in the Comprehensive Income and Expenditure Statement £000
Business	1,438	114	69	0	1,621
Environment	4,972	372	696	0	6,040
Health and Happiness	2,715	1,017	110	0	3,842
Housing	(15,376)	(3,389)	548	0	(18,217)
Operational Delivery	2,564	733	574	0	3,871
Organisational Management	5,203	201	(274)	0	5,130
<b>Cost of Services</b>	<b>1,516</b>	<b>(952)</b>	<b>1,723</b>	<b>0</b>	<b>2,287</b>
Other income & expenditure	(23,871)	(6,761)	1,416	0	(29,216)
Other General Fund & HRA items	21,520	(21,456)	0	(64)	0
<b>(Surplus)/deficit on the General Fund &amp; HRA</b>	<b>(835)</b>	<b>(29,169)</b>	<b>3,139</b>	<b>(64)</b>	<b>(26,929)</b>
Opening General Fund and HRA balance at 1 April 19	(43,199)				
Surplus on General Fund and HRA	(835)				
Loss on valuation (to Pooled Fund Adjustment Account)	(209)				
<b>Closing General Fund and HRA balance 31 March 20</b>	<b>(44,243)</b>				

	General Fund Balance £000	Earmarked General Fund Reserves £000	HRA balance £000	Earmarked HRA Reserves £000	Major Repairs Reserve £000	Total £000
<b>General Fund</b>	(2,788)	(28,390)				(31,178)
<b>HRA Total</b>			(12,983)	(70)	(12)	(13,065)
						<b>(44,243)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

2018/19	Net charge to the General Fund & HRA under statutory funding provisions £000	Adjustments for Capital Purposes £000	Net change for Pensions Adjustments £000	Other Adjustments £000	Net costs in the Comprehensive Income and Expenditure Statement £000
Business	1,544	85	53	0	1,682
Environment	2,816	574	497	0	3,887
Health and Happiness	2,692	1,626	94	0	4,412
Housing	(14,557)	42,141	615	0	28,199
Operational Delivery	2,834	4,860	394	0	8,088
Organisational Management	4,395	162	1,171	0	5,728
<b>Cost of Services</b>	<b>(276)</b>	<b>49,448</b>	<b>2,824</b>	<b>0</b>	<b>51,996</b>
Other income & expenditure	(21,903)	(4,707)	1,636	0	(24,974)
Other General Fund & HRA items	14,336	(13,424)	0	(912)	0
<b>(Surplus)/deficit on the General Fund &amp; HRA</b>	<b>(7,843)</b>	<b>31,317</b>	<b>4,460</b>	<b>(912)</b>	<b>27,022</b>
Opening General Fund and HRA balance at 1 April 18	(35,356)				
Surplus on General Fund and HRA	(7,843)				
<b>Closing General Fund and HRA balance 31 March 19</b>	<b>(43,199)</b>				

	General Fund Balance £000	Earmarked General Fund Reserves £000	HRA balance £000	Earmarked HRA Reserves £000	Major Repairs Reserve £000	Total £000
<b>General Fund</b>	(2,788)	(28,118)				(30,906)
<b>HRA</b>			(11,627)	(70)	(596)	(12,293)
<b>Total</b>						<b>(43,199)</b>



**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

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>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
22,850	Employees	22,676
9,267	Premises	9,513
861	Transport	773
6,866	Supplies & services	7,641
6,448	Third party payments	7,684
24,856	Benefit Payments	21,573
49,446	Capital Charges	(1,089)
(1,535)	Support Services	(2,055)
(67,063)	External income	(64,429)
0	Internal Charges	0
<b>51,996</b>	<b>Cost Of Services</b>	<b>2,287</b>

<b>2018/19</b>	<b><u>Analysis of External Income</u></b>	<b>2019/20</b>
<b>£000</b>		<b>£000</b>
	Government Grants &	
(25,705)	Contributions	(22,044)
(28,417)	HRA Rent/ Service Charges	(29,074)
(12,941)	Other Fees & Charges	(13,311)
<u>(67,063)</u>		<u>(64,429)</u>

### 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 24 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).

### 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.

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

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 22 to the accounts.
Arrears/Debt Impairment	At 31 March 2020, the council had a balance of sundry debtors of £5.8 million. A review of debtors, profiled by the age of the debt, suggested that an impairment of doubtful debts of 13.8% (£0.8 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 impairment charge of £0.35 million 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 2019/20 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 relevant information known about.	The council's share of the total business rate appeal provision of £9.43 million amounted to £3.73 million. A further 1 percentage point provision rate increase, leading to a lower rateable value and reduced business rates income, would increase the council's share of the liability by £0.52 million.
Valuation of operational property	The council's external valuers provided valuations as at 31 March 2020 for the whole portfolio. Asset valuations are based on market prices. The outbreak of COVID-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value.  Valuations are therefore reported on the basis of 'material valuation uncertainty' in accordance with RICS guidance.	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 £7.1m total reduction to the revaluation reserve and/or loss to the CIES. The charge to the CIES would be reversed out to the Capital Adjustment Account (CAA) and would not affect the General Fund balance.  An increase in estimated valuations would result in increases to the revaluation reserve and/ or reversals of previous negative revaluations in the CIES.
Fair value measurement of investment property	The council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants	Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

Item	Uncertainties	Effect if actual results differ from assumptions
	<p>would price the property. Valuers base assumptions on observable data where it's available and the best information available where it is not. Values are based on data obtained prior to the impact of COVID-19 on the economy.</p> <p>Valuations are therefore reported on the basis of 'material valuation uncertainty in accordance with RICS guidance</p>	<p>Revaluation movements are accounted for in the CIES. If the value of Investment properties reduced by 10%, this would result in a £6.1m charge to the CIES. The charge to the CIES would be reversed out to the Capital Adjustment Account (CAA) and would not affect the General Fund balance.</p>
Valuation of Council Dwellings	<p>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. Values are based on data obtained prior to the impact of COVID-19 on the economy.</p> <p>Valuations are therefore reported on the basis of 'material valuation uncertainty in accordance with RICS guidance</p>	<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 £21m 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 Strategic Director (Resources) 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 2020, the figures in the financial statements and notes have, in all material respects, been adjusted to reflect the impact of this information.

The COVID-19 pandemic and the government's lockdown measures have had a significant impact on the council's operations. It has been necessary to close public facilities including: the council's leisure centres; the Visitor information centre; the Guildhall public conveniences and offices have been partially closed with the majority of the council's office-based staff working from home. It is likely that lockdown measures have impacted on the value of the council's operational property portfolio, without a detailed valuation a precise estimate cannot be made.

Lockdown measures are also likely to have impacted on the market value of the council's investment properties in the period after the balance sheet date, without a detailed valuation a precise estimate cannot be made,

The response to the pandemic has impacted heavily on the council's revenue from fees and charges in 2020/21 and planned local taxation revenue has also reduced significantly as collection rates have fallen. As at quarter 1 a potential budget shortfall of between £6m and £12m is forecast. The council is undertaking measures to mitigate the predicted shortfall, including examining service expenditure and exploring the use of general fund reserves.

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

**6. 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).

		2018-19					2019-20				
General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unappl'd	Adjustments between Accounting Basis and Funding Basis	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unappl'd	
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	
<b>Adjustments to Revenue Resources</b>											
(3,974)	(486)	0	0	0	Pensions Costs (transfers to/ from Pensions Reserve)	(2,794)	(344)	0	0	0	
912	0	0	0	0	Council Tax and Business Rates (transfers to/ from the Collection Fund Adjustment Account)	64	0	0	0	0	
(1,871)	(44,679)	0	0	(248)	Reversal of entries included in the Surplus or Deficit on Provision of Services in relation to capital items (transfers with Capital Adjustment Account)	2,834	6,095	0	0	311	
62	(62)	0	0	0	Other adjustments	(172)	(39)	0	0	0	
(4,871)	(45,227)	0	0	(248)	<b>Total Adjustments to Revenue Resources</b>	(68)	5,712	0	0	311	
<b>Adjustments between Revenue and Capital Resources</b>											
85	6,668	(6,754)	0	0	Transfer of non current sale proceeds from revenue to the Capital Receipts Reserve	10	6,424	(6,434)	0	0	
0	8,358	0	(8,358)	0	Funding set aside to Major Repairs Reserve (Housing)	0	8,105	0	(8,105)	0	
514	0	0	0	0	Statutory provision for the Financing of Capital investment	502	0	0	0	0	
0	0	1,163	0	0	Voluntary provision for the Financing of Capital Investment	0	0	0	0	0	
(779)	0	779	0	0	Contribution from the Capital Receipts Reserve to finance the payments to the Government	(763)	0	763	0	0	
969	0	0	0	0	Capital Receipts Pool	2,918	2,461	0	0	0	
789	15,026	(4,812)	(8,358)	0	Capital Expenditure financed from revenue	2,667	16,990	(5,671)	(8,105)	0	
<b>Adjustments to Capital Resources</b>											
0	0	4,651	0	0	Use of Capital Receipts Reserve to finance capital spend	0	0	6,747	0	0	
0	0	0	7,776	0	Use of Major Repairs Reserve to finance capital spend	0	0	0	8,689	0	
0	0	0	0	0	Receipt of previously deferred capital receipts	0	0	0	0	0	
0	0	4651	7776	0	<b>Total Adjustments to Capital Resources</b>	0	0	6,747	8,689	0	
(4,082)	(30,201)	(161)	(582)	(248)	<b>Total Adjustments</b>	2,599	22,702	1,076	584	311	



**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

**7. 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 2019/20.

	<b>Balance 1 Apr 2018</b>	Net Transfers 2018/19	<b>Balance 31 Mar 2019</b>	Transfers Out 2019/20	Transfers in 2019/20	<b>Balance 31 Mar 2020</b>
	<b>£000</b>	£000	<b>£000</b>	£000	£000	<b>£000</b>
<u>General Fund</u>						
<b>Operational Reserves</b>						
Major Investment Reserve	(7,388)	(1,293)	(8,681)	1,806	(741)	(7,616)
Other	(3,400)	558	(2,842)	1,458	(596)	(1,980)
<b>Asset Reserves</b>						
Car Parks Property	(2,031)	(480)	(2,511)	284	(200)	(2,427)
Property Reserve	(3,213)	(52)	(3,265)	255	(300)	(3,310)
Other	(608)	37	(571)	319	(280)	(532)
<b>Restricted Reserves</b>						
CIL General Fund	(4,066)	(3,537)	(7,603)	2,259	(3,584)	(8,928)
Other	(904)	(435)	(1,339)	105	(185)	(1,419)
<b>Risk Reserves</b>						
Business Rates Retention	(1,617)	450	(1,167)	167	0	(1,000)
Transitional Reserve	0	0	0	0	(1,037)	(1,037)
Other	(139)	0	(139)	0	0	(139)
<b>Total General Fund</b>	<b>(23,366)</b>	<b>(4,752)</b>	<b>(28,118)</b>	<b>6,653</b>	<b>(6,923)</b>	<b>(28,388)</b>
<u>Housing Revenue Account</u>						
Insurance	(70)	0	(70)	0	0	(70)
<b>Total Earmarked Reserves</b>	<b>(23,436)</b>	<b>(4,752)</b>	<b>(28,188)</b>	<b>6,653</b>	<b>(6,923)</b>	<b>(28,458)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

**8. PROPERTY, PLANT AND EQUIPMENT (PPE)**

<b>Movements in 2019/20</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
<u>Cost or Valuation</u>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 April 2019</b>	<b>405,015</b>	<b>74,362</b>	<b>11,866</b>	<b>7,811</b>	<b>1,072</b>	<b>7,763</b>	<b>507,889</b>
Additions	8,431	682	659	297	0	29,458	39,527
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	0	(240)	0	0	0	0	(240)
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	5,279	(445)	0	0	0	0	4,834
Derecognition - Disposals	(2,150)	(207)	(422)	0	0	(1,129)	(3,908)
Reclassifications	3,011	(3,002)	110	101	0	(1,974)	(1,754)
<b>At 31 March 2020</b>	<b>419,586</b>	<b>71,150</b>	<b>12,213</b>	<b>8,209</b>	<b>1,072</b>	<b>34,118</b>	<b>546,348</b>
<u>Accumulated Depreciation and Impairment</u>							
<b>At 1 April 2019</b>	<b>0</b>	<b>0</b>	<b>(9,780)</b>	<b>(2,946)</b>	<b>(169)</b>	<b>0</b>	<b>(12,895)</b>
Depreciation Charge	(7,779)	(1,395)	(538)	(281)	(2)	0	(9,995)
Accumulated Depreciation Written-Out to the Gross Carrying Amount on Depreciation Written-Out to the Revaluation Reserve	0	1,391	0	0	0	0	1,391
Depreciation Written Out to the Surplus/Deficit on the Provision of Services	7,779	0	0	0	0	0	7,779
Derecognition - Disposals	0	4	412	0	0	0	416
<b>At 31 March 2020</b>	<b>0</b>	<b>0</b>	<b>(9,906)</b>	<b>(3,227)</b>	<b>(171)</b>	<b>0</b>	<b>(13,304)</b>
<u>Net Book Value</u>							
At 31 March 2020	419,586	71,150	2,307	4,982	901	34,118	533,044
At 31 March 2019	405,015	74,362	2,086	4,865	903	7,763	494,994

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

<b>Movements in 2018/19</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
<u>Cost or Valuation</u>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 April 2018</b>	<b>418,596</b>	<b>71,815</b>	<b>11,472</b>	<b>6,936</b>	<b>1,072</b>	<b>22,862</b>	<b>532,753</b>
Additions	7,339	12,488	441	421	0	9,115	29,804
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	0	(2,042)	0	0	0	0	(2,042)
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(40,389)	(5,403)	0	0	0	0	(45,792)
Derecognition - Disposals	(2,013)	(221)	(132)	0	0	(2,193)	(4,559)
Reclassifications	21,482	(2,275)	85	454	0	(22,021)	(2,275)
<b>At 31 March 2019</b>	<b>405,015</b>	<b>74,362</b>	<b>11,866</b>	<b>7,811</b>	<b>1,072</b>	<b>7,763</b>	<b>507,889</b>
<u>Accumulated Depreciation and Impairment</u>							
<b>At 1 April 2018</b>	<b>0</b>	<b>(474)</b>	<b>(9,241)</b>	<b>(2,699)</b>	<b>(167)</b>	<b>0</b>	<b>(12,581)</b>
Depreciation Charge	(7,990)	(1,551)	(671)	(247)	(2)	0	(10,461)
Accumulated Depreciation Written-Out to the Gross Carrying Amount on Depreciation Written-Out to the Revaluation Reserve	0	2,024	0	0	0	0	2,024
Depreciation Written Out to the Surplus/Deficit on the Provision of Services	7,990	0	0	0	0	0	7,990
Derecognition - Disposals	0	1	132	0	0	0	133
Other Movements in Depreciation and Impairment	0	0	0	0	0	0	0
<b>At 31 March 2019</b>	<b>0</b>	<b>0</b>	<b>(9,780)</b>	<b>(2,946)</b>	<b>(169)</b>	<b>0</b>	<b>(12,895)</b>
<u>Net Book Value</u>							
At 31 March 2019	405,015	74,362	2,086	4,865	903	7,763	494,994
At 31 March 2018	418,596	71,341	2,231	4,236	905	22,862	520,172

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**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

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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	20 – 40 years
Kitchens	19 years
Bathrooms	40 years
Roofs	50 years
Doors & windows	40 years
Electrical rewiring	30 years
Eaves & rainwater	40 years
Structure	68 years

For other types of assets the following useful lives have been used in the calculation of depreciation:

Other Land and Buildings	5 – 60 years
Vehicles, Plant, Furniture and Equipment	4 – 18 years
Infrastructure	5 – 60 years
Community Assets	5 – 60 years

There were no significant changes to the asset lives and depreciation methods used to calculate the charges during the year.

Capital Commitments for Property, Plant and Equipment

As at 31 March 2020, the council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years. The total commitments at 31 March 2020 were £37,509,000 (similar commitments at 31 March 2019 were £38,045,000) made up as follows:-

	<b>£000</b>
Winchester Sport and Leisure Park	21,572
Housing New Build (The Valley)	8,024
Housing New Build (Hookpit)	6,127
Other - Housing New Builds	1,432
Other schemes	354
	<u>37,509</u>

Revaluations and Impairments

The council carries out a rolling programme that ensures that all Property, Plant and Equipment (PPE) required to be measured at current value, or in the case of surplus assets fair value, is carried out at least every five years. Investment Properties are valued annually.

During 2019/20, Wilks Head & Eve (WHE) carried out a re-valuation of all of the Council's investment properties as well as all of the PPE assets:

- Investment properties – valuation date 31/12/2019
- PPE (with the exception of car parks) – valuation date 31/12/2019
- Car parks - valuation date 28/02/2019
- HRA dwellings and Garages - valuation date 31/12/2019

and following WHE's Market Reviews of 1st April 2020 a re-valuation of:

- the HRA beacons to the closing book date of 31/03/2020
- PPE assets valued on a Depreciated Replacement Cost (DRC) basis to 31/3/2020.

The valuations were reviewed by Miles Phillips MRICS ACI Arb, Senior Estates Surveyor. The valuations were carried out in accordance with RICS Valuation - Global Standards 2017 and RICS Valuation – Professional

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
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Standards UK January 2014 (revised April 2015) (The Red Book) and in accordance with the specific sections that 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).

	2019/20	2018/19	2017/18	2016/17	2015/16	Historic Cost	Total
	£000	£000	£000	£000	£000	£000	£000
Council Dwellings	419,586	0	0	0	0	0	419,586
Land & Buildings	71,149	0	0	0	0	0	71,149
Plant / Vehicles / Equipment	0	0	0	0	0	2,307	2,307
Infrastructure	0	0	0	0	0	4,982	4,982
Community	0	0	0	0	0	901	901
Assets Under Construction	0	0	0	0	0	34,118	34,118
<b>Total</b>	<b>490,735</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>42,308</b>	<b>533,043</b>

## 9. HERITAGE ASSETS

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

	Art Collection	Civic Regalia	Archaeology	Total
Cost or Valuation	£000	£000	£000	£000
Balance as at 1 April 2018	850	1,500	420	2,770
Revaluation	0	0	30	30
Balance as at 31 March 2019	850	1,500	450	2,800
Balance as at 31 March 2020	850	1,500	450	2,800

### Art Collection (Topographical Art and Portraits)

The Authority undertook an external valuation of its art work with an independent auction house (Andrew Smith & Son) as at 14 October 2011. This was a full market valuation of the collection for insurance purposes, based



**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

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.

**Civic Regalia**

An external valuation of the civic regalia was carried out as at 15 June 2011 by an independent auction house (Andrew Smith & Son). This was a full market valuation of the collection for insurance purposes.

**Archaeology**

The Archaeology collection has relatively little financial value, apart from a few pieces including the marble head which is on loan to the British Museum, but is of scientific value.

The marble head was most recently valued as at 22 March 2019 by the British Museum as part of the loan agreement and is reflected in the values above.

**Museum Collection Additions**

There were a number of additions and donations to the museum collections during the year, none of which has a significant monetary value. The additions include acquisitions of:

- a Georgian purse
- a late bronze age gold lock ring
- five 4<sup>th</sup> century copper alloy coins of Magnentius
- a commemorative medal
- Several local history objects and photographs.

**Disposals**

There have been no disposals during this period.

**10. INVESTMENT PROPERTIES**

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

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
	<u>Income and Expenditure in Relation to Investment Properties</u>	
(2,900)	Rental Income from Investment Property	(2,882)
367	Direct Operating Expenses of Investment Property	442
0	(Gain)/Loss on Disposal of Investment Property	0
<u>(3,278)</u>	Net (Gain)/Loss on Revaluation of Investment Property	<u>(4,561)</u>
<b><u>(5,811)</u></b>	<b>Net (Income)/Expenditure on Investment Properties</b>	<b><u>(7,001)</u></b>

The council's investment properties were revalued as part of the exercise undertaken by Wilks Head & Eve LLP (see note 8).

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
<b>47,714</b>	<b>Opening Balance</b>	<b>53,794</b>
499	Additions - Acquisitions	1,349
28	Additions - Enhancements	1
0	Disposals	0
3,278	Net Gains/(Losses) from Fair Value Adjustments	4,561
	<u>Transfers:</u>	
0	- To/From Inventories	0
2,275	- (To)/From Property, Plant and Equipment	1,754
0	Other Changes	0
<b><u>53,794</u></b>	<b>Closing Balance</b>	<b><u>61,459</u></b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

Investment Properties Fair Value Measurements

	Retail £000	Offices £000	Industrial £000	Residential / Garages £000	Other £000	Total £000
Level 2 Fair Value Measurements	31,759	9,152	4,459	14,963	1,126	61,459
<b>Total</b>	<b>31,759</b>	<b>9,152</b>	<b>4,459</b>	<b>14,963</b>	<b>1,126</b>	<b>61,459</b>

**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 £8.71m. Of this amount, £8.17m 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 2020, the Council had entered into contracts for the acquisition of Investment Properties in 2020/21 and future years. The total commitment at 31 March 2020 was £nil (similar commitments at 31 March 2018 were £0.3m).

Council as Lessor of Investment Properties

The council leases out the majority of its investment properties under operating leases for the purpose of generating income. It also leases out property for the purpose of the provision of community services such as leisure facilities and community centres as well as for economic development purposes to provide suitable affordable accommodation for local businesses. The future minimum lease payments receivable under non-cancellable leases in future years are as follows:

2018/19 £000		2019/20 £000
2,469	Due within one year	2,405
8,642	Due later than one year and not later than five years	9,294
75,482	Due after five years	75,123
<b>86,593</b>	<b>Total future minimum lease rentals receivable</b>	<b>86,822</b>

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

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

**11. FINANCIAL INSTRUMENTS**

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

<u>Long Term</u>	<u>Short Term</u>		<u>Long Term</u>	<u>Short Term</u>
31 Mar 19	31 Mar 19		31 Mar 20	31 Mar 20
£000	£000		£000	£000
		<u>Investments</u>		
10,494	14,077	Amortised Cost	7,354	4,022
5,714	998	Fair Value through Profit or Loss	5,577	1,000
		<u>Cash and Cash Equivalents</u>		
0	756	Amortised Cost	0	(620)
	7,090	Fair Value through Profit or Loss	0	12,550
		<u>Debtors</u>		
237	9,027	Amortised Cost	226	7,449
<b>16,445</b>	<b>31,948</b>	<b>Total Financial Assets</b>	<b>13,157</b>	<b>24,401</b>
		<u>Borrowings</u>		
(156,722)	(57)	Amortised Cost	(156,722)	(57)
		<u>Other Liabilities</u>		
0	(174)	Finance Lease-Amortised Cost	0	0
		<u>Creditors</u>		
0	(6,304)	Amortised Cost	0	(7,917)
<b>(156,722)</b>	<b>(6,535)</b>	<b>Total Financial Liabilities</b>	<b>(156,722)</b>	<b>(7,974)</b>

Short term borrowing includes £57,000 (2018/19: £57,000) representing accrued interest on long-term borrowing.

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

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>2019/20</b>	<b>Financial Liabilities at Amortised Cost</b>	<b>Financial Assets: Amortised Cost</b>	<b>Financial Assets: Fair Value through profit or loss</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Interest Expense	5,169	0	0	5,169
(Gain)/loss on valuation	0	0	211	211
Interest Income	0	(313)	(344)	(657)
<b>Net (Gain)/Loss for the Year</b>	<b>5,169</b>	<b>(313)</b>	<b>(133)</b>	<b>4,723</b>
<b>2018/19</b>				
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Interest Expense	5,176	0	0	5,176
(Gain)/ loss on valuation	0	0	(84)	(84)
Interest Income	0	(303)	(357)	(660)
<b>Net (Gain)/Loss for the Year</b>	<b>5,176</b>	<b>(303)</b>	<b>(441)</b>	<b>4,432</b>

The council has no material soft loans.

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 amortised cost. 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 2020, using the following methods and assumptions:

- Loans borrowed by Winchester City Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying amount given the low and stable 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.
- Certificates of deposit have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.

Fair values are shown in the tables below, split by their level in the fair value hierarchy:

Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, for example; bond prices

Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, for example; interest rates or yields for similar instruments

Level 3 – fair value is determined using unobservable inputs, for example; non-market data such as cash flow forecasts or estimated creditworthiness



**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

Balance Sheet	Fair value		Fair Value Level	Balance Sheet	Fair value
31/03/19	31/03/19			31/03/20	31/03/20
£000	£000			£000	£000
		<b>Financial liabilities held at amortised cost:</b>			
(156,779)	(187,320)	Long-term loans from PWLB	2	(156,779)	(190,222)
		<b>Recorded on balance sheet as:</b>			
(156,722)		Long-term borrowing		(156,722)	
(57)		Short-term borrowing		(57)	
<u>(156,779)</u>		<b>Total</b>		<u>(156,779)</u>	

Balance Sheet	Fair Value		Fair Value Level	Balance Sheet	Fair Value
31/03/19	31/03/19			31/03/20	31/03/20
£000	£000			£000	£000
		<b>Financial assets held at fair value:</b>			
7,090	7,090	Money market funds	1	12,550	12,550
5,589	5,589	Property funds	2	5,402	5,402
998	998	Bond funds	1	987	987
0	0	Corporate, covered and government bonds	1	0	0
125	125	Unquoted Equity investment at Cost	2	188	188
		<b>Financial assets held at amortised cost:</b>			
8,992	8,982	Corporate, covered and government bonds	1	5,854	5,849
1,516	1,519	Long-term investments with local authorities	2	1,516	1,522
<u>24,310</u>	<u>24,303</u>	<b>Total</b>		<u>26,497</u>	<u>26,498</u>
14,906		<b>Assets for which fair value is not disclosed</b>			
<u>39,216</u>		<b>Total financial assets</b>		<u>3,393</u>	
		<b>Recorded on balance sheet as:</b>			
16,208		Long-term investments		12,931	
15,076		Short-term investments		5,021	
7,932		Cash & cash equivalents		11,938	
<u>39,216</u>		<b>Total financial assets</b>		<u>29,890</u>	

Property funds totalling £5.389m have been moved from level 1 to level 2 of the hierarchy for 2019/20 reflecting that there is no longer an active market in these instruments. Fund managers have suspended redemptions reflecting market conditions for underlying properties caused by the economic consequences of the coronavirus pandemic.

The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

**12. SHORT-TERM DEBTORS**

<b>31 Mar 19</b>		<b>31 Mar 20</b>
<b>£000</b>		<b>£000</b>
617	Central Government Bodies	1,498
1,471	Other Local Authorities	1,241
7,394	Other Entities and Individuals	5,855
361	NHS Bodies	411
208	Council Tax	199
206	Housing Rents	232
466	Prepayments	3,170
<u>10,723</u>	<b>Total</b>	<u>12,606</u>

**13. SHORT-TERM CREDITORS**

<b>31 Mar 19</b>		<b>31 Mar 20</b>
<b>£000</b>		<b>£000</b>
(6,691)	Central Government Bodies	(7,639)
(1,766)	Other Local Authorities	(2,527)
(1,141)	Other	(908)
(5,290)	Trade Creditors	(7,100)
(1,186)	Amounts Received in Advance	(3,182)
<u>(16,074)</u>	<b>Total</b>	<u>(21,356)</u>

**14. PROVISIONS**

The 2019/20 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 valuations. These liabilities were probable at the Balance Sheet date but the timing and amount was uncertain.

	<b>Insurance</b>	<b>NNDR</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 2018</b>	<b>(74)</b>	<b>(2,216)</b>	<b>(2,290)</b>
Additional Provisions made in 2018/19	0	(1,352)	(1,352)
Amounts Used in 2018/19	0	594	594
<b>Balance at 1 April 2019</b>	<b>(74)</b>	<b>(2,974)</b>	<b>(3,048)</b>
Additional Provisions made in 2019/20	0	(1,301)	(1,301)
Amounts Used in 2019/20	0	501	501
<b>Balance at 31 March 2020</b>	<b>(74)</b>	<b>(3,774)</b>	<b>(3,848)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

**15. 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 Mar 19</b>		<b>31 Mar 20</b>
<b>£000</b>		<b>£000</b>
(35,552)	Revaluation Reserve	(35,224)
(587)	Pooled Investment Funds Adjustment Account	(378)
(326,406)	Capital Adjustment Account	(358,439)
60,790	Pensions Reserve	66,031
(87)	Deferred Capital Receipts Reserve	(87)
(255)	Collection Fund Adjustment Account	(320)
<u>(302,097)</u>	<b>Total Unusable Reserves</b>	<u>(328,417)</u>

**15.1. Revaluation Reserve**

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment and recognition of Heritage Assets at valuation. The balance is reduced when assets with accumulated gains are: re-valued downwards or impaired and the gains are lost; used in the provision of services and the gains are consumed through depreciation; or disposed of and the gains are realised.

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
<b>(37,635)</b>	<b>Balance at 1 April</b>	<b>(35,551)</b>
(2,812)	Upward Revaluation of Assets	(2,081)
<u>2,801</u>	Downward Revaluation of Assets and Impairment Losses not Charged to the Surplus/Deficit on the Provision of Services	<u>931</u>
<u>(11)</u>	Surplus or Deficit on Revaluation of Non-Current Assets not Posted to the Surplus or Deficit on the Provision of Services	<u>(1,150)</u>
592	Difference between Fair Value Depreciation and Historical Cost Depreciation	386
<u>1,503</u>	Accumulated Gains on Assets Disposed of or Transferred Between Funds	<u>1,091</u>
<u>2,095</u>	Amount Written Off to the Capital Adjustment Account	<u>1,477</u>
<b><u>(35,551)</u></b>	<b>Balance at 31 March</b>	<b><u>(35,224)</u></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.

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

15.2. 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>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
<b>(356,036)</b>	<b>Balance at 1 April</b>	<b>(326,406)</b>
	<u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:</u>	
10,461	Charges for Depreciation and Impairment of Non-Current Assets	9,995
37,803	Revaluation (Gains)/Losses on Property, Plant and Equipment	(12,613)
64	Amortisation of Intangible Assets	91
1,264	Revenue Expenditure Funded from Capital Under Statute	1,574
4,427	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	3,502
<u>54,019</u>		<u>2,549</u>
(2,095)	Adjusting Amounts Written-Out of the Revaluation Reserve	(1,477)
<u>51,924</u>	Net Written Out Amount of the Cost of Non-Current Assets Consumed in the Year	<u>1,072</u>
	<u>Capital Financing Applied in the Year:</u>	
(4,651)	Use of the Capital Receipts Reserve to Finance New Capital Expenditure	(6,747)
(7,776)	Use of the Major Repairs Reserve to Finance New Capital Expenditure	(8,689)
0	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(311)
(3,943)	Capital Grants and Contributions Credited to the Comprehensive Income and Expenditure Statement that have been Applied to Capital Financing	(6,916)
(514)	Statutory Provision for the Financing of Capital Investment	(502)
(1,163)	Voluntary Provision for the Financing of Capital Investment	0
(969)	Capital Expenditure Charged Against the General Fund and HRA Balances	(5,379)
<u>(19,016)</u>		<u>(28,544)</u>
<u>(3,278)</u>	Movements in the Market Value of Investment Properties Debited or Credited to the Comprehensive Income and Expenditure Statement	<u>(4,561)</u>
<b><u>(326,406)</u></b>	<b>Balance at 31 March</b>	<b><u>(358,439)</u></b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

15.3. 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>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
<b>62,110</b>	<b>Balance at 1 April</b>	<b>60,790</b>
(5,780)	Actuarial Gains or Losses on Pensions Assets and Liabilities	2,103
7,760	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 28)	6,774
(3,300)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year (Note 28)	(3,636)
<b>60,790</b>	<b>Balance at 31 March</b>	<b>66,031</b>

**16. 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 2019/20. 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>2018/19</u>				<u>2019/20</u>			
Ongoing employees	Employees left in year	Total Employees	Remuneration Band	Ongoing employees	Employees left in year	Total Employees	
13	0	13	£50,000-£54,999	22	1	23	
5	0	5	£55,000-£59,999	5	0	5	
6	0	6	£60,000-£64,999	2	0	2	
4	0	4	£65,000-£69,999	2	0	2	
4	0	4	£70,000-£74,999	6	0	6	
1	0	1	£75,000-£79,999	0	1	1	
1	0	1	£80,000-£84,999	1	0	1	
1	0	1	£85,000-£89,999	0	0	0	
3	0	3	£90,000-£94,999	1	0	1	
0	0	0	£95,000-£99,999	2	0	2	
0	0	0	£110,000-£114,999	0	1	1	
1	0	1	£115,000-£119,999	0	0	0	
0	0	0	£120,000-£124,999	1	0	1	
1	0	1	£135,000-£139,999	0	0	0	
<b>40</b>	<b>0</b>	<b>40</b>		<b>42</b>	<b>3</b>	<b>45</b>	



**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

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 2019/20.

<b>2019/20</b>	<b>Salary</b>	<b>Taxable expenses &amp; benefits</b>	<b>Pension payments</b>	<b>Compensation for loss of office</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive <sup>1</sup>	120	1	19	0	140
Strategic Director: Resources <sup>2</sup>	43	0	7	0	50
Strategic Director: Resources <sup>3</sup>	51	2	9	0	62
Strategic Director: Place	97	2	16	0	115
Strategic Director	94	3	15	0	112
Strategic Director: Services (Interim) <sup>4</sup>	91	3	15	0	109

<sup>1</sup> The Chief Executive also received payments of £18,743 in her capacity as Returning Officer these are excluded above.

<sup>2</sup> The previous Strategic Director Resources left the council on 8<sup>th</sup> September 2019.

<sup>3</sup> The current Strategic Director Resources was appointed in that post on 1<sup>st</sup> September 2019.

<sup>4</sup> The current S151 Officer is the Strategic Director Services (Interim), the previous Strategic Director Resources fulfilled this role until his departure.

<b>2018/19</b>	<b>Salary</b>	<b>Taxable expenses &amp; benefits</b>	<b>Pension Payments</b>	<b>Compensation for loss of office</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive <sup>1</sup>	114	1	17	0	132
Strategic Director: Resources	89	1	13	0	103
Strategic Director: Place <sup>2</sup>	74	1	11	0	86
Strategic Director	89	5	13	0	107
Strategic Director: Services (Interim) <sup>3</sup>	65	3	10	0	78

<sup>1</sup> The Chief Executive also received payments in her capacity as Returning Officer. These totalled £10,478 for elections conducted during 2018/19, excluded above.

<sup>2</sup> Strategic Director Place was in post from 11<sup>th</sup> June 2018.

<sup>3</sup> Strategic Director Services was in post from 1<sup>st</sup> July 2018.

## 17. EXTERNAL AUDIT COSTS

The council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the council's external auditors.

<b>2018/19</b>	<b>2019/20</b>
<b>£000</b>	<b>£000</b>
43 Fees Payable to External Auditor with Regard to the External Audit Services Carried Out by the Appointed Auditor for the Year	43
14 Fees Payable to the External Auditor for the Certification of Grant Claims and Returns for the Year	17
0 Fees Payable in Respect of the Other Services Provided by the External Auditor During the Year	0
<b>57 Total</b>	<b>60</b>

**18. GRANT INCOME**

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

Credited to Services:

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
(334)	Benefit Administration	(310)
(45)	Bus Service Operators Grant	(45)
(66)	Contributions	4,699
(173)	Council Tax Benefits	(133)
(226)	Developers' Contributions	(387)
(395)	Hampshire County Contributions	(227)
(38)	Leader Project Funding	(55)
(43)	Other Grants and Reimbursements	(397)
(102)	Other Service Specific Grants	(4,832)
(13,316)	Rent Allowance	(11,319)
(11,451)	Rent Rebates	(10,204)
<b>(26,189)</b>	<b>Total</b>	<b>(23,210)</b>

Credited to Taxation and Non Specific Grant Income

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>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
	<b>Non Domestic Rates Income and Expenditure</b>	
(23,895)	Retained Business Rates	(24,434)
2,589	Levy Payment	1,869
19,651	Tariff Payment	20,757
(695)	Share of (surplus)/deficit	(644)
(2,916)	S31 Grants	(2,894)
(5,266)		(5,346)
	<b>Capital Grants and Contributions</b>	
(3,059)	Other Capital Grants and Contributions	(5,831)
(4,342)	Community Infrastructure Levy	(3,666)
(1,130)	Disabled Facilities Grant	(1,085)
(8,531)		(10,582)
	<b>Non-Ringfenced Government Grants</b>	
(501)	New Burdens Grant	(355)
(2,115)	New Homes Bonus	(2,352)
(54)	Revenue Support Grant	(46)
(59)	Other	(193)
(2,729)		(2,946)
<b>(16,526)</b>	<b>Total</b>	<b>(18,874)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
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<b>31 Mar 19</b>		<b>31 Mar 20</b>
<b>£000</b>		<b>£000</b>
	<u>Grants and Contributions in Advance</u>	-
0	Developers' Contributions - Parish Facilities	(160)
(705)	Developers' Contributions - Social Housing	(1,342)
(544)	Developers' Contributions - Open Spaces	(596)
(63)	Developers' Contributions - Whiteley	(63)
(2,588)	Developers' Contributions - West of Waterlooville	(2,574)
(49)	Developers' Contributions - Barton Farm	0
(48)	Developers' Contributions the Dean Alresford	(301)
(141)	St. Catherine's Hill Nature Reserve	(135)
(315)	Open Spaces Commuted Payments	(315)
(50)	Supporting Troubled Families	(51)
0	North Whiteley Implementation Officer	(32)
(10)	Other	(14)
<b>(4,513)</b>	<b>Total</b>	<b>(5,583)</b>

## 19. 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 18.

### 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 2019/20 totalled £382,836 (£378,673 in 2018/19). The Mayor and Deputy Mayor also received allowances for their additional mayoral duties - these totalled £5,139 in 2019/20 (£4,092 in 2018/19). 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. Within the financial year a community grant for £7,500 was awarded to registered charity Blue Apple Theatre. Councillor Gottlieb is a trustee of this charity, but was not involved in the grant award approval process.

During 2019/20 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 ([www.winchester.gov.uk](http://www.winchester.gov.uk)). Declarations made at meetings are recorded in the minutes of that meeting.

### Officers

Chief officers have the ability to influence the council. During 2019/20 there were no material transactions between the council and chief officers.

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**20. 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>2018/19</b>			<b>2019/20</b>	
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
	<b>177,214</b>	<b>Opening Capital Financing Requirement</b>		<b>190,004</b>
		<u>Capital Expenditure</u>		
29,804		Property, Plant and Equipment	39,527	
528		Investment Properties	1,350	
148		Intangible Assets	39	
1,264		Revenue Expenditure Funded from Capital Under Statute	1,574	
62		Acquisition of Share Capital	63	
	<b>31,806</b>			<b>42,553</b>
		<u>Sources of finance</u>		
(4,651)		Capital Receipts	(6,747)	
(3,943)		Government Grants and other contributions	(7,228)	
(7,776)		HRA Major Repairs Reserve	(8,689)	
0		HRA Revenue	(2,461)	
(969)		GF Reserves	(2,918)	
	<b>(17,339)</b>			<b>(28,043)</b>
	<b>14,467</b>	<b>Unfinanced capital expenditure in year</b>		<b>14,510</b>
	(514)	Statutory provision for the financing of capital investment		(502)
	(1,163)	Voluntary provision for the financing of capital investment		0
	<b>190,004</b>	<b>Closing Capital Financing Requirement</b>		<b>204,012</b>
		<u>Explanation for Movement in year</u>		
	12,790	Increase/(decrease) in underlying need to borrow		14,008

**21. TERMINATION BENEFITS AND EXIT PACKAGES**

The council terminated the contracts of 11 employees, incurring liabilities (for compensation for loss of office; employer's pension contributions for enhanced benefits; and other costs) in 2019/20 of £284,786 (£341,527 in 2018/19).

<b>2018/19</b>					<b>2019/20</b>			
Compulsory Redundancy	Other Termination	Amount Paid (£)	Total Package		Compulsory Redundancy	Other Termination	Amount Paid (£)	
0	6	61,407	£0 - £20,000		3	3	40,611	
0	2	52,294	£20,001 - £40,000		0	1	22,397	
0	3	147,766	£40,001 - £60,000		1	2	143,408	
0	0	0	£60,001 - £80,000		0	1	78,369	
0	1	80,061	£80,001 - £100,000		0	0	0	
		<b>341,528</b>			<b>4</b>	<b>7</b>	<b>284,785</b>	

## **22. 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 McCloud judgement on Pension Schemes

In December 2018 the Court of Appeal ruled against the Government in the McCloud/ Sargeant judgement which found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed were age discriminatory. The ruling has potential implications for other public sector schemes which were reformed around the same time and could lead to members who were being discriminated against being compensated.

In relation to the LGPS, all members were moved into the new 2014 scheme, but members within 10 years of normal retirement were given a 'better of both' promise, so that their benefits would be at least as valuable in terms of amount and when they could be drawn as if they had remained in the 2008 scheme. 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 2019/20 financial statements.

### Transactions relating to post-employment benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.



**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
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The following transactions have been made in the accounts during the year:

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
	<u>Included in the Cost of Services</u>	
4,250	Current Service Cost	5,256
1,940	Past Service Cost	102
0	Settlement Cost	0
	<u>Included in Financing and Investment Income and Expenditure</u>	
1,570	Net Interest on the Net Defined Benefit Liability	1,416
	<u>Included in Other Comprehensive Income and Expenditure</u>	
(5,780)	Remeasurement of the Net Defined Benefit Liability	2,103
<b>1,980</b>	<b>Total Included in Comprehensive Income and Expenditure</b>	<b>8,877</b>
	<u>Included in the Movement in Reserves</u>	
(7,760)	Removal of Notional Charges Made for Retirement Benefits	(6,774)
3,300	Inclusion of Actual Employer's Contributions Payable	3,636
<b>(4,460)</b>	<b>Total Included in the Movement in Reserves</b>	<b>(3,138)</b>
	<u>Actual Employer's Contributions Charged Against Council Tax</u>	
3,080	Normal Funded Contributions	3,356
40	Lumps Sums for Early Retirements	101
180	Discretionary / Unfunded Added Years	179
<b>3,300</b>	<b>Total Amount Charged to Council Tax</b>	<b>3,636</b>

Assets and liabilities in relation to post-employment benefits

The movement in scheme liabilities was:

<b>2018/19</b>	<b>2018/19</b>		<b>2019/20</b>	<b>2019/20</b>
<b>Funded</b>	<b>Unfunded</b>		<b>Funded</b>	<b>Unfunded</b>
<b>Liabilities</b>	<b>Liabilities</b>		<b>Liabilities</b>	<b>Liabilities</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
<b>(172,210)</b>	<b>(2,640)</b>	<b>Opening Present Value of Liabilities</b>	<b>(181,700)</b>	<b>(2,470)</b>
(4,250)	0	Current Service Cost	(5,256)	0
(4,430)	(70)	Interest Expense on Benefit Obligation	(4,307)	(57)
(930)	0	Contributions by Scheme Participants	(952)	0
		Actuarial Gains / (Losses) - Financial		
(9,520)	(40)	Assumptions	4,775	17
		Actuarial Gains / (Losses) - Demographic		
7,460	110	Assumptions	4,514	48
(290)	(10)	Actuarial Gains / (Losses) - Experience	(4,135)	20
4,410	180	Net Benefits Paid Out	5,509	179
(1,940)	0	Past Service Cost	(102)	0
<b>(181,700)</b>	<b>(2,470)</b>	<b>Closing Present Value of Liabilities</b>	<b>(181,654)</b>	<b>(2,263)</b>

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
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The movement in the fair value of the scheme assets was:

2018/19 £000		2019/20 £000
<b>112,740</b>	<b>Opening Fair Value of Assets</b>	<b>123,380</b>
2,930	Interest Income on Assets	2,948
930	Contributions by Scheme Participants	952
3,120	Contributions by the Employer	3,457
8,070	Remeasurement Gains / Losses on Assets	(7,342)
(4,410)	Net Benefits Paid Out	(5,509)
<b>123,380</b>	<b>Closing Fair Value of Assets</b>	<b>117,886</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy.

The actual return on scheme assets in 2019/20 was a loss of £4.39 million (£11 million gain in 2018/19).

Impact on the council's cash flow

The deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary and the recent changes to the scheme introduced on 1 April 2014 which will increase the amount paid into the scheme by employees and employers.

The total contributions expected to be made to the scheme by the council in the year to 31 March 2021 is £6.6 million (£6.55 million for funded benefits and £0.05 million in respect of unfunded early retirements).

Basis for estimating assets and liabilities

The latest actuarial valuation of the Council's liabilities took place as at 31 March 2019. Liabilities have been estimated by the independent actuary, Aon Hewitt Limited, on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the valuation were:

Funded Benefits 2018/19 £000	Unfunded Benefits 2018/19 £000		Funded Benefits 2019/20 £000	Unfunded Benefits 2019/20 £000
<u>Principal Financial Assumptions</u>				
2.4%	2.4%	Rate for Discounting Scheme Liabilities	2.3%	2.3%
3.3%	3.3%	RPI Inflation Rate		
2.2%	2.2%	CPI Inflation Rate	2.0%	2.0%
2.2%	2.2%	Pension Increases	2.0%	2.0%
2.2%	-	Pension Accounts Revaluation Rate	2.0%	-
3.7%	-	Rate of General Increases in Salaries	3.0%	-
<u>Mortality Assumptions</u>				
Future lifetime from 65 for members aged 65 at 31 Mar				
23.3	23.3	Males	23.0	23.0
26.1	26.1	Females	25.5	25.5
Future lifetime from 65 for members aged 45 at 31 Mar				
24.9		Males	24.7	
27.8		Females	27.2	
<u>Take Up of Option to Commute Pension to Lump Sum</u>				
70%		All Service (inc pre-2008 Service)	70%	

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
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The scheme assets consist of the following categories, by proportion of total assets held:

2018/19 £000				2019/20 £000		
Quoted	Unquoted	Total		Quoted	Unquoted	Total
54.0%	6.4%	60.4%	Equities	44.1%	8.6%	52.7%
0.7%	6.9%	7.6%	Property	0.8%	6.5%	7.3%
22.6%	0.1%	22.7%	Government Bonds	21.8%	0.0%	21.8%
1.1%	4.1%	5.2%	Corporate Bonds	0.0%	0.0%	0.0%
2.3%	0.0%	2.3%	Cash	2.0%	0.0%	2.0%
0.1%	1.7%	1.8%	Other	14.1%	2.1%	16.2%
80.8%	19.2%	100.0%		82.80%	17.2%	100.0%

The overall expected return on each asset class is set out above. The overall expected rate of return on assets is then derived by aggregating the expected return on each asset class over the actual asset allocation from the Fund as at 31 March 2020.

Sensitivity of Actuarial Assumptions

The following table shows the sensitivity of the actuarial assumptions and what impact a 0.1% change would have for each of the assumptions.

Change in Assumptions as at 31 March 2020	Present Value of Total Obligation £000	Change in Present Value of Total Obligation %	Projected Service Cost £000	Approximate Change in Projected Service Cost %
0.1% Increase in Discount Rate	177,970	-2.0%	4,928	-3.5%
0.1% Decrease in Discount Rate	185,414	2.1%	5,296	3.7%
0.1% Increase in the Salary Increase Rate	182,020	0.2%	5,109	0.0%
0.1% Decrease in the Salary Increase Rate	181,292	-0.2%	5,109	0.0%
0.1% Increase in the Pensions Increase Rate	185,081	1.9%	5,296	3.7%
0.1% Decrease in the Pensions Increase Rate	178,301	-1.8%	4,928	-3.5%
1 year Increase in Post Retirement Mortality	175,975	-3.1%	4,918	-3.7%
1 year Decrease in Post Retirement Mortality	187,380	3.2%	5,301	3.8%

### 23. 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 2017).

As part of the adoption of the Treasury Management Code, the council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

The main risks covered are:

- **Credit Risk:** The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the council.
- **Liquidity Risk:** The possibility that the council might not have the cash available to make contracted payments on time.

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- **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 following arrangements were in place for managing credit risk in relation to financial assets and for estimating the impairment loss allowances that would expect the council's exposure to risk:

<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-.	12 month expected credit losses have been calculated by applying risk factors provided by the council's treasury management providers.
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A limit of £7m of the total portfolio is placed on the amount of money that can be invested with a single counterparty. For unsecured investments in banks, building societies and companies, a smaller credit limit of £3.5m applies. The council also sets limits on investments in certain sectors. No more than £15m in total can be invested for a period longer than one year.

The credit quality of £8.5m of the council's investments is enhanced by collateral held in the form of covered bonds collateralised by residential mortgages. The collateral significantly reduces the likelihood of The council suffering a credit loss on these investments.

All deposits held at 31 March 2020 therefore have low credit risk.

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

<b>Long Term</b>	<b>Short Term</b>		<b>Long Term</b>	<b>Short Term</b>
<b>31/03/2019</b>	<b>31/03/2019</b>	<b>Credit Rating</b>	<b>31/03/2020</b>	<b>31/03/2020</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
8,990	2,003	AAA	5,852	3,004
0	0	AA+	0	0
0	0	AA	0	0
0	1,001	AA-	0	2,809
0	0	A+	0	10
0	4,004	A	0	0
0	999	A-	0	0
0	7,090	AAA Money Market Funds	0	12,550
1,516	7,043	Unrated local authorities	1,516	0
6,712	0	Credit risk not applicable	5,577	987
<b>17,218</b>	<b>22,140</b>	<b>Total Investments</b>	<b>12,945</b>	<b>19,360</b>

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Credit Risk: Trade Receivables

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

	31/03/2019		31/03/2020	
	Trade receivables £000	Loss Allowance £000	Trade receivables £000	Loss Allowance £000
Neither past due nor impaired	4,550	26	2,455	9
Past due < 3 months	1,151	57	1,957	101
Past due 3-12 months	854	163	730	225
Past due 12+ months	1,233	394	648	462
<b>Total</b>	<b>7,788</b>	<b>640</b>	<b>5,790</b>	<b>797</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 principal sums borrowed is as follows:

31/03/19		31/03/20
£000	Time to maturity	£000
10,000	Between 2 and 5 years	15,000
30,000	Between 5 and 10 years	25,000
25,000	Between 10 and 15 years	40,000
25,000	Between 15 and 20 years	10,000
10,000	Between 20 and 25 years	10,000
56,722	More than 25 years	56,722
<b>156,722</b>		<b>156,722</b>

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



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**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
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The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2020, all the net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

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

	<b>£000</b>
Increase in interest receivable on variable rate investments	(183)
Decrease in fair value of investments held at FVPL	24
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(159)</b>
Decrease in fair value of investments held at FVOCI/ Available for Sale	0
<b>Impact on Comprehensive Income and Expenditure</b>	<b>(159)</b>

#### 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 2020 would result in a £0.26m (2019: £0.28m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

## **24. ACCOUNTING POLICIES**

### 24.1 General Principles

The Financial Statements summarise the council's transactions for the 2019/20 financial year and its position at 31 March 2020. 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 2019/20, 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.

### 24.2 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.

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**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
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- 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.

#### 24.3 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

#### 24.4 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.

#### 24.5 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.

## 24.6 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; unlisted securities at current bid price; and property at market value.
- The change in the net pensions liability is analysed into the following components:

- Service costs comprising

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs.

- Net Interest on the Net Defined Benefit Liability – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Re-measurements

- Expected Return on Assets – the annual investment return on the fund assets attributable to the Council; based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – this is debited to the Pensions Reserve.

Contributions paid to the Hampshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense. In relation to retirement benefits, statutory provisions require the General Fund and Housing Revenue Account to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits; and replace them with

debits for the cash paid to the pension fund and pensioners (and any such amounts payable but unpaid at the year-end). The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year that the decision to make the award is made. It is accounted for using the same policies as are applied to the Local Government Pension Scheme.

### 24.7 Fair Value Measurement

The council measures some of its non-financial assets such as investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Valuation techniques use categories within the fair value hierarchy, as follows:

- Level 1 - quoted prices
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability.

### 24.8 Financial Instruments

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

#### Financial Liabilities

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

#### Financial Assets

Financial assets are subsequently measured in one of two ways:

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

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

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

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

#### 24.9 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 are two Business Improvement Districts (BID), the schemes are funded by a BID levy paid by non-domestic rate payers.

The council acts as principal under one 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.

The council acts as a recipient in the other scheme which covers an overlapping area of both Winchester City Council (17.9%) and Fareham Borough Council (82.1%). Fareham Borough Council act as the Principal; 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.

#### 24.10 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.

#### 24.11 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.

#### 24.12 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

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**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

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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.

#### 24.13 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.

#### 24.14 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.

#### 24.15 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.

#### 24.16 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT collected is excluded from income.



**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE**  
**FOR THE YEAR ENDED 31 MARCH 2020**

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

2018/19			2019/20	
£000	£000	Note	£000	£000
	<b>27,689</b>			<b>(24,058)</b>
				<b>(Surplus)/Deficit for the year on the Housing Revenue Account</b>
				<b>(24,058)</b>
				<u>Adjustments between Accounting Basis and Funding Basis under Statute:</u>
				-
(62)			(39)	
				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
(486)		H1	(344)	
				Reversal of Items Relating to Retirement Benefits and Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year
(32,829)			13,004	
				Reversal of Revaluation Gains or (Losses) on Property, Plant and Equipment and Movements in the Market Value of Investment Properties
2,487			3,024	
				Net Gain on Sale of Non-Current Assets
0		H4	2,461	
				Capital Expenditure Funded from the HRA
0		H4	(205)	
				Reversal of Revenue Expenditure Funded by Capital Under Statute
717		H4	4,832	
				Reversal of Capital Grants and Contributions
(26)			(31)	
				Contribution from the Capital Receipts Reserve towards Administrative costs of Non-Current Asset Disposals
(8,349)		H5	(8,095)	
				Charges for Depreciation and Impairment of Non-Current Assets
(10)		H5	(10)	
				Amortisation of Intangible Assets
8,358		H2	8,105	
				Transfer to Major Repairs Reserve
	<u>(30,200)</u>			<u>22,702</u>
	<b>(2,511)</b>			<b>(1,356)</b>
				<b>Net increase in HRA Balance</b>
	<u>(9,116)</u>			<u>(11,627)</u>
				Housing Revenue Account Surplus Brought Forward
	<u><b>(11,627)</b></u>			<u><b>(12,983)</b></u>
				<b>Housing Revenue Account Surplus Carried Forward</b>



**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2020**

**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>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
(8,358)	HRA Depreciation	(8,105)
(8,358)	Net Charge to HRA	(8,105)
7,776	HRA Capital Financed	8,689
(582)	Movement in Year	584
(14)	Balance Brought Forward at 1 April	(596)
(596)	Balance Carried Forward at 31 March	(12)

**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 Mar 19</b>		<b>31 Mar 20</b>
863	Bungalows	859
1,997	Flats & Maisonettes	1,959
2,222	Houses	2,260
18	Shared ownership	16
5,100		5,094

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

<b>31 Mar 19</b>		<b>31 Mar 20</b>
<b>£000</b>		<b>£000</b>
	<u>Operational Assets</u>	
405,015	Dwellings	419,586
6,257	Other Land and Buildings	4,093
23	Vehicles Plant Furniture and Equipment	15
3,717	Infrastructure	3,907
14	Community Assets	14
4,277	Assets Under Construction	13,836
30	Intangibles	20
419,333		441,471
	<u>Non-Operational Assets</u>	
2,731	Investment Properties	2,766
422,064	Total value	444,237



**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2020**

**H5. DEPRECIATION AND IMPAIRMENT**

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
	<u>Depreciation</u>	
7,990	Dwellings	7,779
173	Other Land and Buildings	100
8	Vehicles, Plant, Furniture and Equipment	8
178	Infrastructure	208
<u>8,349</u>	Total Depreciation	<u>8,095</u>
	<u>Amortisation</u>	
<u>10</u>	Intangibles	<u>10</u>
<u>10</u>	Total Amortisation	<u>10</u>
	<u>Revaluation Below Historic Cost</u>	
32,399	Dwellings	(13,058)
<u>451</u>	Other Land and Buildings	<u>89</u>
<u>32,850</u>	Total	<u>(12,969)</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 2019/20, by £13.058m, 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 Mar 19</b>		<b>31 Mar 20</b>
<b>£000</b>		<b>£000</b>
578	Rent Arrears	671
<u>(372)</u>	Provision for Bad Debts	<u>(439)</u>
<u>206</u>	Anticipated Collectable Arrears	<u>232</u>



**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2020**

**C1. COUNCIL TAX**

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands, using 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund for the forthcoming year and dividing this by the Council Tax base.

The tax base is arrived at by adjusting the total number of properties in each band by a proportion to convert the number to a band D equivalent, which is then adjusted for discounts and collection rate. The basic amount of tax for a band D property, which will vary according to Parish (average for district £1,708.78) is then multiplied by the proportion specified for the particular band to give an individual amount due. For 2019/20, 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	0.75	5/9	0.42
A	2,003.75	6/9	1,335.83
B	5,686.63	7/9	4,422.93
C	10,628.22	8/9	9,447.31
D	5,647.65	1	5,647.65
E	8,014.97	11/9	9,796.07
F	6,213.50	13/9	8,975.06
G	5,147.46	15/9	8,579.10
H	624.5	18/9	1,249
Ministry of Defence			348.66
	<b>43,967.43</b>		49,802.03
Less adjustment for collection rates			(494.53)
			<b>49,307.50</b>

**C2. NON-DOMESTIC RATES (NDR)**

For 2019/20, the standard Non Domestic Rate multiplier was 50.4p (49.3p in 2018/19) and the small business multiplier was 49.1p (48.0p in 2018/19). The total estimated non-domestic rateable value in the district as at 31 March 2020 was £155.7 million (£153.4 million as at 31 March 2019).

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

	Business Rates £000	2019/20 Council Tax £000	Total £000
City Council share - Collection Fund Adjustment Account	(653)	23	(630)
Preceptors' share - Included within Creditors	(979)	160	(819)
	(1,632)	183	(1,449)

	Business Rates £000	2018/19 Council Tax £000	Total £000
City Council share - Collection Fund Adjustment Account	(394)	105	(289)
Preceptors' share - Included within Creditors	(590)	246	(344)
	(984)	351	(633)

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**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**INDEPENDENT AUDITOR'S REPORT**

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### **Opinion**

We have audited the financial statements of Winchester City Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement
- Related notes 1 to 25.
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes H1 to H6
- Collection Fund and the related notes C1 to C3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Winchester City Council as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the [authority/group] in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Strategic Director (Resources) and Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Director (Resources) and Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the Annual Financial Report for the year ending 31 March 2019, other than the financial statements and our auditor's report thereon. The Strategic Director (Resources) and Section 151 Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the



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**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2019/20**  
**INDEPENDENT AUDITOR'S REPORT**

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financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinion on other matters prescribed by the Local Audit and Accountability Act 2014**

##### ***Arrangements to secure economy, efficiency and effectiveness in the use of resources***

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, [name of body] put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

#### **Responsibility of the Strategic Director (Resources) and Section 151 Officer**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 22, the Strategic Director (Resources) and Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Strategic Director (Resources) and Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Winchester City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Winchester City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Winchester City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Certificate**

We certify that we have completed the audit of the accounts of Winchester City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

**Use of our report**

This report is made solely to the members of Winchester City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Winchester City Council and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Kevin Suter (Key Audit Partner)*  
*Ernst & Young LLP (Local Auditor)*  
*Southampton*  
*31 July 2019*

## **ANNUAL GOVERNANCE STATEMENT 2019/20**

### **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 Statement explains how Winchester City Council has complied with the 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, and that the review be reported in an Annual Governance Statement.
- 1.5 The Council has recently undertaken a comprehensive review of its Constitution which takes into account the recommendation of the Independent Report on Silver Hill and of the Local Government Association Peer Review in February 2017.
- 1.6 The updated Constitution was adopted by Council on 19 March 2019 and became effective from the start of the 2019/20 municipal year. A further review is underway to ensure the changes that were made are fit for purpose.

### **2 The Purpose of the Governance Framework**

- 2.1 The purpose of the governance framework is to ensure that the authority 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 year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

### **3 The Principles of Good Governance**

- 3.1 The CIPFA/SOLACE framework Delivering Good Governance in Local Government sets out seven core principles of good governance, these are:

**Principle 1** – Behaving with integrity, demonstrating strong commitment to ethical values

**Principle 2** – Ensuring openness and comprehensive stakeholder engagement

**Principle 3** – Defining outcomes in terms of sustainable economic, social and environmental benefits

**Principle 4** – Determining the interventions necessary to optimise the achievement of the intended outcomes

**Principle 5** – Developing the entity's capacity, including the capability of its leadership and the individuals within it

**Principle 6** – Managing risks and performance through robust internal control and strong public financial management

**Principle 7** – Implementing good practices in transparency, reporting, and audit to deliver effective accountability

#### **4 Methodology for preparing the Annual Governance Statement**

4.1 The Annual Governance Statement has been prepared using a process similar to that used in previous years, including;

- Service Leads 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 asked to declare any weaknesses in the governance arrangements in their service areas, including overdue and significant internal audit actions.
- An internal control checklist is provided to Service Leads to support the completion of their Statement of Assurance. The checklist requires the manager to self assess the arrangements in their team against a number of criteria including risk and performance management, financial control and staffing.
- Review of the annual Internal Audit report and quarterly internal audit progress reports.
- The Council's Audit and Governance Committee considers the draft Annual Governance Statement at its meeting in early summer and is given the opportunity to give its input to the Statement and to consider whether it accurately reflects the council's control environment.
- Once approved by the Audit and Governance Committee the Annual 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 authority 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 the Full Council. It documents the role and responsibilities of Cabinet, portfolio holders, each committee and members and officers. The Council has approved a protocol governing relationships between members and officers as part of its Constitution and has adopted codes of conduct for both officers and members which facilitate the promotion, communication and embedding of proper standards of behaviour. All officers have job descriptions and there are clearly defined schemes of delegation, all of which are reviewed from time to time.

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**WINCHESTER CITY COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

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- 5.3 The council's Constitution incorporates clear guidelines to ensure that business is dealt with in an open manner except in circumstances when issues should be kept confidential. Meetings are open to the public except where personal or confidential matters are being discussed. All Cabinet /committee agendas, minutes and Cabinet Member decisions are published promptly on the council's website. In addition, senior officers of the council can make decisions under delegated authority. The over-arching policy of the council is decided by the Full Council.
- 5.4 The Scrutiny Committee and Audit and Governance Committee hold Cabinet Members to account for delivery of the council's policy framework within the agreed budget, and protocols are in place for any departure from this to be properly examined.
- 5.5 The council engages with its communities through a number of channels, including community planning, consultation events, surveys and campaigns relating to specific initiatives.
- 5.6 The Council Plan, adopted in January 2020, 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 service plans. More detailed service plans are drawn up by teams across the council, with objectives set for individual members of staff through the annual appraisal process. This process also looks at the development and training needs of staff, with a programme of training then put in place to meet these needs.
- 5.7 Progress against the Council Plan priorities and budgets is monitored regularly by the Executive Leadership Board and Cabinet Members. The Scrutiny Committee receives quarterly reports focusing on delivery of key projects and programmes of work and drawing attention to other areas where progress is exceeding, or falling short of targets. Cabinet Members also monitor progress in delivery.
- 5.8 The council has arrangements in place to regularly monitor financial performance, service performance, progress of key corporate projects and risk management and to oversee the implementation of recommendations from Internal Audit reports.
- 5.9 The council publishes an Annual Financial Report (incorporating the Statement of Accounts) annually 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 18 September 2019, report CAB316 refers) which also includes a Risk Appetite Statement and is approved by Cabinet and reviewed annually.

## **6 Review of effectiveness**

- 6.1 The authority has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Strategic Leads who have responsibility for the development and maintenance of a sound governance environment.
- 6.2 Staff awareness training has been undertaken to ensure that the council complies adequately with the provisions of the General Data Protection Regulation (GDPR) and Freedom of Information Act requirements.
- 6.3 The council has appointed the Strategic Director: Services as the Section 151 officer with the statutory responsibility for the proper administration of the council's financial affairs. CIPFA/SOLACE advises that the S151 officer should report directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. The Strategic Director: Services is a member of the Executive Leadership Team.
- 6.4 The council has appointed the Strategic Director: Resources as the statutory "Monitoring Officer" and has procedures to ensure that the Monitoring Officer is aware of any issues which may have legal implications.
- 6.5 All Cabinet reports are reviewed by the S151 officer and the Monitoring Officer. All reports to Cabinet are required to demonstrate how the subject matter links to the Council Plan and highlight resource implications.

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**WINCHESTER CITY COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

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Officers are also asked to draw out risk, equality, environmental, management and legal considerations as required. Similar procedures are in place for the Scrutiny and Regulatory Committees.

- 6.6 The council has whistle-blowing and anti-fraud and corruption policies. It has a formal complaints procedure and seeks to address and learn from complaints. The council's Audit and Governance Standards Sub-Committee deals with complaints relating to the conduct of Members.
- 6.7 Members' induction training is undertaken after each election. Members also receive regular briefings and training on developments in local government.
- 6.8 Key roles in maintaining and reviewing the effectiveness is undertaken by:

<b>The Council</b>	collectively responsible for the governance of the council and the 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>	receives regular monitoring reports on revenue and capital expenditure and performance.
<b>Audit &amp; Governance Committee</b>	approves the annual audit plan, monitors the internal control environment through receipt of audit reports and this Statement, and keeps an overview of arrangements for risk management. It also approves this Statement and the Statement of Accounts.
<b>External Audit</b>	external audit is provided by Ernst and Young LLP. 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. The process includes reports to the Audit and Governance Committee on progress of audits. Regular summaries are also produced of the outcome of each audit, together with reviews of whether agreed recommendations have been implemented. Internal Audit provides an annual opinion on the internal control environment and issues that should be included in this Statement. There is a requirement for internal audit to undertake an annual self assessment and independent external assessment every five years. Any areas of non-conformance must be reported as part of their annual report and opinion. In the light of feedback we have concluded that internal audit is an effective part of the Council's governance arrangements.

## **7 Significant Governance Issues**

- 7.1 Set out below are the significant governance issues that have been identified that will require consideration and action as appropriate over the coming year and these are:
- **Partnership Working** – ensuring that the council has adequate governance arrangements in place to maintain effective partnership working.
  - **Business Continuity** – ensuring that the council has robust and adequate plans in place to maintain business critical services following the event of a crisis or disruption affecting its operations
  - **Equality Impact Assessment** - reviewing the current arrangements in place ensuring the council meets the requirements of the Equalities Act 2010
  - **Restoration & Recovery Plan – COVID-19** to develop and implement a full Restoration and Recovery Plan for the ongoing provision of council services
  - **Finance Recovery Plan – COVID-19** review the council's Medium Term Financial Strategy and the financial impact of COVID-19 ensuring that a balanced budget is maintained.



**WINCHESTER CITY COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

Annual Governance Statement 2019/20 – Action Plan

No.	Issue	Actions	Lead Officer	Target Date	Method of Assurance
1	<b>Partnership working</b> – the need to ensure that the Council maintains effective partnership working	Review partnerships to ensure all required documents are in place and up to date	Corporate Head of Engagement	31 July 2020	Review of partnership register completed
		Annual report covering the performance of key partnerships scheduled to be considered at The Scrutiny Committee.	Corporate Head of Engagement	September 2020	Progress report to Scrutiny Committee
		Complete Partnership Working Guide for Managers	Corporate Head of Engagement	30 September 2020	Partnership Working Guide completed and issued to managers
2	<b>Business Continuity</b> - ensuring that the council has robust and adequate plans in place to maintain business critical services following the event of a crisis or disruption affecting its operations	Review of business continuity framework and response to COVID-19 pandemic by internal audit	Senior Policy & Transformation Manager	31 August 2020	Internal audit assurance opinion
		Business Continuity training plans developed and testing scheduled	Senior Policy & Transformation Manager	31 December 2020	Plans in place, testing undertaken and completed.
3.	<b>Equality Impact Assessments (EqIA)</b> reviewing the current arrangements in place ensuring the council meets the requirements of the Equalities Act 2010	Review and update current EqiA guidance and templates and brief out to staff ensuring that the council meets the requirements of the Equalities Act 2010	Service Lead – Legal	30 September 2020	Record of all required EqIA's published on the council's website

**WINCHESTER CITY COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

No	Issue	Actions	Lead Officer	Target Date	Method of Assurance
4.	<b>Restoration &amp; Recovery Plan – COVID-19</b> to develop and implement a full Restoration and Recovery Plan for the ongoing provision of council services	Develop and implement a full restoration and recovery plan that takes into consideration the impacts on council services from the COVID-19 pandemic	Executive Leadership Board	30 September 2020 (plans approved)	Detailed Restoration and Recovery Plan developed and approved for implementation
5.	<b>Finance Recovery Plan – COVID-19</b> review the council's Medium Term Financial Strategy and the financial impact of COVID-19 ensuring that the a balanced budget is maintained	Full review of the impact of the COVID-19 pandemic on the council's finances and an updated budget for 2020/21 taking in revised projections approved.	Strategic Director: Services (S151 Officer)	September 2020	Updated and balanced budget recommended for approval.

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**WINCHESTER CITY COUNCIL  
ANNUAL GOVERNANCE STATEMENT**

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**8 Assurance Summary**

- 8.1 Good governance is about operating properly. It is the means by which the council shows that it is taking decision for the good of its residents, in 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 The Internal Audit Opinion for 2019/20 is that the council's framework of governance, risk management and management control is 'adequate' and that audit testing carried out during the year has demonstrated controls to be working in practice.
- 8.3 The effect of the COVID-19 pandemic outbreak began in March 2020 and therefore has not had a significant impact on the key governance issues that have arisen during the 2019/20 period; clearly this will be different for the AGS in 2020/21.
- 8.4 The pandemic has inevitably had an impact on staff capacity and a number of staff have been actively supporting the council's response during the last four months, many almost exclusively.
- 8.5 The council responded to the outbreak by activating its Emergency Control Centre and Gold and Silver emergency management protocols to coordinate a response to ensure that resources were prioritised to the areas that were in most need.
- 8.6 At the time of writing (July 2020) the council has begun to implement its evidence based Restoration and Recovery Plan which is both intuitive and responsive to changing situations as well as ensuring its preparedness for the possibility of a second wave and further lockdowns, whether national or regional.
- 8.7 The council is currently considering the financial impact of the pandemic and is preparing a General Fund Budget 2020/21 report to Cabinet in August

**9 Conclusion**

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

Signed:

Signed:

Laura Taylor  
Chief Executive  
Winchester City Council

Councillor L. Thompson  
Leader of the Council  
Winchester City Council

Dated:

Dated:

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

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**Accounting Policies** – are the specific policies and procedures used by the council to prepare its financial statements. The accounting policies include methods, measurement systems and procedures for presenting information in the financial statements.

**Accruals** – is the concept that income and expenditure is recognised as it is earned or incurred, not as money is received or paid. An accrual is an expense or revenue item incurred in a period for which no invoice or payment changed hands in that period.

**Actuary** – a professional that provides valuations of defined benefit pension schemes. The valuation the actuary calculates the pension fund's assets and measures them against its liabilities.

**Actuarial Gains and Losses** – for a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because: events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or the actuarial assumptions have changed.

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

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

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

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

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

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

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

**Asset** – is a resource with economic value that the council controls with the expectation that it will bring future benefit.

**Assets Under Construction** – represents construction work in progress, assets remain in such an account until they are put in service, at which time the costs of the assets are transferred into the respective property, plant and equipment accounts.

**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.

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

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**Capital Expenditure** – this is expenditure on the acquisition of long-term assets, or expenditure which adds to and not merely maintains the value of existing long-term assets. The statutory definition also includes capital grants to other bodies and expenditure on the acquisition of some long-term investments.

**Capital Financing Requirement (CFR)** – this is the council's underlying need to borrow to finance its capital expenditure.

**Capital Grants and Contributions Unapplied** – this reserve holds capital grants and contributions, that do not have outstanding conditions, but which have not yet been used to finance expenditure.

**Capital Investment** – this refers to expenditure on long-term assets.

**Capital Programme** – is the council's expenditure plan on agreed capital schemes, showing the total cost of schemes and the projected phasing over current and future financial years.

**Capital Receipts** – are proceeds from the sale of (or reduction in the council's interest in) long-term assets such as property, plant and equipment, investment property and capital investments.

**Capital Receipts Reserve** – is a usable reserve consisting of capital receipts from the sale of non current assets. The funds are available to finance future capital investment.

**Cash and Cash Equivalents** – are highly liquid financial instruments (cash and very short-term investments) that are repayable without penalty on notice of not more than 7 days and are convertible to known amounts of cash with insignificant risk of change in value.

**Collection Fund** – is an account maintained by the council to record the amounts collected in Council Tax and Non-Domestic Rates and how the amounts have been distributed.

**Community Asset** – is a category of long-term asset that the council intends to hold in perpetuity, that has no determinable useful life and that may have restrictions on disposal. Examples of community assets held by the Council are: parks; and community buildings.

**Components** – are significant parts of property, plant and equipment that are separately identified for depreciation.

**Contingent Asset** – a potential asset/ that is uncertain because it depends on an outcome of a future event not under the council's control.

**Contingent Liability** – is a potential liability that may occur, depending on the outcome of an uncertain future event.

**Corporate Bonds** - Are debt securities issued by a corporation to raise funds and sold to investors.

**Council Tax** - is a local tax levied by local authorities on domestic properties.

**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.

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

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**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.

**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.

**Defined Benefit Scheme (Pensions)** - is a scheme whereby the employer promises a specified monthly benefit on retirement that is predetermined by a formula based on the employees earning history, tenure of service and age, rather than depending on investment returns.

**Decent Home Standard** – is a measure of general housing conditions introduced by the Government, it is a minimum standard that triggers action to improve social housing.

**Depreciated Replacement Cost (DRC)** – is a cost based method of arriving at a value for specialised assets that are generally held for the continuing use of their service potential and for which a market value cannot be obtained.

**Depreciation** – is the measure of the wearing out, consumption, or other reduction in value or the useful economic life of a long-term asset, whether arising from use, passage of time, obsolescence or other changes.

**Developers Contributions** - also known as S106 contributions are paid by developers to contribute towards the cost of additional infrastructure needed as a result of new developments.

**Discounting** – is the process of determining the present value of future payments.

**Discretionary Benefits (Pensions)** – are retirement benefits for which the employer has no legal, contractual or constructive obligation. The council has restricted powers to make such discretionary awards in the event of early retirements. Any liabilities estimated to arise as a result of an award are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

**Doubtful Debt** – is a debt that the council is unlikely to recover. An allowance is made in the financial statements for doubtful debts which are the council's estimate of debt that will not be collected.

**Earmarked Reserves** – are usable reserves consisting of amounts set aside from revenue (General Fund and Housing Revenue Account) to fund future expenditure on a specific purpose.

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

**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.

**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.



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**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 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.

**Government Bonds** – are UK Government sterling denominated bonds issued by HM Treasury in order to finance public expenditure, they are also known as gilts. The term gilt (or gilt-edged) is a reference to the primary characteristic of gilts as an investment - their security. They are generally issued for a set period and attract a set rate of interest during the agreed investment period. Interest is payable at set agreed periods and the principal is repaid at the end of the period.

**Government Grants** – are government assistance in either in the form of cash or of a transfer of assets. Grants either attract a condition or a restriction. Conditions are stipulations that specify that the future economic benefits or service potential. A restriction specifies the purpose of the grant.

**Government Housing Capital Receipts Pool** - A proportion of capital receipts relating to housing disposals paid to Central Government. From 1 April 2012, the Government made changes to the Right to Buy (RTB) scheme. The rules governing the allocation of capital receipts from these sales also changed, councils were given the opportunity to sign an agreement with Government to enable "extra receipts" to be retained by the council. The council has signed such an agreement. Under the new rules, income from RTB receipts is split between the following uses:

1. A specified allowance to help meet the administrative costs of the disposal,
2. Paid to Government (up to a specified limit),
3. Retained by the council and available to fund any capital expenditure (up to a specified limit),
4. Available to the Housing Revenue Account to fund new capital spending or repay debt,
5. Available to fund new provision, either by the Council or another registered provider.

The council has decided that receipts under category 3 above will be available to fund capital expenditure in the General Fund and that the resources for new provision (category 5 above) will be made available to the Housing Revenue Account. The council is able to retain in full all other housing capital receipts providing it has sufficient capital allowances.

**Grants and Capital Contributions Unapplied (Reserve)** – is a usable reserve consisting of capital grants and contributions that have been received but have yet to be used/ applied to finance capital expenditure.

**Grants and Contributions (in Advance)** – are grants and contributions received in advance of expenditure taking place and which have conditions on their use that might require the council to return them to the contributor.

**Heritage Assets** – are a category of long-term assets with cultural, environmental or historical qualities principally held and maintained for their contribution to knowledge and culture.

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**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.

**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 program.

**Materiality** – relates to the significance of transactions and balances contained in the financial statements.

**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.

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**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.

**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, 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.

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**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.

**Scheme Liabilities (Pensions)** – the liabilities of the defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities are measured using the projected unit method and reflect the costs of future benefits that the employer is committed to providing for.

**Section 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.

## **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>2019/20</b>
	<b>£000</b>
Chargeable Costs	527
Chargeable Income	<u>(480)</u>
<b>Net (surplus) or deficit</b>	<b>47</b>
Building Control Earmarked Reserve (deficit brought forward)	79
<b>Deficit carried forward</b>	<b><u>126</u></b>

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

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

Signature: ..... Date: xx July 2020

**Richard Botham**  
**Strategic Director Service (Interim), 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>2019/20</b>
	<b>£000</b>
Income from charges under regulation 8 (answering queries)	(276)

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

Signature: ..... Date: xx July 2020

**Richard Botham**  
**Strategic Director Services (Interim), Section 151 Officer**





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