

A close-up photograph of a person's hand holding a silver pen, pointing at a bar chart displayed on a tablet screen. The chart features several horizontal bars in shades of green, yellow, and red, set against a blue grid background. The person is wearing a blue suit jacket. The text 'Winchester City Council Auditor's Annual Report' is overlaid in yellow on the left side of the image.

# Winchester City Council Auditor's Annual Report

Year ended 31 March 2024

April 2025



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

7 April 2025

Dear Audit and Governance Committee Members

2023/24 Auditor's Annual Report

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

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

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

Yours faithfully

Simon Mathers

Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website ([Statement of responsibilities of auditors and audited bodies \(from 2023/24 audits\) - PSAA](#)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

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



# 01 Executive Summary



# Executive Summary

## Purpose

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

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

## Responsibilities of the appointed auditor

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

As auditors we are responsible for:

Expressing an opinion on:

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

Reporting by exception:

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

## Responsibilities of the Council

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



# Executive Summary (continued)

## 2023/24 Conclusions

### Financial statements

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

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

We noted issues around the key inputs and assumptions used in the valuation of land and buildings valued using Existing Use Value (EUV) and Fair Value (FV). Further time would have been required for both the audit team and EY valuation specialist to consider revised valuations. Having considered the statutory backstop date of 28 February 2025, we therefore concluded that we had insufficient time to further consider representations from the valuer on key inputs and assumption which we challenged as being inaccurate as part of the audit. We also have insufficient time to consider whether potential errors are more pervasive across the untested population. Consequently, we were unable to complete our audit procedures on property, plant and equipment asset balances carried at existing use value and fair value (2023/24 £60.56 million, 2022/23 £55.19 million) and investment property (2023/24 £71.65 million, 2022/23 £71.03 million).

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

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

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

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

# Executive Summary (continued)

## 2023/24 Conclusions

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



# Executive Summary (continued)

## Value for Money

## Scope

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

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

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

# Executive Summary (continued)

## Value for Money (continued)

## Reporting

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

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

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

| Reporting Criteria                                                                                                                                                        | Risks of significant weaknesses in arrangements identified? | Actual significant weaknesses in arrangements identified? |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------------------|
| Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services                                               | No significant risks identified                             | No significant weakness identified                        |
| Governance: How the Council ensures that it makes informed decisions and properly manages its risks                                                                       | Risk of significant weakness identified                     | Significant weakness identified                           |
| Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services | No significant risks identified                             | No significant weakness identified                        |



# Executive Summary (continued)

## Independence

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

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

## EY Transparency Report 2024

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2024:

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



## 02 Audit of the financial statements

# Audit of the financial statements

## Key findings

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

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

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

| Significant risk                                                                             | Conclusion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Misstatements due to fraud or error – Management override of controls                        | We did not identify any material weaknesses in the recognition of expenditure. We did not identify any instances of inappropriate judgements or estimates being applied. Our work did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Misstatements due to fraud or error – Inappropriate capitalisation of revenue expenditure    | Our work did not identify any material weaknesses in controls or evidence of material management override concerning the capitalisation of revenue expenditure. Our work did not identify any instances of inappropriate judgements being applied.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Land and building valuation - Property, Plant & Equipment (PPE) and Investment Property (IP) | <p>We noted issues around the key inputs and assumptions used in the valuation of land and buildings valued using Existing Use Value (EUV) and Fair Value (FV). This includes PPE Other Land and Buildings valued at EUV; Surplus Assets valued at FV; and Investment Properties valued at FV.</p> <p>We recognise that the management and the Council's specialist require a significant further time to re-evaluate the valuations. Further time would also be required for both the audit team and EY valuation specialist to consider revised valuations. Having considered the statutory backstop date of 28 February 2025, we concluded that we had insufficient time to further consider representations from the valuer on key inputs and assumption which we have challenged as being inaccurate as part of the audit. We also had insufficient time to consider whether potential errors were more pervasive across the untested population. Consequently, we did not carry out any additional procedures. We raised one associated control recommendation for improvement which was accepted by management.</p> <p>We identified no issues with the valuation of assets carried at depreciated replacement cost.</p> |



# Audit of the financial statements

## Key findings (continued)

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



## 03 Value for Money Commentary

# Value for Money Commentary

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

No significant weakness identified

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

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

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

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

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

# Value for Money Commentary (continued)

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

## Significant weakness identified

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

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

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

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

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

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

# Value for Money Commentary (continued)

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

## Significant weakness identified

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

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

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

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

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

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

# Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

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

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

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

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

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

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



## 04 Appendices

# Appendix A - Summary of arrangements

## Financial Sustainability

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

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

# Appendix A - Summary of arrangements

## Financial Sustainability

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

### Reporting criteria considerations

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (continued)

### Arrangements in place

The long-term assets of the Council, which reflect its commercial activity, were as follows at 31 March 2024:

| Account               | Balance | Description of Asset                                                                                                                                                                                                                                                                          |
|-----------------------|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investment property   | £71.64m | The Council hold a significant portfolio of investment property, although the most significant of these are garages that have been transferred over from the HRA. The investment properties that would be considered the higher risk would be retail assets which stands at £28.38m (retail). |
| Long-term investment  | £5.2m   | Includes investment in the CCLA pooled property fund                                                                                                                                                                                                                                          |
| Short-term investment | £4.12m  | All short-term investments held as bonds or short-term fixed interest deposits with either banks or other Local Authorities.                                                                                                                                                                  |

We do not consider the above investments to be unusual for a Local Government Body and not indicative of a higher risk profile.

The budget for 2023/24 and the medium-term financial plan for 2023/24 onwards was taken to Cabinet in November 2023. For 2023/24 the budget was balanced. Although the Council's immediate financial position through to 2026 is sound and stable, budget pressures (primarily from new responsibilities put onto District councils) have now worsened the budget gap to £3.4m by 2026/27. This gives the Council a window of opportunity to take action to tackle the forecast budget deficits and build a financially sustainable future. The Cabinet has initiated an organisation-wide transformation programme to seek out and to deliver transformational changes to the way it deliver services. The Plan, Transformation Challenge 2025 (TC25), is needed to save £3m a year within 3 years. TC25, whilst still in the early execution phase, is now embedded across the council, with all staff and councillors having had opportunities to be involved and put forward transformational ideas.

# Appendix A - Summary of arrangements

## Financial Sustainability

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

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



# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

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

### Reporting criteria considerations

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

### Arrangements in place

The annual budget and MTFP sit alongside and facilitate the Council's Corporate Plan for 2020-25. The Council Plan was developed collaboratively with elected members, staff, partners and other stakeholders to prioritise the most important areas the Council needs to focus on in the future. This is done for the Council's limited resources to be spent on the areas where it is needed most. It considered in parallel with the budget. As it is aligned to the budget and MTFP, it is intended to act as the framework in which investment decisions can be made based on agreed priorities and the outcomes the Council wants to achieve.

The Council's overriding objective is to provide services to residents in the area. The corporate plan details the overall vision of the Council, with its main priorities being:

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

The process of preparing the budget involves using approved MTFP and updating with more detailed information as this becomes known. The financial and delivery performance against the corporate plan priorities is reported quarterly. The quarterly finance performance monitoring report also provides monitoring of the overall financial performance against budget, capital spend and project management reports. Where this performance information suggests a financial impact, this is reflected within the proposed budget.

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

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

| Reporting criteria considerations                                                                                                                                                                                                     | Arrangements in place                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system | <p>Also see the commentary above which details how the MTFP and budget are derived. Other plans work alongside the budget and MTFP to ensure that financial monitoring is incorporated into them so that the body works efficiently and effectively towards to same strategic objectives.</p> <p>The Council has a Treasury Management strategy relating to the management of the its cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the council's prudent financial management. Treasury risk management at the Council is conducted within the framework of the CIPFA Code which requires the approval of a Treasury Management Strategy Statement (TMSS) before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. Hampshire County Council's Investments &amp; Borrowing Team has been contracted to support with treasury management activity since September 2014, but overall responsibility for this remains with the Council.</p> <p>Treasury Management is monitored quarterly through the Treasury Management Quarterly updates to the Audit &amp; Governance Committee. The 2023/24 outturn shows £1.7m of investment income on an average investment portfolio of £33.8m, therefore giving a yield of 5%, against a budget of £1.5m. This was primarily due to much higher interest rates receivable than anticipated when the 2023/24 budget was set.</p> <p>The Capital Investment Strategy sets out the council's capital spending programme and the principles which underpin this in order to deliver the desired priorities as set out in the Council Plan. The strategy details the overall programme for the next 10 years, how this will be financed, and the impact of the programme on the council's MTFP.</p> <p>An example of the other plans being incorporated into budgets is evidence by the HRA budget. This budget includes details of the HRA capital programme, with increases of £212m to help build new homes. This also fits in the with Corporate plan priority of Homes for All.</p> |

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

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

### Reporting criteria considerations

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

### Arrangements in place

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

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

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

# Appendix A - Summary of arrangements

## Governance

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

| Reporting criteria considerations                                                                                                                                              | Arrangements in place                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud | <p>The Council has sought to develop systems to identify, evaluate and mitigate risks which threaten its Council's ability to meet its objectives to deliver services to the public. To ensure that risks are appropriately mitigated, a Risk Register has been developed. These risks are regularly reviewed by the Council.</p> <p>This details the risks facing the Council and the impact on critical services. The Corporate Risk Register is managed by the Council's Executive Leadership Board (ELB) and updated for newly stated risks and ongoing matters on a regular basis. Risk owners for corporate risks are generally a member of ELB. This risk register is included with the Risk Management Policy and formally agreed by Cabinet. Audit and Governance Committee reviews the risks and policy to make comments to Cabinet on the efficacy of the arrangements for managing risk at the Council. The Council's methods to identify and manage risks, include:</p> <ul style="list-style-type: none"><li>• Service Lead or service managers own and manage risks within their service area. They are also responsible for implementing appropriate corrective action to address, process and control weaknesses. Service Leads are also responsible for maintaining effective internal controls and managing risk on a day-to-day basis. They identify, assess, control and manage risks ensuring that their services are delivered in accordance with the council's aims and objectives.</li><li>• Strategic direction, policies and procedures are provided by the council's oversight functions (e.g. Finance, Legal Services, Procurement and HR). These teams are responsible for designing policies, setting direction, ensuring compliance and providing assurance. Included within the Anti-Fraud and Corruption Policy is the council's Whistleblowing Policy which encourages staff to report concerns which may expose the council to risk.</li><li>• Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the organisations operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.</li></ul> <p>The aim of Internal Audit's work programme is to provide assurance to management, in relation to the business activities, systems or processes under review that the framework of internal control, risk management and governance is appropriate and operating effectively; and risks to the achievement of the council's objectives are identified, assessed and managed to a defined acceptable level. Such risks are identified through senior management liaison and internal audits own assessment of risk. External audit, inspectors and regulators also provide assurance on the management of risk and delivery of objectives.</p> |

# Appendix A - Summary of arrangements

## Governance (continued)

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

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



# Appendix A - Summary of arrangements

## Governance (continued)

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

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

# Appendix A - Summary of arrangements

## Governance (continued)

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

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

# Appendix A - Summary of arrangements

## Governance (continued)

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

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

# Appendix A - Summary of arrangements

## Governance (continued)

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

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

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

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

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



# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

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

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

# Appendix B – Summary of recommendations

## Recommendations from our 2023/24 Audit Results Report

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

All recommendations were agreed by management.

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

# Appendix C – Independence - Fees

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

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

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

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

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

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

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

*All fees exclude VAT*

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

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

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

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

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