

ANNUAL FINANCIAL REPORT 2020/21

FOR THE YEAR ENDED 31 MARCH 2021



CONTENTS

NARRATIVE STATEMENT	5
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS	28
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2021	29
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2021	30
BALANCE SHEET AS AT 31 MARCH 2021	33
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2021	34
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021	35
1. Exceptional item.....	35
2. Expenditure and Funding Analysis	35
3. Critical Judgements in Applying Accounting Policies	38
4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	39
5. Events after the Balance Sheet Date.....	40
6. Adjustments between Accounting Basis and Funding Basis under Regulations	41
7. Transfers (to)/from Earmarked Reserves	42
8. Property, Plant and Equipment (PPE)	43
9. Heritage Assets.....	47
10. Investment Properties	47
11. Financial Instruments.....	50
12. Short-Term Debtors	53
13. Short-Term Creditors	53
14. Provisions.....	53
15. Unusable Reserves.....	54
15.1. Revaluation Reserve.....	54
15.2. Capital Adjustment Account.....	55
15.3. Pensions Reserve	56
15.4. Collection Fund Adjustment Account.....	56
16. Officers' Remuneration	57
17. Audit fees	58
18. Grant Income	59
19. Related Parties	60
20. Capital Expenditure and Capital Financing.....	61
21. Termination Benefits and Exit Packages.....	62
22. Defined Benefit Pension Schemes	62
23. Nature and Extent of Risks Arising from Financial Instruments	65
24. Accounting Policies.....	69
24.1 General Principles.....	69
24.2 Recognition of Income and Expenditure.....	69
24.3 Cash and Cash Equivalents.....	69
24.4 Charges to Revenue for Non-Current Assets.....	69
24.5 Council Tax and Non-domestic Rates	70
24.6 Employee Benefits	70
24.7 Fair Value Measurement.....	71

24.8	Financial Instruments.....	72
24.9	Government Grants and Other Contributions.....	72
24.10	Investment Property.....	73
24.11	Overheads and Support Services.....	73
24.12	Property, Plant and Equipment.....	73
24.13	Provisions.....	75
24.14	Reserves.....	76
24.15	Revenue Expenditure Funded from Capital under Statute.....	76
24.16	Value Added Tax (VAT).....	76
25.	Going concern.....	76
26.	Trading account.....	77
27.	Accounting Standards issued but not yet adopted.....	77
	HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2021.....	78
H1.	IAS 19 Employee Benefits.....	80
H2.	Major Repairs Reserve.....	80
H3.	Housing Stock.....	80
H4.	Capital Expenditure and Receipts.....	81
H5.	Depreciation and Impairment.....	82
H6.	Rent Arrears.....	82
	COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2021.....	83
C1.	Council Tax.....	84
C2.	Non-Domestic Rates (NDR).....	84
C3.	Share of estimated Collection Fund (Surplus)/Deficit.....	84
	INDEPENDENT AUDITOR'S REPORT.....	85
	ANNUAL GOVERNANCE STATEMENT.....	89
	GLOSSARY OF TERMS.....	96
	STATUTORY PUBLICATION OF INFORMATION.....	104
1.	Building Control Account.....	104
2.	Charges for Property Searches.....	105

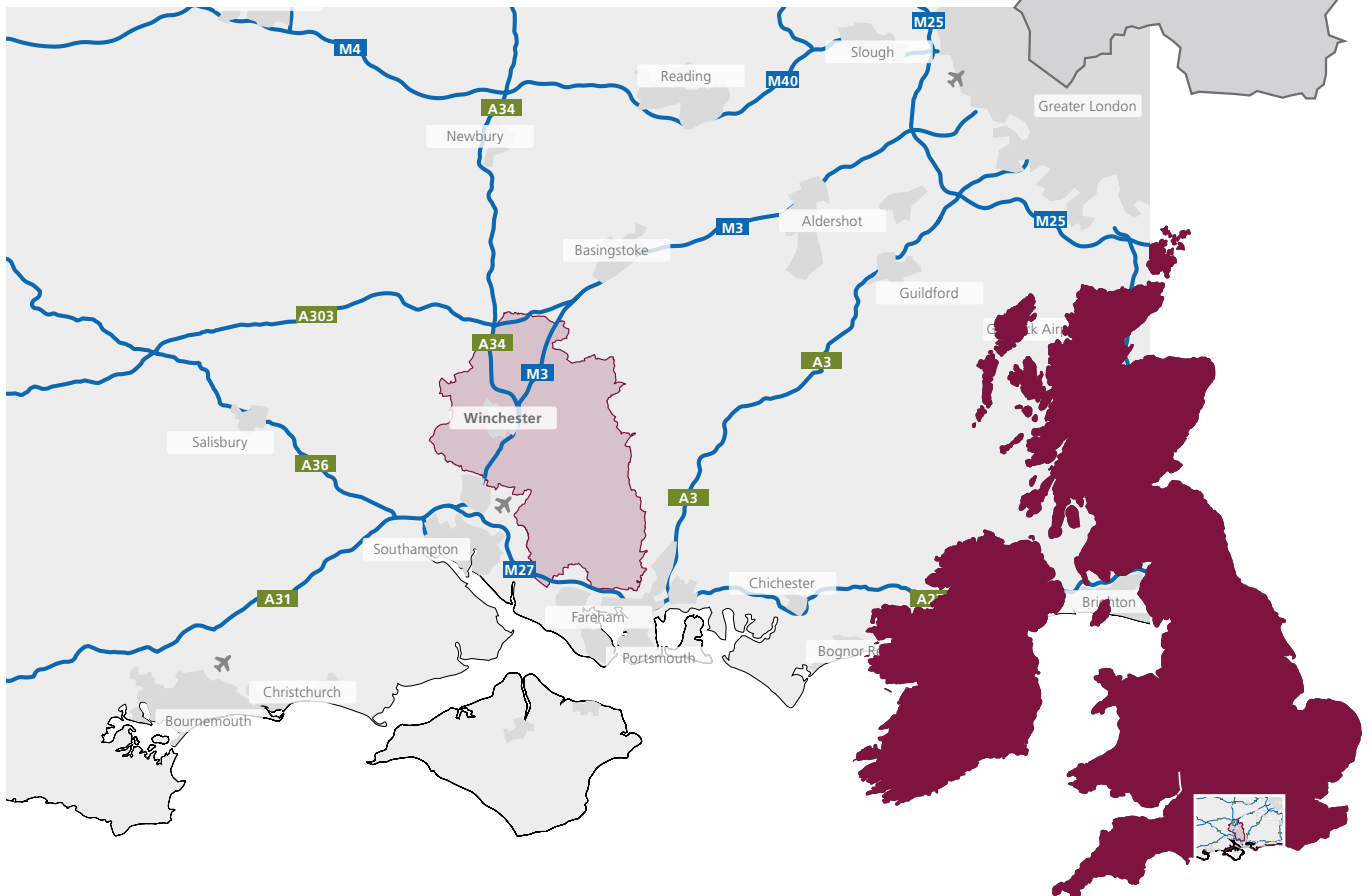
WINCHESTER DISTRICT

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

Winchester is the county town of Hampshire, situated in the heart of the district; it is a designated heritage city and in years before the pandemic and lockdown restrictions attracted over 5 million visitors each year. In addition to the historic county town there are the busy market towns of Bishop Waltham and Alresford and the flourishing business district at Whiteley. As well as the urban centres there are many miles of unspoilt countryside, the Winchester District spans 250 square miles of central Hampshire with a substantial part of the district situated within the South Downs National Park.

Winchester district in numbers

- District covers 250 square miles
- Population – 124,900 (ONS population midyear estimate 2019)
- 72.5% of all residents in employment (Jul 2019- June 2020 figures)
- 20% carbon reduction in 2020
- 60.5% of residents qualified to NVQ4 and above
- 8,035 businesses (2020 before the impact of the pandemic is known)



ORGANISATION

Ordinarily most council employees are based in Winchester at the civic offices or at the council's special maintenance building in Winnall. This year because of the pandemic a large number of employees have worked from home.

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



Members

(following May 2021 elections)

45 Councillors

16 wards

The political make-up of the council is:

Liberal Democrat 27 Councillors;

Conservative 16 Councillors;

Independent 2 Councillors

Employees

Chief Executive

Three Strategic Directors

Nine Corporate Heads/Programme Leads

436 employees (392 F/T equivalents)

Just under two-thirds of the council workforce is female (figures at 31/3/21).

Partnerships

Shared Information Management and Technology (IMT) service with Test Valley Borough Council. Hampshire County Council provides internal audit and treasury management service.

Services the council provides

Revenues & Benefits

Housing options and social inclusion

Housing operations & community safety

Housing property services

New Homes

Engineering & Transport

Community

Economy & Tourism

Development Management

Strategic Planning

Building Control

Environmental Health

Licensing

Parking

Waste Management

Special Maintenance

A two tier system of local government operates in this part of the county, whereby Hampshire County Council provides services such as social care, education and highways and district councils are responsible for the provision of a number of other services such as housing, waste and recycling.



TACKLING THE CLIMATE EMERGENCY

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

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

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

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



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

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

Health and well being are also high on the council's agenda, and we aim to address health inequalities and improve participation in physical and cultural activities.

This is underpinned by the opening of Winchester's new Sport and Leisure Park in 2021.

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

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

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

The plan has been refreshed in March 2021 and acknowledges that the council will face some very significant challenges over the period covered by the plan, which now include the additional challenges of dealing with the pandemic:

- The climate emergency and the need to reduce the Winchester district's carbon footprint
- Recovery and Restoration response to the COVID-19 pandemic
- Poor air quality in parts of the city
- Inequality and its effects on mental health and physical wellbeing
- Expensive housing
- A population which is ageing while younger people leave the district
- Brexit and its impact on the economy
- Shifting employment roles and working patterns and rapid technological change
- More of the younger age groups are suffering unemployment due to the impact of the COVID-19 pandemic
- Poor provision of services such as public transport in some rural parts of the district
- Maintaining high quality services while balancing the council budget, particularly in light of the COVID-19 pandemic

The refresh of the Council Plan has provided the opportunity to refine some of actions that the council will undertake to deliver the priorities but also to include some of the projects that the council will deliver to support the recovery and restoration following the COVID-19 pandemic.



Tackling the climate emergency and creating a greener district



Homes for all



Living well



Vibrant local economy



Your services, your voice

COUNCIL ACHIEVEMENTS

LIVING WELL



- Local Response Centre and working across the district with partners to build and support community networks assisting thousands of vulnerable people
- Ensured wellbeing programmes for people with long-term health conditions continued in a virtual style
- Construction and opening of the new Winchester Sport and Leisure Park
- £500,000 in council grant support to key voluntary sector organisations to enable them to support vulnerable residents

HOMES FOR ALL



- Completed construction of 12 new homes, awarded a grant to enable eight bedsit flats to be built (by Emmaus Project).
- 119 new homes at Stanmore, Kings Worthy and Weeke due to be completed in 2021.
- 33 individuals were accommodated in emergency accommodation during periods of national restrictions
- Funding given to partners to build 20 additional units providing accommodation and support for homeless and vulnerable individuals.
- Additional accommodation for the homeless provided for cold weather

YOUR SERVICES YOUR VOTE



- Responding to the challenges of COVID-19, we rapidly transformed operations to ensure that we could continue to deliver good quality service including:
 - accelerating our move to digital service delivery and engagement
 - rapidly rolling out remote working to enable most staff to work safely from home
- To enable continued public involvement despite COVID-19, we moved all our meetings online
- We developed a new Customer Charter and Complaints Policy to prioritise resolution and improve customer experience

VIBRANT LOCAL ECONOMY



- Ongoing work to develop sustainable business units at the Goods Shed in Bar End
- Over £30m of government grant funding has been allocated to support eligible businesses throughout the pandemic
- Sponsorship of the Winchester Business Excellence Awards Digital Innovation category with Winchester BID
- Development of Winchester Design Festival in October 2021 with Winchester BID
- Furniture supplied and support given to businesses to create additional outside seating areas
- Winchester Street Market successfully relocated on Sundays and a popular food market also established
- Supporting business and the safe reopening of high streets
- 'Back to Business' campaign, dedicated business helpline; regular business bulletins; free 1-1 business support service
- Developed the 'Rediscover What's On Your Doorstep' campaign
- Inclusion in the Government's national visitor campaign.

SUPPORTING THE LOCAL ECONOMY



PROVIDED
BUSINESS HOTLINE



COMMERCIAL
TENANT RENT
RELIEF SCHEME
FOR THE FIRST QUARTER OF 2020/21



SUPPORTING BUSINESS:
SAFE REOPENING
OF HIGH STREETS

OFFERING A HELPING HAND



270 
PRESCRIPTIONS
HAND DELIVERED

131 
FOOD PARCELS
PROVIDED



LEASE SECURED
FOR CHARITY
FOR HOMELESS
PEOPLE

ONE YEAR ON FROM DECLARING A CLIMATE EMERGENCY, THE COUNCIL HAS PROVIDED AN UPDATE ON PROGRESS TOWARDS ITS GOAL:

TO BECOME

**A CARBON NEUTRAL ORGANISATION BY 2024
CARBON NEUTRAL DISTRICT BY 2030**

This follows the council issuing a comprehensive action plan in December last year to meet these ambitious targets



TACKLING THE CLIMATE EMERGENCY AND CREATING A GREENER DISTRICT - ACHIEVEMENTS

SUCCESSFUL £5.3M BID FOR A **NEW PARK & RIDE SITE** TO INCLUDE PHOTOVOLTAIC PANELS AND ELECTRIC CHARGING POINTS



MAJOR NEW **FLOOD ALLEVIATION** SCHEME AT DURNGATE



COMMITTED £15M TO RETROFIT GREENER ENERGY MEASURES TO EXISTING SOCIAL HOUSING OVER THE NEXT 10 YEARS



OVER **800 TREES PLANTED**



A SUSTAINED MOVE TO STAFF **HOME WORKING** AND VIRTUAL MEETINGS /CONFERENCES



REFUSE COLLECTION FLEET UPGRADED TO A MINIMUM **EURO6 STANDARD**



CARBON NEUTRAL

BY 2030

GREEN TARIFF ELECTRICITY SUPPLIED TO COUNCIL OPERATIONAL BUILDINGS
REDUCING CARBON EMISSIONS BY 19%



VIRTUAL SUSTAINABILITY CONFERENCE AMONG LOCAL RESIDENTS, BUSINESSES, STUDENTS AND INTERESTED GROUPS
TO INSPIRE ACTION



WINCHESTER SPORT & LEISURE CENTRE – A PACKAGE OF MEASURES THAT WILL MAKE IT
ONE OF THE GREENEST OF ITS KIND IN THE UK



A NEW GREEN ECONOMIC DEVELOPMENT STRATEGY
GREENER, INCLUSIVE AND MORE TECHNOLOGICALLY DRIVEN CREATIVE ECONOMY



A NEW LOCAL PLAN TO GUIDE LOW CARBON DEVELOPMENTS
LOW CARBON TRAVEL



INSTALLATION OF
ELECTRIC VEHICLE CHARGING POINTS



COVID-19 – COUNCIL RESPONSE

The global coronavirus pandemic has resulted in a national challenge on a scale not experienced since the second world war. The council responded to this outbreak by adapting operationally and maintaining council services; providing up to date advice and information; supporting the most vulnerable in our communities; and delivering national funding packages and providing support to local businesses.



Maintaining Services

As far as possible all services ran as usual and any changes to the council's services were listed on the website. Services were maintained in full online and with telephone contact but site visits which were deemed necessary continued but only where social distancing could be maintained. The majority of council staff were successfully migrated to the remote working model either by using their personal equipment or by providing them suitable hardware from IT stock.

The only areas of significant change were: housing repairs (where all but emergency repairs were deferred); bulky waste collections (which were paused to maintain capacity in front line collections); and the cessation of pest control (as additional capacity was required in the routine special maintenance work). Government guidance also restricted delivery of some activities such as house exchanges and new tenancy agreements.

The Visitor Information Centre closed its doors in March 2020 as did the council's main reception and Guildhall reception. In order to provide easy access to services, a phone and point of contact numbers for each service were provided in the front lobby with information posters showing how to reach individual services.

Providing Information

The communications approach was one of reassurance and signposting to key information sources. We kept our website updated daily to signpost residents and business to the latest Covid support and alternative routes to access services

Supporting vulnerable people

Council staff from a number of teams joined together to set up the Winchester Local Response Centre (LRC) in March 2020, providing an effective system of call handling and triage supported by mobile staff who delivered food parcels, prescriptions and other supplies. The council took on the role of mapping the community network of support and continues to maintain an online directory of contacts for communities across the district.

The council's housing team worked in close partnership with the voluntary and community sector to help local vulnerable people in urgent need of housing this included taking a temporary lease with A2Dominion to make use of a vacant hostel in Winchester to provide additional accommodation. All local and known rough sleepers were accommodated within a week of the social distancing announcement and the situation is

monitored daily to ensure any new rough sleepers arriving in Winchester are either safely returned to their home area or accommodated locally.

The council also provided assistance to residents struggling financially due to the limitations placed on households because of COVID-19 lockdown restrictions. Council Tax support measures included: flexible payment plans altering the timing or number of instalments. £300 was deducted off the Council Tax bills of residents receiving Council Tax Reduction, further monies were allocated from a Council Tax hardship fund assessed on a case-by-case basis.



**VULNERABLE
RESIDENTS HELPED BY OUR
LOCAL RESPONSE CENTRE**



Supporting Business

Winchester City Council moved quickly to ensure local business owners and managers had access to all the support and information being made available. An information gateway for business on the council website provided a clear point of access to information on all the Government support and advice available. Special editions of the council's business e-news bulletin Entrepreneur have been issued taking the latest information direct to the local business community. Regular liaison with key support organisations including: Enterprise M3 Local Enterprise Partnership and its Growth Hub, Hampshire Chamber of Commerce and Winchester Business Improvement District has ensured up to date information on support is directed to those who have needed it.

The council responded swiftly to support local business following government announcing the business grant scheme in March, and the allocation of government funding of £29m to Winchester district. A key element of this was to set up an easy online application process. We rapidly contact nearly 2,300 local businesses to mobilise payment of grants to those eligible that responded. In all the council administered the payment of support grants, totaling £43.5m to smaller businesses and the retail, leisure

and hospitality sector across the district.

The council's performance in the rate of releasing these payments was ranked in the top quartile according to government statistics. The council has also followed up those businesses that did not respond to the initial notification about grant eligibility to try and ensure all those who should get a grant did do.

In addition to issuing grants to businesses, the Business Rates Retail Relief was extended to 100% for 2020/21. The council automatically applied business rates relief to all those businesses eligible to receive it. This relief will apply to occupied retail, leisure and hospitality properties in accordance with the guidance provided by the government and there is no rateable value limit on the relief. More than 900 businesses received the relief and have nothing to pay for 2020/2021.

The council also considered rent abatement for the first quarter of 2020/21 for its commercial tenants, significantly reducing the council's commercial income.

Council teams supported the reopening of the district's high streets in the periods when

national lockdown restrictions were eased. Measures were implemented to help with social distancing: the provision of additional signage; pavement markings; and one way systems. In addition city council and BID team staff were available to offer advice and guidance. The council also issued a comprehensive 'Back to Business' pack for retailers to support their reopening this included guidance and practical resources like printable signage and checklists to help ensure all necessary measures in place.



£43.5M

DISTRIBUTED VIA
BUSINESS GRANTS

COVID-19 SEPTEMBER BUDGET REVISION

The pandemic began before the end of the previous financial year, and there was little financial effect on the 2019/20 outturn, but the impact on the council's income and expenditure in 2020/21 was significant. All councils are facing additional costs in responding to COVID-19 but a far more significant impact for Winchester is the loss of revenue through reduced income and from arrears of council tax and business rates. The general fund budget and medium term financial strategy relies heavily on income from fees and charges and rents from commercial property. The national restrictions on social mobility and enforced closure of businesses has significantly reduced the council's income from parking, Guildhall activity, and service related fees and charges, and the associated reduction in economic activity has also severely impacted the council's property portfolio with a reduction in commercial rent.

This unprecedented situation resulted in a forecast year end deficit of £5.1m (after additional government support) compared to the original General Fund budget approved by Council in February 2020. As a result in September a revised budget was approved including new measures to ensure that the council could balance the general fund budget by March 2021.

The potential forecast deficit resulted from a taxation revenue collection shortfall of just under £1m; income shortfall of £8m; and additional expenditure of nearly £1.6m as a result of measures responding to the pandemic. This was partially mitigated by additional government support of nearly £5.5m to leave a potential deficit to fill of £5.1m

Projected income was £8m below the original £18.25m budget with a £4.6m reduction in parking income, with

people not accessing the shops and services, and tourists and other visitors not travelling to the city. The council also supported key workers by making parking available free of charge to them.

Additional costs included: the establishment of a Local Resource Centre; costs related to the closure of leisure centres, leasing a vacant hostel to house rough sleepers; and support for businesses and town centres with re-opening.

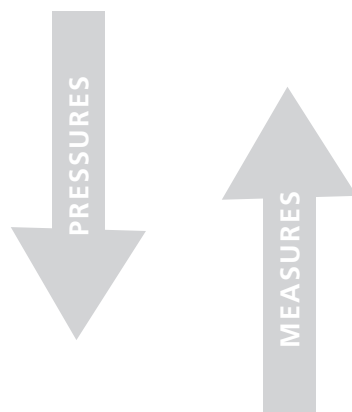
Just over £1m of spending reductions were identified to make a significant contribution to the forecast deficit.

Changes to the capital programme and its funding released capital receipts to free up £4.15m of revenue reserves.

Income reductions : £k

Council Tax.....	- 517
Business Rates.....	- 446
Car Parking.....	- 4,618
GF Property.....	- 1,291
Guildhall.....	- 657
Development Management.....	- 562
Building Control.....	- 243
Other.....	- 702
Additional Expenditure.....	- 1,664

- 10,700



Measures to Balance Budget £k

Additional government Support..	5,476
Revenue Savings	1,074
Savings from financing the Capital Programme using Capital Receipts	4,150

10,700

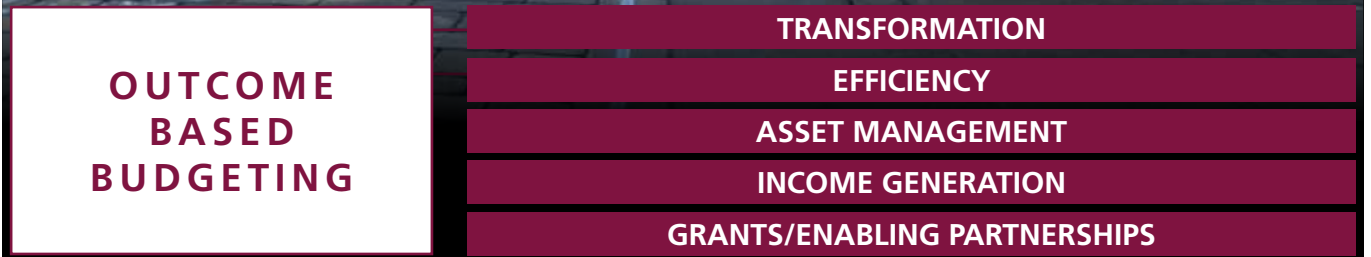
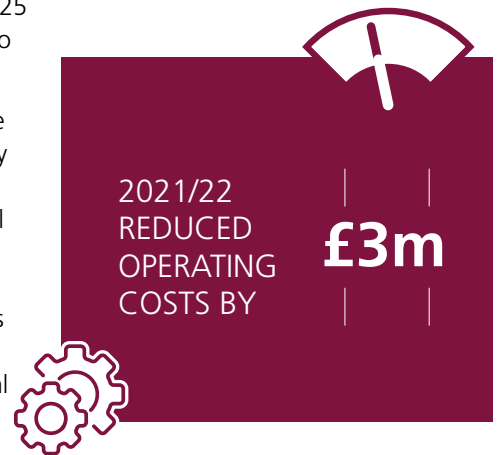
MEDIUM TERM FINANCIAL PLAN

The impact of COVID19, ongoing restrictions and pressures on the local and national economy will place further significant pressures on council funding in 2021/22 and beyond. Along with other local authorities, the council is anticipating a significant financial challenge over the medium term financial planning period to 2024/25. A number of key grants such as new homes bonus and business rates retention are forecast to reduce significantly over this period due to changes in the current funding system. Significant changes are expected, with a strong risk of material reductions to current funding. These changes in local government funding are expected to have a significant impact on authorities that have seen strong growth in

housing and business, such as Winchester City Council. This will also create a significant shift in the balance of funding, with council tax making up a much larger share of overall funding. The projected deficit before mitigating actions was £9m for the period to 2025 after mitigating actions this reduces to £0.6m.

To balance the budget in 2021/22 the council mitigated the financial risks by reducing net operating costs by £3m (including staffing £1.1m, operational efficiencies £1.3m) and by careful use of the transitional reserve. The transitional reserve was established as a specific reserve in 2019 as a direct result of emerging uncertainty of local government finance.

The existing Medium Term Financial Strategy (MTFS) groups the medium term financial challenge options around five themes; transformation, efficiency, asset management, income generation and enabling partnerships.



MEDIUM TERM FINANCIAL PLAN

Transformation

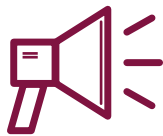
The Council Plan includes a commitment to improving service quality and accessibility and to deliver continuous service improvement. To support this, the existing focus on transformation continues to lead on both service improvement and modernising services with particular emphasis on improving digital service delivery.

Efficiency

Efficiency review and planning plays a critical role in the continuing provision of high quality services by the most efficient and best value method of delivery. Significant savings have been achieved in recent years as a result of this work and future efficiencies will increasingly rely on the transformation programme.

Contract review and management is a key element in this strand, with total third party payments budgeted at almost £7m. The council operates a number of significant ongoing contracts such as: leisure centre management, environmental services contract, and the park and ride bus contract. Ensuring that both current and future contracts offer the best possible value to the council is of great importance.

SUPPORTING BUSINESSES



- DEVELOPED THE 'REDISCOVER WHAT'S ON YOUR DOORSTEP' CAMPAIGN
- INCLUSION IN THE GOVERNMENT'S NATIONAL VISITOR CAMPAIGN



Asset Management

The council operates an extensive portfolio of property assets which are either used in the delivery of services or generate an income to the council which in turn provides the resources to deliver services. It is important that following very significant reductions in government funding that existing assets are used as effectively as possible.

The council's property portfolio generates rental income in excess of £3m per annum. Properties are let at commercial rates with rent review periods built in as standard. It is expected that the recent pandemic will have a significant effect bringing downward pressure on rents across all sectors.

The council has an asset challenge programme. This process is reviewing all of the council's assets on a rolling basis to establish why the council

holds assets, what options the council has e.g. to increase income, dispose, hold or develop, and when these can be realised. The council is currently holding a number of assets for strategic purposes. A number of these assets are linked to major projects such as Central Winchester Regeneration and the new Winchester sport and leisure park. Options for the future use of these assets will be brought forward as soon as practicable but only where the business case can demonstrate the proposals are affordable when considered alongside the financial challenges outlined in the medium term financial projections.



The capital strategy provides the opportunity for investment in new or existing assets should they meet the aims of the Council Plan and generate a financial return to the council.



MEDIUM TERM FINANCIAL PLAN

Income Generation

Opportunities to invest which also generate a financial return, either through reductions in cost or income generation, are assessed on a case by case basis. Current economic pressures as well as the increase in the PWLB borrowing rates has had a significant impact on the scope for income generation from investment. It is acknowledged that opportunities will be very limited for the foreseeable future.

Fees and charges are subject to annual review in order to ensure they are fair and, where appropriate, operate on a full cost recovery basis.

Grants/enabling Partnerships

The Council recognises the value of effective partnerships. It is proposed to retain the grant programme in future years but to review how it can best support core partners.



ONLY HOUSEHOLDS WHO **SIGN UP** FOR THE GARDEN WASTE SERVICE **PAY FOR IT**



WASTE IS TURNED **100%** INTO PRO GROW, RECYCLED **ORGANIC MATERIAL** ALL-PURPOSE SOIL CONDITIONER

Medium Term Financial Projections (£m)

	21/22	22/23	23/24	24/25
Council Tax	8.517	8.847	9.190	9.465
Funding	8.354	5.778	3.989	3.502
Investment Activity	1.876	1.319	1.803	1.762
Baseline Resource Requirement	-17.671	-16.065	-15.359	-14.739
One-off budgets & Reserve Related Movements	-1.077	-0.209	-0.175	-0.619
Shortfall	0.000	-0.331	-0.552	-0.630

GARDEN WASTE

The council has implemented an improved garden waste scheme for the district, the new paid for scheme offers householders a better service by providing a choice of wheeled bins that could allow residents to dispose of just over 2.5 times that amount of garden waste than the present bag holds. The service is 'opt-in' meaning only households who sign up to the service will pay for it. Garden waste is turned into Pro Grow, the 100 per cent recycled organic material, peat free, all-purpose soil conditioner.

As part of its budget planning process, the council held public consultation in December 2019 asking for residents' views on the preferred options to balance the council budget, which received over 3,000 comments. 55.1% agreed with a chargeable garden waste scheme which helps the city council to manage a predicted financial shortfall over the next 4 years and ensures only those people that take the service pay for it.



2020/21 OUTTURN

Higher than budgeted Covid-19 grant funding has enabled the council to meet increases in net expenditure and reduce the budgeted reserve movement.

The outturn is much affected by the pandemic.

The Environment adverse outturn is due a significant reduction in car parking income.

The Organisational Management adverse outturn was because of additional leisure centre operator payments to compensate for the loss of income.

The Business favourable outturn is through a timing issue where Covid-19 grant income received before the year end will be matched to expenditure in 2021/22.

The Health & Happiness favourable outturn is through property valuation movements which do not affect the council's usable reserves.

SERVICE	ORIGINAL BUDGET	OUTTURN	VARIANCE
	£'000	£'000	£'000
HOUSING	2,197	2,989	792
ENVIRONMENT	7,039	10,567	3,527
HEALTH & HAPPINESS	3,778	2,166	-1,612
BUSINESS	1,759	-257	-2,016
OPERATIONAL DELIVERY	4,082	5,021	939
INVESTMENT ACTIVITY	-2,431	-2,380	50
ORGANISATIONAL MANAGEMENT	4,974	6,139	1,165
	21,399	24,244	2,845
TAX & GRANT INCOME	-16,416	-22,054	-5,638
FINANCING & TREASURY ACTIVITY	615	0	-615
RESERVE RELATED MOVEMENTS	-5,598	-2,190	3,408
TOTAL FUNDING	-21,399	-24,244	-2,845

HOUSING REVENUE ACCOUNT OUTTURN 2020/21

The HRA outturn shows an increase in the HRA balance of £2.6m.

The increase is from a combination of factors including slippage in the HRA capital programme, meaning that planned borrowing costs are lower. The increase in depreciation is caused by changes to the assumptions in support of the original estimate.

SERVICE	ORIGINAL BUDGET	OUTTURN	VARIANCE
	£'000	£'000	£'000
RENT, SERVICE CHARGES AND OTHER INCOME	(27,945)	(27,600)	345
HOUSING MANAGEMENT GENERAL	4,892	4,691	(201)
HOUSING MANAGEMENT SPECIAL	1,798	1,542	(256)
REPAIRS (INCLUDING ADMINISTRATION)	5,475	5,517	42
EXTERNAL INTEREST PAYABLE	5,975	5,193	(782)
DEPRECIATION	8,570	8,199	(371)
OTHER INCOME AND EXPENDITURE	(47)	(153)	(106)
INCREASE / DECREASE IN HRA BALANCE	(1,282)	(2,611)	(1,329)

COLLECTION FUND 2020/21

The performance of the council's collection fund in 2020/21 has been much affected by the COVID-19 pandemic and lockdown restrictions, central government has responded and introduced a number of measures to mitigate against the potential loss of income to the council.

Business Rates Relief

In March 2020 the government announced that nurseries and businesses in the retail, hospitality and leisure sectors in England will not have to pay business rates for the 2020/21 tax year. The council applied the relief automatically to all eligible properties. The value of the reliefs issued for the council's collection fund was over £28m.

Because these government measures were not known and therefore not included in the calculation of the planned Business Rates income for the year, it means that there is an abnormally large Collection Fund closing deficit balance this year of £28.8m. However, the government has directly reimbursed the council's share of the deficit related to the awarding of these reliefs by issuing an equivalent Section 31 grant award accounted for in the council's general fund. The balance on the council's general fund is also abnormally higher this year as a consequence, however it will be reduced back to normal levels at year end 21/22 as the council's share of the year end deficit £11.8m is transferred out and matched-off.

Council Tax/ Hardship Relief

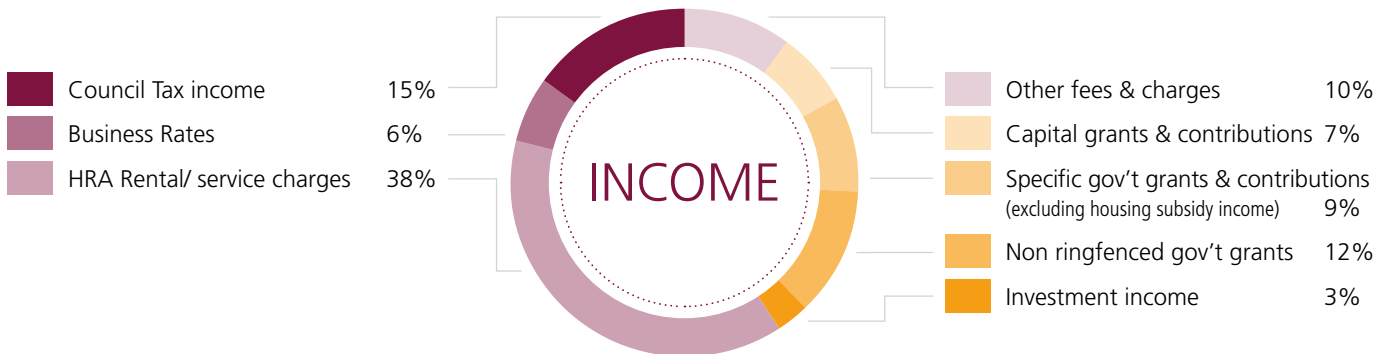
The level of Council Tax Reduction support issued during the year is also £1m higher than when the council's tax-base was originally set in February 2020. This is in part mitigated by the funding of £0.6m of Hardship grants from central government.

Tax Collection Rates

Collection rates are lower than planned for both Council Tax and Business Rates. This has increased bad debt expenses recognised in the Collection Fund by £1.2m

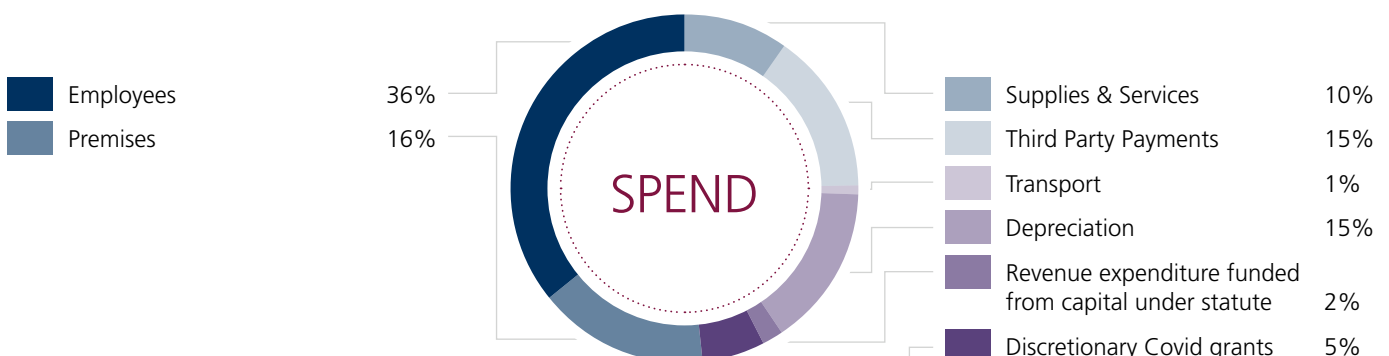
WHERE THE COUNCIL'S FUNDING CAME FROM

(excluding income related to welfare transfer payments)



HOW THE COUNCIL SPENT MONEY TO PROVIDE SERVICES

(excluding valuation adjustments and welfare transfer payments)



THE COUNCIL'S BALANCE SHEET

The council's balance sheet shows it has a net worth of £413m.

Total long term assets of £669m at the balance sheet date include:

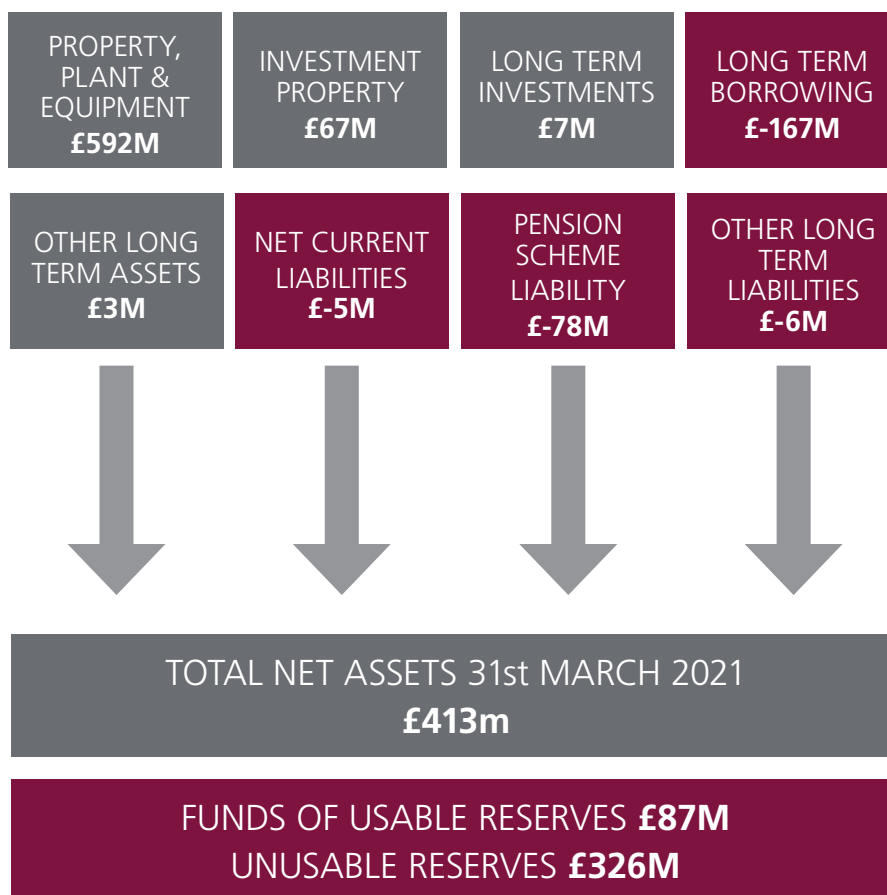
- Council dwellings £450m
- Other operational land and buildings £61m;
- Investment property £66m.

Total long term liabilities of £251m include:

- Long term borrowing of £167m
- The pension scheme potential future liability of £78m.

The council's balance sheet includes £87m of usable reserves available to fund future spending plans and programmes.

The overall increase in the council's net worth of £28m is primarily as a result of valuation increases in the value of the council's housing stock and investment properties less increases in long term borrowing and the pension scheme liability.



Supporting the 'Playing Out' scheme which gives children the freedom to play out in the streets where they live.

EARMARKED RESERVES

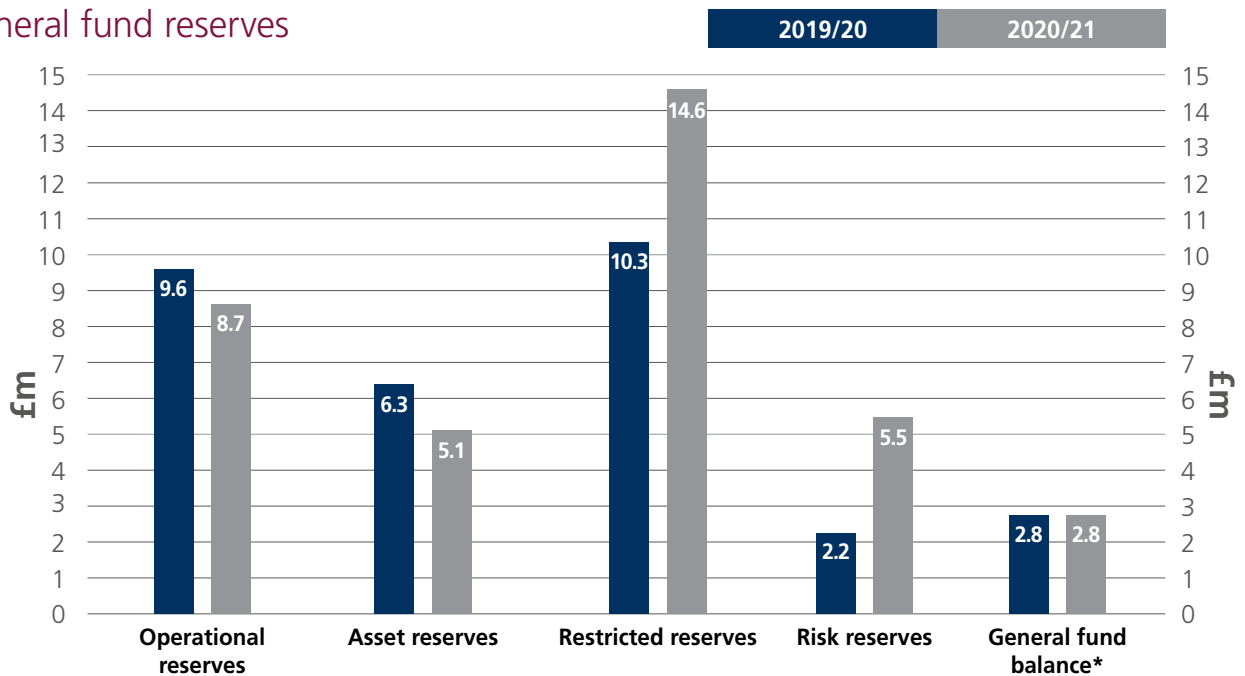
General Fund reserves have all been reviewed as part of the budget process and the levels are considered to be appropriate. Operational Reserves including the Major Investment Reserve are revenue reserves which can be used to support revenue or capital expenditure, for example major projects. Risk Reserves, such as business rates retention, are available to mitigate

risks faced by the council. The overall levels are reviewed each year in line with the medium term financial strategy.

The council's level of general fund usable earmarked reserves have increased by £5.6m. Of this £2m relates to grant financing of discretionary Covid-19 business support grants to be redistributed in 2021/22. £2.4m relates

to Community Infrastructure Levy receipts in year. £0.9m will be utilised in 2021/22 for the Council's share of the Collection Fund deficit. The General Fund reserve balance has temporarily increased by £11.8m but will be reduced back to £2.8m as Collection Fund timing adjustments are reflected in 2021/22, and is therefore excluded from the analysis below.

General fund reserves



<p>Operational reserves</p> <p>are revenue reserves which can be used to support revenue or capital expenditure, for example major projects.</p>	<p>Asset reserves</p> <p>are used to maintain existing council assets and are supported by spending plans such as the asset management plan.</p>	<p>Restricted reserves</p> <p>can only be used for restricted purposes and therefore must be considered separately to other reserves which can be used for wider purposes.</p>	<p>Risk reserves</p> <p>are available to mitigate risks faced by the council. The overall levels are reviewed each year in line with the medium term financial strategy.</p>	<p>General fund</p> <p>which is held to mitigate against any potential financial risks, these could be known risks or completely unforeseen risks. As a general guide the minimum balance will be 15% of net revenue expenditure.</p>

* Excluding Collection Fund Timing adjustment

CAPITAL PROGRAMME

The council has an ambitious capital programme; in September 2020, council approved a total capital programme over ten years of £322m of which £86m related to General Fund projects and £236m Housing Revenue Account.

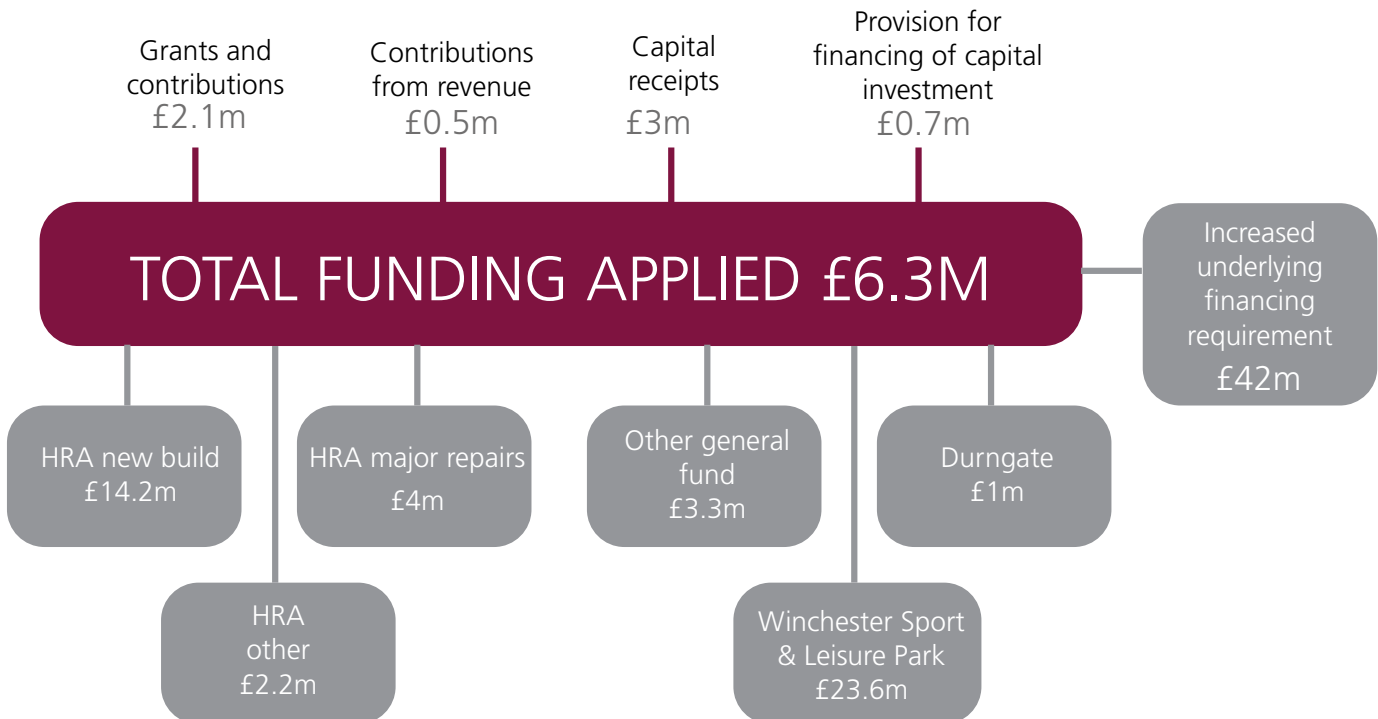
In the 2020/21 General Fund programme key projects included:

- Winchester Sport & Leisure Park £23.6m
- Durngate flood defence £1m

Housing Revenue Account capital expenditure in 2020/21 totalled £20.4m and included:

- Major repairs - £4m
- New build programme - £14.2m

Of the £48.3m total expenditure in 2020/21, £6.3m was funded, meaning an increase in the underlying financing requirement of £42m.





CAPITAL PROGRAMME

Housing Build

£140m is planned for the HRA new build programme over 10 years (2020-2030), funded from borrowing and capital receipts, targeting 1000 new homes. The plan is to build high quality affordable homes, to meet identified need. Homes will also be designed to deliver net zero carbon to help address the climate emergency. Since 2020 223 have been completed with a further 119 due to completed in 2021.



CAPITAL PROGRAMME - Winchester Sport and Leisure Park

The project construction phase has progressed during 2020/21 whilst construction has complied with COVID -19 social distancing guidelines. The centre opened in May 2021.

The state-of-the-art facility is equipped with the latest features including a 50m competition pool, a separate training pool (also with a movable floor), an eight-court sports hall, four squash courts 200 gym stations, two large studios and 'Top Rock' indoor fun climbing. A hydrotherapy suite, in partnership with The Pinder Trust, is available for patients with long term health conditions and for the public to receive physiotherapy, support with sports injuries and pain relief; or for general relaxation.

The new sport & leisure park at Bar End is one of the greenest buildings in the south of England. The installation of more than 400 Photovoltaic (PV) solar panels on the roof of the fitness suite and sports hall has now been completed, which will generate enough renewable energy to power the lights in the main swimming pool hall for 21.5 hours a day. In addition to the PV panels, the new centre boasts a specialist infrastructure to reduce carbon emissions and improve water efficiency through the use of thermally-efficient solar control glazing, extensive rainwater drainage and biodiversity enhancements. Combined heat and power for heating the pools' water and

electrical generation will also contribute to the project achieving an 'excellent' BREEAM rating, a key marker in certifying the building's sustainability credentials.

50m competition pool

Training pool

Eight-court sports hall

Four squash courts

200 station gym

Two large studios

'Top Rock' indoor fun climbing

Hydrotherapy suite



WINCHESTER SPORT & LEISURE CENTRE – A PACKAGE OF MEASURES THAT WILL MAKE IT

ONE OF THE GREENEST OF ITS KIND IN THE UK



ENVIRONMENTAL



LIVING WELL



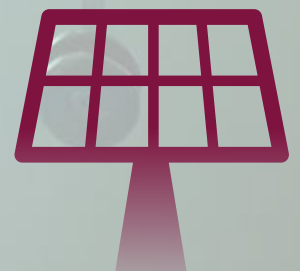
VIBRANT LOCAL ECONOMY



'EXCELLENT' BREEAM RATING

A KEY MARKER IN CERTIFYING THE BUILDING'S SUSTAINABILITY CREDENTIALS

- 400 Photovoltaic (PV) solar panels
- specialist infrastructure to reduce carbon emissions
- Thermally-efficient solar control glazing
- Extensive rainwater drainage and biodiversity enhancements
- Combined heat and power for heating the pools' water and electrical generation



849M²
OF PHOTOVOLTAIC PANELS INSTALLED



CAPITAL PROGRAMME - Flood Defences

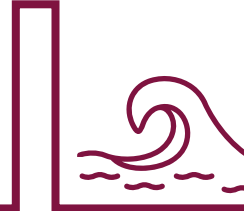
Construction on a major new flood defence for Winchester at Durgate has been completed.

The scheme provides three new sluice gates on the remaining uncontrolled channels of River Itchen to help to protect the city centre, homes and businesses from high water levels. It completes the city's network of defences across the north of the city to help to control flooding, including the historic City Mill. The sluice gates are adjustable so they can help to manage the flow of river water – the gates will be able to hold back up to 250,000m³ of water.

THE GATES WILL BE ABLE TO HOLD BACK UP TO

250,000M³

DURNGATE FLOOD DEFENCE



CAPITAL PROGRAMME - Additional Park & Ride spaces

The council has been awarded a £5.65m grant from the Enterprise M3 Local Enterprise Partnership (LEP) to create additional Park & Ride spaces to the east of the city centre. The former Vaultex site at Barfield Close will provide around 300 spaces to reduce traffic in the city – linking in with the aims of the City of Winchester Movement Strategy and supporting the city council's pledge to become a carbon neutral council by 2024, with the whole district becoming carbon neutral by 2030. Photovoltaic panels and electric vehicle charging points also feature in the plans for the site. The project is expected to be completed in 2022. The construction will include a green 'living wall' to help improve air quality and minimise the visual impact of the car park.



VIBRANT LOCAL ECONOMY



PHOTOVOLTAIC PANELS

ELECTRIC VEHICLE CHARGING POINTS

GREEN 'LIVING WALL'

CAPITAL PROGRAMME - Central Winchester Regeneration

The Central Winchester Regeneration Area Supplementary Planning Document (SPD), stated the site should become 'a mixed-use, pedestrian friendly quarter that is distinctly Winchester and supports a vibrant retail and cultural / heritage offer which is set within an exceptional public realm and incorporates the imaginative re-use of existing buildings.'

Proposals to develop the site, include creating a vibrant mixed-use development with:

- high quality new homes,
- flexible workspaces,
- a thriving night-time economy
- and beautiful public spaces.

This is a key project for the city centre economy and public realm and is a priority to move ahead to support economic recovery. Following consultation earlier in the year, the drafting of the development framework to implement the 2018 SPD is well underway. In 2020 and 2021 the council undertook a number of virtual activities to share the plans giving all residents and businesses the chance to have their say.

**MAKING EXTENSIVE
ENGAGEMENT &
CONSULTATION
WITH THE DISTRICTS RESIDENTS
AND BUSINESSES TO BETTER THE
CITY'S DEVELOPMENT**

ENVIRONMENTAL



LIVING WELL



HOMES FOR ALL



VIBRANT LOCAL
ECONOMY



WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the S151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Responsibilities of the S151 Officer

The S151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the S151 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting.

The S151 Officer has also:

- kept proper accounting records which are up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts gives a true and fair view of the financial position of Winchester City Council as at 31 March 2021 and its income and expenditure for the year then ended.

Signature: Date:

Richard Botham, Strategic Director, Section 151 Officer

I certify that the Statement of Accounts for the year ended 31 March 2021 has been approved by a resolution of the Audit and Governance Committee at its meeting on the 11 November 2021, and is authorised for issue.

Signature: Date:

Councillor Margot Power

Chair of the Audit and Governance Committee

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

This statement shows the accounting cost to the council in the year for the provision of services in accordance with International Financial Reporting Standards (IFRS) adapted by the Code of Practice on Local Authority Accounting (the Code). The Total Comprehensive Income and Expenditure Statement represents the total movement on net assets in the council's Balance Sheet.

The statement includes some costs and income that are not allowed, by statute, to be funded from taxation. The Comprehensive Income and Expenditure Statement is adjusted for these items in order to set the level of Council Tax. These adjustments are shown in the Movement in Reserves Statement, and analysed in Note 6.

2019/20			2020/21			
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
1,838	(217)	1,621	Business	5,485	(5,742)	(257)
15,920	(9,864)	6,056	Environment	16,473	(5,906)	10,567
4,086	(244)	3,842	Health and Happiness	2,453	(287)	2,166
3,490	(244)	3,246	Housing Strategy & Homelessness	3,436	(240)	3,196
21,342	(29,836)	(8,494)	Delivering Quality Housing (HRA)	21,745	(29,154)	(7,409)
27,620	(23,308)	4,312	Operational Delivery	27,083	(22,062)	5,021
5,846	(716)	5,130	Organisational Management	6,900	(761)	6,139
80,142	(64,429)	15,713	Cost of service delivery	83,575	(64,152)	19,423
(12,969)	0	(12,969)	HRA Property Revaluation (Note 1)	(32,988)	0	(32,988)
67,173	(64,429)	2,744	Cost Of Services	50,587	(64,152)	(13,565)
		618	(Surplus)/Deficit on Trading Accounts (Note 26)			
			Other Operating Income and Expenditure			
		3,224	Parish Council Precepts			3,383
		763	Payments to the Government Housing Capital Receipts Pool			763
		(2,963)	(Gains)/Losses on the Disposal of Non Current Assets			(1,315)
			Financing and Investment Income and Expenditure			
		5,169	Interest Payable and Similar Charges (Note 11)			5,183
		1,416	Net Interest on the Net Defined Benefit Liability (Note 22)			1,488
		(657)	Interest Receivable and Similar Income (Note 11)			(482)
		(7,001)	Income and Expenditure in relation to Investment Properties and Changes in their Fair Value (Note 10)			(4,724)
		211	Gains/losses for financial assets classified as fair value through profit or loss (Note 11)			23
			Taxation and Non-Specific Grant Income			
		(5,346)	Non-Domestic Rates Income and Expenditure (Note 18)			(4,815)
		(2,946)	Non-Ringfenced Government Grants (Note 18)			(9,124)
		(10,582)	Capital Grants and Contributions (Note 18)			(5,422)
		(11,122)	Council Tax Income			(11,498)
		(26,472)	(Surplus) or Deficit on Provision of Services			(40,105)
			Other Comprehensive (Income) and Expenditure			
		(850)	(Surplus)/Deficit on Revaluation of Non Current Assets			4,754
		2,723	Re-measurements on the Net Defined Benefit Liability (Note 22)			7,507
		(24,599)	Total Comprehensive (Income)/ Expenditure			(27,844)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

This statement shows the movement in the year on the different reserves held by the council. These are analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund and the Housing Revenue Account (HRA) for Council Tax setting and dwellings rent setting purposes. The Net (Increase)/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance and HRA balance before any discretionary transfers to or from earmarked reserves.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2020 Brought Forward	(2,788)	(28,388)	(12,983)	(70)	(12)	(13,451)	(544)	(58,236)	(327,039)	(385,275)
Movement in Reserves during 2020/21										
(Surplus) or Deficit on Provision of Services	(3,866)	0	(36,239)	0	0	0	0	(40,105)	0	(40,105)
Other Comprehensive (Income) and Expenditure	0	0	0	0	0	0	0	0	12,261	12,261
Total Comprehensive (Income) and Expenditure	(3,866)	0	(36,239)	0	0	0	0	(40,105)	12,261	(27,844)
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 6)	(13,426)	0	33,626	0	(8,199)	214	(624)	11,591	(11,591)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(17,292)	0	(2,613)	0	(8,199)	214	(624)	(28,514)	670	(27,844)
Transfers to/(from) Earmarked Reserves (Note 7)	5,514	(5,514)	0	0	0	0	0	0	0	0
(Increase)/Decrease in Year	(11,778)	(5,514)	(2,613)	0	(8,199)	214	(624)	(28,514)	670	(27,844)
Balance at 31 March 2021 Carried Forward (See Note 1)	(14,566)	(33,902)	(15,596)	(70)	(8,211)	(13,237)	(1,168)	(86,750)	(326,369)	(413,119)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

¹The government granted business rates relief to retail, hospital and leisure services during 2020/21 to support them through the pandemic and compensated councils for these reliefs with a Section 31 grant. The legislation that governs collection fund accounting means that the deficit as a result of the loss of business rate income in year will not be charged to the council's General Fund until 2021/22. These reliefs are shown as a deficit on the council's share of income within the Collection Fund Adjustment Account (Note 15.4), while the Section 31 grant income is held within the council's General Fund balance. In 2021/22 £11.782 million will be transferred from the Collection Fund Adjustment Account to the General Fund, these resources are not therefore available funds.

£000

General Fund Balance 31/3/21	(14,566)
Collection Fund Timing Difference	<u>11,782</u>
Available Working Balance	(2,784)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2019	(2,788)	(28,116)	(11,627)	(70)	(596)	(14,527)	(855)	(58,579)	(302,097)	(360,676)
Movement in Reserves During 2019/20										
(Surplus) or Deficit on Provision of Services	(2,414)	0	(24,058)	0	0	0	0	(26,472)	0	(26,472)
Other Comprehensive (Income) and Expenditure	0	0	0	0	0	0	0	0	1,873	1,873
Total Comprehensive (Income) and Expenditure	(2,414)	0	(24,058)	0	0	0	0	(26,472)	1,873	(24,599)
Adjustments between Accounting Basis & Funding Basis Under Regulations (Note 6)	2,142	0	22,702	0	584	1,076	311	26,815	(26,815)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(272)	0	(1,356)	0	584	1,076	311	343	(24,942)	(24,599)
Transfers to/(from) Earmarked Reserves (Note 7)	272	(272)	0	0	0	0	0	0	0	0
(Increase)/Decrease in Year	(0)	(272)	(1,356)	0	584	1,076	311	343	(24,942)	(24,599)
Balance at 31 March 2020 Carried Forward	(2,788)	(28,388)	(12,983)	(70)	(12)	(13,451)	(544)	(58,236)	(327,039)	(385,275)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
BALANCE SHEET AS AT 31 MARCH 2021

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the council. The Net Assets (assets less liabilities) are matched by the council's reserves. There are two types of reserve shown in the Balance Sheet. The first category of reserves is usable reserves (those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use). The second category of reserves is those that the council is not able to use to provide services. This category includes reserves that contain unrealised gains and losses, where amounts would only become available to provide services if the assets are realised. They also include reserves that hold timing differences and adjustments between the accounting basis and funding basis under regulations.

31 Mar 20		Note	31 Mar 21
£000			£000
532,286	Property, Plant and Equipment	8	591,936
2,800	Heritage Assets	9	2,800
61,459	Investment Property	10	66,810
188	Intangible Assets		152
12,931	Long-Term Investments	11	7,577
226	Long-Term Debtors	11	167
609,890	Long-Term Assets		669,442
5,022	Short-Term Investments	11	9,267
36	Inventories		27
12,606	Short-Term Debtors	12	13,800
11,938	Cash and Cash Equivalents		7,075
29,602	Current Assets		30,169
(57)	Short-Term Borrowing		(71)
(21,356)	Short-Term Creditors	13	(31,605)
(3,848)	Provisions	14	(3,703)
(25,261)	Current Liabilities		(35,379)
(156,722)	Long-Term Borrowing	11	(166,722)
(66,651)	Pension Scheme Liability	22	(78,133)
(5,583)	Grants and Contributions in Advance	18	(6,258)
(228,956)	Long-Term Liabilities		(251,113)
385,275	Net Assets		413,119
58,236	Usable Reserves		86,750
327,039	Unusable Reserves	15	326,369
385,275	Total Reserves		413,119

These financial statements replace the unaudited financial statements certified by Richard Botham on 30th July 2021.

Signature:

Date:

Richard Botham
Strategic Director Services, Section 151 Officer

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

The Cash Flow Statement shows the changes in the council's cash and cash equivalents during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities.

2019/20	£000	£000		2020/21	£000	£000
			<u>Cash Flows from Operating Activities</u>			
		(26,472)	Surplus on the Provision of Services			(40,105)
			<u>Adjustments for Non-Cash Movements</u>			
(9,995)			Depreciation of Property, Plant and Equipment	(9,780)		
16,718			Revaluation gains on property, plant and equipment and investment property	34,641		
(91)			Amortisation of Intangible Assets	(65)		
(3,138)			Pension Fund Adjustments	(3,975)		
(696)			(Increase)/Decrease in Impairment for Bad Debts	(273)		
(799)			Contributions (to)/from Provisions	145		
(3,502)			Carrying Amount of Property, Plant and Equipment sold or derecognised	(2,184)		
(10)			Carrying Amount of Intangible Assets Sold	-		
(211)			Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	(23)		
			<u>Accruals adjustments:</u>			
(4)			(Decrease)/Increase in Inventories	(9)		
2,567			(Decrease)/Increase in Short-term and Long-term Debtors	1,437		
(5,281)			Decrease/(Increase) in Short-term Creditors	(10,249)		
(1,070)		(5,512)	Decrease/(Increase) in Grants and Contributions	(675)		8,990
		(31,984)				(31,115)
			<u>Adjust for Items that are Investing and Financing Activities</u>			
6,465		6,465	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	3,499		3,499
		(25,519)	Net Cash Flows from Operating Activities			(27,616)
			<u>Cash Flows from Investing Activities</u>			
40,915			Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	47,107		
8,067			Purchase of Short Term and Long Term Investments	10,099		
(6,465)			Proceeds from the Sale of Property, Plant, Equipment, Investment Property and Intangible Assets	(3,499)		
(21,006)			Proceeds from the Sale of Short Term and Long Term Investments	(11,226)		
		21,511	Net Cash Flows from Investing Activities			42,481
			<u>Cash Flows from Financing Activities</u>			
			Cash receipts from Long Term Borrowing	(10,002)		
2			Cash Payments for the Reduction of the Outstanding Liabilities Relating to Finance Leases	0		
		2	Net Cash Flows from Financing Activities			(10,002)
		(4,006)	Net (Increase)/Decrease In Cash and Cash Equivalents			4,863
		7,932	Cash and cash equivalents at the beginning of the year			11,938
		11,938	Cash and cash equivalents at the end of the year			7,075

1. EXCEPTIONAL ITEM

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

In 2020/21 the value of dwellings has increased by £32.99 million, in consequence there is a material decrease in expenditure which has been treated as an exceptional item on the face of the Comprehensive Income and Expenditure Statement.

2. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how the council has used the funding available to it (Government grants, rents, Council Tax, business rates, etc.) to deliver services, compared with those resources consumed or earned by the Council in accordance with International Accounting Standards (IAS). It also shows how this expenditure is allocated for decision making purposes between the council strategy outcomes. Income and expenditure accounted for under IAS is presented more fully in the Comprehensive Income and Expenditure Statement.

The analysis shows the reconciling adjustments for the differences between the costs under statutory provisions that are charged to the General Fund and HRA and those charged under proper accounting practice to the Comprehensive Income and Expenditure Statement.

- **Adjustments for Capital Purposes:**
For services this represents depreciation, amortisation and revaluation losses on assets used in the provision of services; reversal of previous revaluation losses; and an adjustment for revenue expenditure funded from capital under statute (typically grants to third parties for capital works). In the *Other income and expenditure* row this represents revaluation gains and losses on investment property; gains or losses on the disposal of assets; the payments made to the pool on housing asset disposals; statutory and voluntary provision for the repayment of debt ; and capital expenditure funded from the General Fund and HRA.
- **Pension Adjustments:**
For services this represents the removal of employer pension contributions and replacing them with current service cost and past service cost as required by International Accounting Standard 19, *Employee Benefits* (IAS19). In the *Other income and expenditure* row this represents the interest payable on the pension liability in accordance with IAS19.
- **Other Statutory Adjustments:**
This represents the separation of Council Tax between amounts collected on behalf of parishes from the council's own requirement. It also includes the timing differences between the way that Council Tax and Business Rates are accounted for under statute and proper accounting practice under IFRS.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2020/21	Net charge to the General Fund & HRA under statutory funding provisions £000	Adjustments for Capital Purposes £000	Net change for Pensions Adjustments £000	Other £000	Net costs in the Income and Expenditure Statement £000
Business	(465)	149	59	0	(257)
Environment	9,574	524	469	0	10,567
Health and Happiness	2,529	(445)	82	0	2,166
Housing	(14,153)	(23,630)	582	0	(37,201)
Operational Delivery	2,666	2,029	326	0	5,021
Organisational Management	4,849	321	969	0	6,139
Cost of Services	5,000	(21,052)	2,487	0	(13,565)
Other income & expenditure	(25,200)	(2,828)	1,488	0	(26,540)
Other General Fund & HRA items	(7,883)	(3,899)	0	11,782	0
(Surplus)/deficit on the General Fund & HRA	(28,083)	(27,779)	3,975	11,782	(40,105)
Opening General Fund and HRA balance at 1 April 20	(44,241)				
Surplus on General Fund and HRA	(28,083)				
Loss on valuation (to Pooled Fund Adjustment Account)	(23)				
Other	2				
Closing General Fund and HRA balance at 31 March 21	(72,345)				

Analysis of Reserve Balance

	General Fund Balance £000	Earmarked General Fund Reserves £000	HRA balance £000	Earmarked HRA Reserves £000	Major Repairs Reserve £000	Total £000
General Fund	(14,566)	(33,902)				(48,468)
HRA			(15,596)	(70)	(8,211)	(23,877)
Total						(72,345)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2019/20	Net charge to the General Fund & HRA under statutory funding provisions £000	Adjustments for Capital Purposes £000	Net change for Pensions Adjustments £000	Other Adjustments £000	Net costs in the Comprehensive Income and Expenditure Statement £000
Business	1,438	114	69	0	1,621
Environment	4,972	388	696	0	6,056
Health and Happiness	2,715	1,017	110	0	3,842
Housing	(15,376)	(3,389)	548	0	(18,217)
Operational Delivery	2,565	1,173	574	0	4,312
Organisational Management	5,203	201	(274)	0	5,130
Cost of Services	1,517	(496)	1,723	0	2,744
Other income & expenditure	(23,871)	(6,761)	1,416	0	(29,216)
Other General Fund & HRA items	21,520	(21,456)	0	(64)	0
(Surplus)/deficit on the General Fund & HRA	(834)	(28,713)	3,139	(64)	(26,472)
Opening General Fund and HRA balance at 1 April 19	(43,197)				
Surplus on General Fund and HRA	(834)				
Loss on valuation (to Pooled Fund Adjustment Account)	(210)				
Closing General Fund and HRA balance at 31 March 20	(44,241)				

Analysis of Reserve Balance

	General Fund Balance £000	Earmarked General Fund Reserves £000	HRA balance £000	Earmarked HRA Reserves £000	Major Repairs Reserve £000	Total £000
General Fund	(2,788)	(28,388)				(31,176)
HRA			(12,983)	(70)	(12)	(13,065)
Total						(44,241)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

2019/20		2020/21
£000		£000
22,676	Employees	23,293
9,513	Premises	9,890
774	Transport	423
7,641	Supplies & services	6,159
7,684	Third party payments	9,155
21,573	Benefit Payments	24,138
(633)	Capital Charges	(21,247)
(2,055)	Support Services	(1,224)
(64,429)	External income	(64,152)
2,744	Cost Of Services	(13,565)

2019/20	<u>Analysis of External Income</u>	2020/21
£000		£000
(22,044)	Government Grants & Contributions	(27,542)
(29,074)	HRA Rent, Service Charges, & Other	(29,139)
(13,311)	Other Fees & Charges	(7,471)
(64,429)		(64,152)

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 24 the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Future funding for local government - there is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Asset reclassifications - the council has made judgements on whether assets are classified as Investment Property, Heritage Assets or Property, Plant and Equipment. These judgements are based on the main reason that the council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the council they are deemed to be Property, Plant and Equipment assets. If there is no subsidy and/or full market rent is being charged this would indicate that the asset is an Investment Property, if held principally to be preserved, in trust, for future generations because of their cultural, environmental or historical associations, this would indicate a Heritage Asset. The classification determines the valuation method to be used.
- Contractual arrangements - the council has made judgements on whether its contractual arrangements contain embedded leases (i.e. arrangements that are not legally leases but take the form of payments in return for the use of specific assets).

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used; the rate at which salaries are projected to increase; changes in retirement ages; mortality rates; and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. The sensitivity of each of the assumptions used by the actuaries can be seen in Note 22 to the accounts.
Arrears/Debt Impairment	At 31 March 2021, the council had a balance of sundry debtors of £3.5 million. A review of debtors, profiled by the age of the debt, suggested that an impairment of doubtful debts of 18.3% (£0.64 million) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, and an increase of 5% was attributed to each category of aged debt, an additional impairment charge of 60k would need to be set aside as an allowance.
Provision for Business Rates appeals	Since the introduction of the Business Rate Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2020/21 and earlier financial years, in their proportionate share. A provision has been recognised as the best estimate that businesses have been overcharged based on the Valuation Office ratings list of appeals, the analysis of previous appeals and other relevant information known about.	The council's share of the total business rate appeal provision of £9.1 million amounted to £3.6 million. A further 1 percentage point provision rate increase, leading to a lower rateable value and reduced business rates income, would increase the council's share of the liability by £0.85 million.
Valuation of operational property	The council's external valuer provided valuations as at 31 March 2021 for the whole portfolio. Asset valuations are based on market prices.	A reduction in estimated valuations would result in reductions to the revaluation reserve and/or a loss recorded in the Comprehensive Income and Expenditure statement (CIES). If the value of operational properties reduced by 10% this would result in a £6.1m total reduction to the revaluation reserve and/or loss to the CIES. The charge to the CIES would be reversed out to the Capital Adjustment Account (CAA) and would not affect the General Fund balance. An increase in estimated valuations would result in increases to the revaluation reserve and/ or reversals of previous negative revaluations in the CIES.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Item	Uncertainties	Effect if actual results differ from assumptions
Fair value measurement of investment property	The council's external valuer uses valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. Valuers base assumptions on observable data where it's available and the best information available where it is not.	<p>Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.</p> <p>Revaluation movements are accounted for in the CIES. If the value of Investment properties reduced by 10%, this would result in a £6.7m charge to the CIES. The charge to the CIES would be reversed out to the Capital Adjustment Account (CAA) and would not affect the General Fund balance.</p>
Valuation of Council Dwellings	The council's HRA dwellings are valued on a beacon methodology based on a number of information sources. These include sales of directly comparable property, local information on house price movements and other regional and national indices.	<p>A reduction in estimated valuations would result in reductions to the revaluation reserve and/or a loss recorded in the Comprehensive Income and Expenditure statement (CIES). If the value of council dwellings reduced by 5% this would result in a £22.5m charge to the CIES. The charge to the CIES would be reversed out to the Capital Adjustment Account (CAA) and would not affect the HRA balance.</p> <p>An increase in estimated valuations would result in increases to the revaluation reserve and/ or reversals of previous negative revaluations in the CIES.</p>

5. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was certified by the Strategic Director (Services) as true and fair at the time of signing the accounts. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have, in all material respects, been adjusted to reflect the impact of this information.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments made to the Comprehensive Income and Expenditure recognised by the council in year (shown in accordance with proper accounting practice) to present the alternative view of the resources available to the council to meet future capital and revenue expenditure (in accordance with statute).

2019/20					2020/21					
General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unappl'd £000	Adjustments between Accounting Basis and Funding Basis	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unappl'd £000
Adjustments to Revenue Resources										
(2,794)	(344)	0	0	0	Pensions (transfers to/ from Pensions Reserve)	(3,603)	(372)	0	0	0
64	0	0	0	0	Council Tax and Business Rates (transfers to/ from the Collection Fund Adjustment Account)	(11,782)	0	0	0	0
2,377	6,095	0	0	311	Reversal of entries included in the Surplus or Deficit on Provision of Services in relation to Capital Adjustment Account	1,517	22,327	0	0	(624)
(211)	0	0	0	0	Fair value gains/losses of pooled investment funds	(23)	0	0	0	0
39	(39)	0	0	0	Other adjustments	4	(4)	0	0	0
(525)	5,712	0	0	311	Total Adjustments to Revenue Resources	(13,887)	21,951	0	0	(624)
Adjustments between Revenue & Capital Resources										
10	6,424	(6,434)	0	0	Transfer of non current sale proceeds from revenue to the Capital Receipts Reserve	0	3,476	(3,476)	0	0
0	8,105	0	(8,105)	0	Funding set aside to Major Repairs Reserve	0	8,199	0	(8,199)	0
502	0	0	0	0	Statutory provision for the Financing of Capital	431	0	0	0	0
0	0	0	0	0	Voluntary provision for the Financing of Capital	321	0	0	0	0
(763)	0	763	0	0	Contribution from Capital Receipts Reserve to finance payments to Gov't Capital Receipts Pool	(763)	0	763	0	0
2,918	2,461	0	0	0	Capital Expenditure financed from revenue	472	0	0	0	0
2,667	16,990	(5,671)	(8,105)	0	Total Adjustments between Capital and Revenue Resources	461	11,675	(2,713)	(8,199)	0
Adjustments to Capital Resources										
0	0	6,747	0	0	Use of Capital Receipts Reserve to finance capital	0	0	2,979	0	0
0	0	0	8,689	0	Use of Major Repairs Reserve to finance capital	0	0	0	0	0
0	0	0	0	0	Receipt of previously deferred capital receipts	0	0	(52)	0	0
0	0	6747	8689	0	Total Adjustments to Capital Resources	0	0	2,927	0	0
2,142	22,702	1,076	584	311	Total Adjustments	(13,426)	33,626	214	(8,199)	(624)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

7. TRANSFERS (TO)/FROM EARMARKED RESERVES

This note sets out the amounts set-aside from the General Fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans; and the amounts released from earmarked reserves to meet General Fund and Housing Revenue Account expenditure in 2020/21.

	Balance at 1 Apr 2019	Net Transfers 2019/20	Balance at 31 Mar 2020	Transfers Out 2020/21	Transfers in 2020/21	Balance at 31 Mar 2021
	£000	£000	£000	£000	£000	£000
<u>General Fund</u>						
Operational Reserves						
Major Investment Reserve	(8,681)	1,065	(7,616)	1,986	(1,289)	(6,919)
Other	(2,842)	862	(1,980)	631	(429)	(1,778)
Asset Reserves						
Car Parks Property	(2,511)	84	(2,427)	1,028	(150)	(1,549)
Property Reserve	(3,265)	(45)	(3,310)	100	(300)	(3,510)
Other	(571)	39	(532)	748	(280)	(64)
Restricted Reserves						
CIL General Fund	(7,603)	(1,325)	(8,928)	400	(2,374)	(10,902)
Covid 19 Discretionary grant	0	0	0	0	(2,021)	(2,021)
Other	(1,339)	(80)	(1,419)	90	(357)	(1,686)
Risk Reserves						
Business Rates Retention	(1,167)	167	(1,000)	0	(900)	(1,900)
Transitional Reserve	0	(1,037)	(1,037)	518	(2,914)	(3,433)
Other	(139)	0	(139)	0	0	(139)
Total General Fund	(28,118)	(270)	(28,388)	5,501	(11,014)	(33,901)
<u>Housing Revenue Account</u>						
Insurance	(70)	0	(70)	0	0	(70)
Total Earmarked Reserves	(28,188)	(270)	(28,458)	5,501	(11,014)	(33,971)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

8. PROPERTY, PLANT AND EQUIPMENT (PPE)

Movements in 2020/21	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation</u>							
At 1 April 2020	419,586	70,392	12,213	8,208	1,073	34,118	545,590
Additions	5,822	570	607	270	0	39,809	47,078
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	0	(5,931)	0	0	0	0	(5,931)
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	24,966	(542)	0	0	0	0	24,424
Derecognition - Disposals	(1,861)	0	(462)	(52)	0	(323)	(2,698)
Reclassifications	1,921	(3,457)	0	0	0	(1,539)	(3,075)
At 31 March 2021	450,434	61,032	12,358	8,426	1,073	72,065	605,388
<u>Accumulated Depreciation and Impairment</u>							
At 1 April 2020	0	0	(9,906)	(3,226)	(172)	0	(13,304)
Depreciation Charge	(7,941)	(1,177)	(373)	(287)	(2)	0	(9,780)
Accumulated Depreciation Written-Out to the Gross Carrying Amount on Depreciation Written-Out to the Revaluation Reserve	0	1,177	0	0	0	0	1,177
Depreciation Written Out to the Surplus/Deficit on the Provision of Services	7,941	0	0	0	0	0	7,941
Derecognition - Disposals	0	0	462	52	0	0	514
At 31 March 2021	0	0	(9,817)	(3,461)	(174)	0	(13,452)
<u>Net Book Value</u>							
At 31 March 2021	450,434	61,032	2,541	4,965	899	72,065	591,936
At 31 March 2020	419,586	70,392	2,307	4,982	901	34,118	532,286

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Movements in 2019/20	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
<u>Cost or Valuation</u>	£000	£000	£000	£000	£000	£000	£000
At 1 April 2019	405,015	74,361	11,866	7,811	1,072	7,763	507,888
Additions	8,431	682	659	297	0	29,458	39,527
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	0	(541)	0	0	0	0	(541)
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	5,279	(901)	0	0	0	0	4,378
Derecognition - Disposals	(2,150)	(207)	(422)	0	0	(1,129)	(3,908)
Reclassifications	3,011	(3,002)	110	101	0	(1,974)	(1,754)
At 31 March 2020	419,586	70,392	12,213	8,209	1,072	34,118	545,590
<u>Accumulated Depreciation and Impairment</u>							
At 1 April 2019	0	0	(9,780)	(2,946)	(169)	0	(12,895)
Depreciation Charge	(7,779)	(1,395)	(538)	(281)	(2)	0	(9,995)
Accumulated Depreciation Written-Out to the Gross Carrying Amount on Depreciation Written-Out to the Revaluation Reserve	0	1,391	0	0	0	0	1,391
Depreciation Written Out to the Surplus/Deficit on the Provision of Services	7,779	0	0	0	0	0	7,779
Derecognition - Disposals	0	4	412	0	0	0	416
Other Movements in Depreciation and Impairment	0	0	0	0	0	0	0
At 31 March 2020	0	0	(9,906)	(3,227)	(171)	0	(13,304)
<u>Net Book Value</u>							
At 31 March 2020	419,586	70,392	2,307	4,982	901	34,118	532,286
At 31 March 2019	405,015	74,361	2,086	4,865	903	7,763	494,993

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Depreciation and estimated useful lives

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

Boilers	12 years
Heating	20 – 40 years
Kitchens	19 years
Bathrooms	40 years
Roofs	50 years
Doors & windows	40 years
Electrical rewiring	30 years
Eaves & rainwater	40 years
Structure	68 years

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

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

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

Capital Commitments for Property, Plant and Equipment

As at 31 March 2021, the council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2021/22 and future years. The total commitments at 31 March 2021 were £5,551,000 (similar commitments at 31 March 2020 were £37,171,000) made up as follows:-

	£000
Bishops Waltham Depot	1,439
HRA - Major Works	1,408
Housing New Build (The Valley)	961
Housing New Build (Hookpit)	351
Other - Land and Buildings	297
Other - infrastructure	255
HRA - Acquisitions	247
Disabled Facilities Grants	238
Other - Housing New Builds	171
HRA - Estate Improvements	126
Other - Plant, vehicles & Equipment	58
	<u>5,551</u>

Revaluations and Impairments

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

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

During 2020/21, Wilks Head & Eve (WHE) carried out a re-valuation of all of the Council's investment properties as well as all of the PPE assets:

- Investment properties – valuation date 31/01/2021
- PPE (with the exception of car parks) – valuation date 31/01/2021
- Car parks - valuation date 31/03/2021
- HRA dwellings and Garages - valuation date 31/01/2021

And following WHE's Market Reviews for the period between the valuation date and the balance sheet date a re-valuation of:

- the HRA beacons to the closing book date of 31/03/2021

The valuations were reviewed by Miles Phillips MRICS ACI Arb, Senior Estates Surveyor. The valuations were carried out in accordance with Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (issued November 2019 and effective 31 January 2020) and the RICS Valuation – Global Standards 2017: UK National Supplement (issued November 2018 and effective from 14 January 2019), and in accordance with the specific sections that in the IFRS based CIPFA Code of Practice on Local Authority Accounting (the Code).

Apart from infrastructure, community assets, and assets under construction, the basis of valuation for PPE assets is current value and there are four measurement approaches to calculating current value in the Code:

- For operational property, the asset is measured at its Existing Use Value (EUV) in accordance with the definitions in UKVS13.
- For social housing using the Beacon Method (as recommended in the Guidance on Stock Valuation for Resource Accounting revised November 2016) to arrive at the Market Value of the social housing stock, with an adjustment factor of 33% applied to arrive at EUV-Social Housing.
- For specialised assets Depreciated Replacement Cost (DRC) in accordance with UK VS 1.15 and UKGN2.
- For surplus assets, Fair Value as defined under IFRS 13 and as adopted by the Code.

The basis of valuation for Investment Properties is fair value in accordance with IAS 40 Investment Property, and is subject to IFRS 13 Fair Value Measurement regarding the Fair Value hierarchy (input levels); consideration of the highest and best use; and disclosure requirements. To arrive at fair value, inputs include Market Value, Market Rental Value, yields, voids, contract duration, size, layout, location, access, condition, lease covenants, obsolescence, and income.

The valuation figures incorporated in the accounts are the aggregate of separate individual asset valuations of the portfolio, produced for financial reporting purposes only, and not a valuation or apportioned valuation of the portfolio valued as a whole. Valuations of vehicles, plant, furniture and equipment are based on historic cost. The following table shows for each category of property, plant and equipment, those assets that are valued at historic cost and those which are re-valued (including the year in which the revaluations were completed).

	2020/21	2019/20	2018/19	2017/18	2016/17	Historic Cost	Total
	£000	£000	£000	£000	£000	£000	£000
Council Dwellings	450,434	0	0	0	0	0	450,434
Land & Buildings	61,031	0	0	0	0	0	61,031
Plant / Vehicles / Equipment	0	0	0	0	0	2,541	2,541
Infrastructure	0	0	0	0	0	4,965	4,965
Community	0	0	0	0	0	899	899
Assets Under Construction	0	0	0	0	0	72,066	72,066
Total	511,465	0	0	0	0	80,471	591,936

9. HERITAGE ASSETS

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

Cost or Valuation	Art Collection £000	Civic Regalia £000	Archaeology £000	Total £000
Balance as at 1 April 2019	850	1,500	450	2,800
Balance as at 31 March 2020	850	1,500	450	2,800
Balance as at 31 March 2021	850	1,500	450	2,800

Art Collection (Topographical Art and Portraits)

The Authority undertook an external valuation of its art work with an independent auction house (Andrew Smith & Son) as at 14 October 2011. This was a full market valuation of the collection for insurance purposes, based on commercial markets including recent transaction information from auctions where similar types of painting are regularly being purchased. Due to the majority of the art collection consisting of prints and original works by local amateur artists the individual artworks attract a nominal financial value.

Civic Regalia

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

Archaeology

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

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

Museum Collection Additions

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

- 19th Century watercolour of Winchester Cathedral
- Winchester College souvenir knife
- Condor Ltd of Winchester good luck horseshoe sculpture, wrought iron gate and lamp
- Stained glass window light from Kilmeston Church
- Several local history paper archives for archaeology.

Disposals

There have been no disposals during this period.

10. INVESTMENT PROPERTIES

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

2019/20 £000		2020/21 £000
	<u>Income and Expenditure in Relation to Investment Properties</u>	
(2,882)	Rental Income from Investment Property	(2,952)
442	Direct Operating Expenses of Investment Property	504
0	(Gain)/Loss on Disposal of Investment Property	0
(4,561)	Net (Gain)/Loss on Revaluation of Investment Property	(2,276)
(7,001)	Net (Income)/Expenditure on Investment Properties	(4,724)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

2019/20 £000		2020/21 £000
53,794	Balance at the start of the year	61,459
1,349	Additions - Acquisitions	0
1	Additions - Enhancements	0
0	Disposals	0
4,561	Net Gains/(Losses) from Fair Value Adjustments	2,276
	<u>Transfers:</u>	
1,754	- (To)/From Property, Plant and Equipment	3,075
61,459	Balance at the end of the year	66,810

Investment Properties Fair Value Measurements

**Investment
Properties Fair Value
Measurements**

	Retail £000	Offices £000	Industrial £000	Residential / Garages £000	Other £000	Total £000
Level 2 Fair Value Measurements	27,710	9,686	4,757	23,785	872	66,810
Total	27,710	9,686	4,757	23,785	872	66,810

**Valuation
Techniques and
Inputs**

Land, Office, Industrial, Residential, Garage and Retail assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

Typical valuation inputs that have been analysed in arriving at fair value include: market rental and sale values; yields; void and letting periods; size; configuration, proportions and layout; location, visibility and access; condition; lease covenants; and obsolescence.

Unobservable Inputs

There are no assets within the Council's portfolio that are classed at Level 3 in the fair value hierarchy.

**Sensitivity of
Unobservable Inputs**

n/a

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

The Council holds several assets (garages, parcels of land, and small industrial units) as investment properties where the highest and best use is greater than their current use. In total, the difference between their current value and their highest and best use value is £14.18m. Of this amount, £13.89m relates to garage sites which are being held as investment properties for their rental income and future development potential.

Capital Commitments for Investment Property Assets

As at 31 March 2021, the council had not entered into contracts for the acquisition of Investment Properties in 2021/22 and future years. The total commitment at 31 March 2021 was £nil (similar commitments at 31 March 2020 were £nil).

Council as Lessor of Investment Properties

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

2019/20		2020/21
£000		£000
2,405	Due within one year	3,793
9,294	Due later than one year and not later than five years	9,955
75,123	Due after five years	74,782
<u>86,822</u>	Total future minimum lease rentals receivable	<u>88,530</u>

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

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

11. FINANCIAL INSTRUMENTS

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

<u>Long Term</u> 31 Mar 20 £000	<u>Short Term</u> 31 Mar 20 £000		<u>Long Term</u> 31 Mar 21 £000	<u>Short Term</u> 31 Mar 21 £000
		<u>Investments</u>		
7,354	4,022	Amortised Cost	2,038	8,267
5,577	1,000	Fair Value through Profit or Loss	5,539	1,000
		<u>Cash and Cash Equivalents</u>		
0	(620)	Amortised Cost	0	(2,405)
0	12,550	Fair Value through Profit or Loss	0	9,480
		<u>Debtors</u>		
226	7,449	Amortised Cost	167	3,371
13,157	24,401	Total Financial Assets	7,744	19,713
		<u>Borrowings</u>		
(156,722)	(57)	Amortised Cost	(166,722)	(71)
		<u>Creditors</u>		
0	(7,917)	Amortised Cost	0	(12,687)
(156,722)	(7,974)	Total Financial Liabilities	(166,722)	(12,758)

Short term borrowing includes £71,000 (2019/20: £57,000) representing accrued interest on long-term borrowing.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

2020/21	Financial Liabilities at Amortised Cost	Financial Assets: Amortised Cost	Financial Assets: Fair Value through profit or loss	Total
	£000	£000	£000	£000
Interest Expense	5,183	0	0	5,183
(Gain)/loss on valuation	0	0	23	23
Interest Income	0	(87)	(294)	(381)
Reversal of impairment losses	0	(101)	0	(101)
Net (Gain)/Loss for the Year	5,183	(188)	(271)	4,724
2019/20	£000	£000	£000	£000
Interest Expense	5,169	0	0	5,169
(Gain)/ loss on valuation	0	0	211	211
Interest Income	0	(313)	(344)	(657)
Net (Gain)/Loss for the Year	5,169	(313)	(133)	4,723

The council has no material soft loans.

Fair Value of Assets and Liabilities

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arm's length transaction. Where liabilities are held as an asset by another party, such as the council's borrowing, the fair value is estimated from the holder's perspective.

Financial instruments, except those classified at fair value, are carried in the Balance Sheet at amortised cost. For financial assets classified as Fair Value through Profit or Loss, the fair value is taken from market price.

For Financial Assets at Amortised Cost and Financial Liabilities at Amortised Cost, fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2021, using the following methods and assumptions:

- Loans borrowed by Winchester City Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying amount given the low and stable interest rate environment.
- The fair values of other long-term investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.

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

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

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

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

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Balance Sheet	Fair value		FV Level	Balance Sheet	Fair value
31/03/20	31/03/20	Financial liabilities held at amortised cost:		31/03/21	31/03/21
£000	£000			£000	£000
(156,779)	(190,222)	Long-term loans from PWLB	2	(166,793)	(201,295)
		Recorded on balance sheet as:			
(156,722)		Long-term borrowing		(166,722)	
(57)		Short-term borrowing		(71)	
(156,779)		Total		(166,793)	

Balance Sheet	Fair Value		Fair Value Level	Balance Sheet	Fair Value
31/03/20	31/03/20			31/03/21	31/03/21
£000	£000			£000	£000
		Financial assets held at fair value:			
12,550	12,550	Money market funds	1	10,480	10,480
5,402	5,402	Property funds	1	5,351	5,351
987	987	Bond funds	1	1,000	1,002
0	0	Corporate, covered and government bonds	1	0	0
188	188	Unquoted Equity investment at Cost	2	188	188
		Financial assets held at amortised cost:			
5,854	5,849	Corporate, covered and government bonds	1	2,038	2,046
1,516	1,522	Long-term investments with local authorities	2	0	0
26,497	26,498	Total		19,057	19,067
3,393		Assets for which fair value is not disclosed		4,862	
29,890		Total financial assets		23,919	
		Recorded on balance sheet as:			
12,931		Long-term investments		7,577	
5,021		Short-term investments		9,267	
11,938		Cash & cash equivalents		7,075	
29,890		Total financial assets		23,919	

Property funds totalling £5.351m have been moved from level 2 to level 1 of the hierarchy for 2020/21 reflecting the resumption of an active market in these instruments.

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

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

12. SHORT-TERM DEBTORS

31 Mar 20		31 Mar 21
£000		£000
1,498	Central Government Bodies	1,913
1,241	Other Local Authorities	3,424
5,855	Other Entities and Individuals	4,735
411	NHS Bodies	0
199	Council Tax	252
232	Housing Rents	268
3,170	Prepayments	3,208
12,606	Total	13,800

13. SHORT-TERM CREDITORS

31 Mar 20		31 Mar 21
£000		£000
(7,639)	Central Government Bodies	(15,717)
(2,527)	Other Local Authorities	(915)
(908)	Other	(1,253)
(7,100)	Trade Creditors	(12,149)
(3,182)	Amounts Received in Advance	(1,571)
(21,356)	Total	(31,605)

14. PROVISIONS

The 2020/21 provision consists of an amount for insurance (representing the excesses payable in respect of liabilities existing at the Balance Sheet date); and a provision for the council's share of appeals that have been lodged against NNDR valuations. These liabilities were probable at the Balance Sheet date but the timing and amount was uncertain.

	Insurance	NNDR	Total
	£000	£000	£000
Balance at 1 April 2019	(74)	(2,974)	(3,048)
Additional Provisions made in 2019/20	0	(1,301)	(1,301)
Amounts Used in 2019/20	0	501	501
Balance at 1 April 2020	(74)	(3,774)	(3,848)
Additional Provisions made in 2020/21	0	(966)	(966)
Amounts Used in 2020/21	0	1,111	1,111
Balance at 31 March 2021	(74)	(3,629)	(3,703)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

15. UNUSABLE RESERVES

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

31/3/20		31/3/21
£000		£000
(34,923)	Revaluation Reserve	(28,038)
(378)	Pooled Investment Funds Adjustment Account	(353)
(357,983)	Capital Adjustment Account	(387,537)
0	Financial Instruments Adjustment Account	0
66,651	Pensions Reserve	78,133
(87)	Deferred Capital Receipts Reserve	(36)
(319)	Collection Fund Adjustment Account	11,462
(327,039)	Total Unusable Reserves	(326,369)

15.1. Revaluation Reserve

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

2019/20		2020/21
£000		£000
(35,551)	Balance at 1 April	(34,923)
(2,081)	Upward Revaluation of Assets	(967)
1,231	Downward Revaluation of Assets and Impairment Losses not Charged to the Surplus/Deficit on the Provision of Services	5,721
(850)	Surplus or Deficit on Revaluation of Non-Current Assets not Posted to the Surplus or Deficit on the Provision of Services	4,754
387	Difference between Fair Value Depreciation and Historical Cost Depreciation	292
1,091	Accumulated Gains on Assets Disposed of or Transferred Between Funds	1,839
1,478	Amount Written Off to the Capital Adjustment Account	2,131
(34,923)	Balance at 31 March	(28,038)

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

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

15.2. Capital Adjustment Account

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

2019/20		2020/21
£000		£000
(326,406)	Balance at 1 April	(357,983)
	<u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:</u>	
9,995	Charges for Depreciation and Impairment of Non-Current Assets	9,780
(12,157)	Revaluation (Gains)/Losses on Property, Plant and Equipment	(32,365)
91	Amortisation of Intangible Assets	65
1,574	Revenue Expenditure Funded from Capital Under Statute	1,466
3,502	Amounts of Non Current Assets Written-Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	2,184
<hr/> 3,005		<hr/> (18,870)
(1,477)	Adjusting Amounts Written-Out of the Revaluation Reserve	(2,131)
<hr/> 1,528	Net Written Out Amount of the Cost of Non-Current Assets Consumed in the Year	<hr/> (21,001)
	<u>Capital Financing Applied in the Year:</u>	
(6,747)	Use of the Capital Receipts Reserve to Finance New Capital Expenditure	(2,979)
(8,689)	Use of the Major Repairs Reserve to Finance New Capital Expenditure	0
(311)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(22)
(6,916)	Capital Grants and Contributions Credited to the Comprehensive Income and Expenditure Statement that have been Applied to Capital Financing	(2,052)
(502)	Statutory Provision for the Financing of Capital Investment	(431)
0	Voluntary Provision for the Financing of Capital Investment	(321)
(5,379)	Capital Expenditure Charged Against the General Fund and HRA Balances	(472)
<hr/> (28,544)		<hr/> (6,277)
<hr/> (4,561)	Movements in the Market Value of Investment Properties Debited or Credited to the Comprehensive Income and Expenditure Statement	<hr/> (2,276)
<hr/> (357,983)	Balance at 31 March	<hr/> (387,537)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

15.3. Pensions Reserve

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

2019/20		2020/21
		£000
60,790	Balance at 1 April	66,651
2,723	Actuarial Gains or Losses on Pensions Assets and Liabilities	7,507
6,774	Reversal of Items Relating to Retirement Benefits Debited or Credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (Note 22)	6,790
(3,636)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year (Note 22)	(2,815)
<u>66,651</u>	Balance at 31 March	<u>78,133</u>

15.4. Collection Fund Adjustment Account

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

2019/20		2020/21
		£000
(255)	Balance at 1 April	(320)
	Amount by which Collection Fund income recognised within the Comprehensive Income and Expenditure Statement is different to income calculated in accordance with statutory requirements:	
(152)	Council Tax	23
87	Business Rates	11,759
<u>(320)</u>	Balance at 31 March	<u>11,462</u>

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

16. OFFICERS' REMUNERATION

Employees' remuneration

Information relating to employees' remuneration is required to be published under the Accounts and Audit Regulations 2015. The following note shows the number of employees whose total remuneration exceeded £50,000 in 2020/21. For this purpose, remuneration includes gross pay, all taxable benefits and redundancy payments but excludes employer pension contributions.

The banding note also includes the senior officer posts detailed below.

<u>2019/20</u>				<u>2020/21</u>			
Ongoing employees	Employees left in year	Total Employees	Remuneration Band	Ongoing employees	Employees left in year	Total Employees	
22	1	23	£50,000-£54,999	18	0	18	
5	0	5	£55,000-£59,999	9	0	9	
2	0	2	£60,000-£64,999	3	0	3	
2	0	2	£65,000-£69,999	3	0	3	
6	0	6	£70,000-£74,999	5	0	5	
0	1	1	£75,000-£79,999	2	0	2	
1	0	1	£80,000-£84,999	0	0	0	
0	0	0	£85,000-£89,999	1	0	1	
1	0	1	£90,000-£94,999	1	0	1	
2	0	2	£95,000-£99,999	0	0	0	
0	0	0	£100,000-£104,999	1	0	1	
0	1	1	£110,000-£114,999	0	0	0	
0	0	0	£115,000-£119,999	0	1	1	
1	0	1	£120,000-£124,999	0	0	0	
0	0	0	£125,000-£129,999	1	0	1	
42	3	45		44	1	45	

Senior Officers' remuneration

Further details relating to individual senior employees' remuneration is required to be published under the Accounts and Audit Regulations 2015. This note gives the details of the salary, allowances, benefits-in-kind and pension payments for senior employees whose salary exceeded £50,000 in 2020/21.

2020/21	Salary	Taxable expenses & benefits	Pension payments	Compensation for loss of office	Total
	£'000	£'000	£'000	£'000	£'000
Chief Executive ¹	127	1	23	0	151
Strategic Director: Place ²	86	3	16	0	105
Strategic Director: Place (Interim) ³	17	0	0	0	17
Strategic Director: Resources ⁴	89	1	16	0	106
Strategic Director: Services ⁵	99	1	18	0	118
Strategic Director ⁶	50	5	193	65	313

¹ The Chief Executive also received payments of £8,326 as Returning Officer in 2020/21, which are excluded above

² The Strategic Director: Place left post 31st March 2021.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. The Strategic Director: Place (Interim) started 22nd February 2021, to 31 March 2021 payments of £16,928 have been made to an Employment Agency for his services.

4. The Monitoring Officer is the Strategic Director: Resources.

5. The S151 Officer is the Strategic Director: Services. The Strategic Director: Services post was an Interim position until 1st July 2020.

6. The Strategic Director left on 30th September 2020. Pension payments includes £183,634 early retirement costs.

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

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

² The previous Strategic Director Resources left the council on 8th September 2019.

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

⁴ The current S151 Officer is the Strategic Director Services, the previous Strategic Director Resources fulfilled this role until his departure.

17. AUDIT FEES

The council has incurred the following costs in relation to the audit of the Statement of Accounts provided by the council's appointed external auditor Ernst & Young LLP. The certification of grant claims is carried out by other audit providers.

2019/20	2020/21
£000	£000
43 Fees Payable to External Auditor with Regard to the External Audit Services Carried Out by the Appointed Auditor for the Year ¹	43
17 Fees Payable to the External Auditor for the Certification of Grant Claims and Returns for the Year	19
0 Fees Payable in Respect of the Other Services Provided by the External Auditor During the Year	0
60 Total	62

¹ The appointed external auditor is seeking agreement from the fee setting body Public Sector Audit Appointments (PSAA) to rebase audit fees from the financial year 2019/20, increasing fees by an additional £14,670 per year. In addition the auditor is seeking approval of a £11,524 fee variation in 2019/20 related to additional audit work undertaken in response to risks related to the COVID-19 pandemic. These fees are not yet agreed and are therefore not included in the above figures.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

18. GRANT INCOME

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

Credited to Services:

2019/20		2020/21
£000		£000
(11,319)	Rent Allowances	(10,622)
(10,204)	Rent Rebates	(9,721)
0	COVID-19 grants	(5,877)
4,085	Contributions	(709)
(5,772)	Other Grants	(613)
(23,210)	Total	(27,542)

Credited to Taxation and Non Specific Grant Income

2019/20		2020/21
£000		£000
	Non Domestic Rates Income and Expenditure	
(24,220)	Retained Business Rates	(25,139)
1,869	Levy Payment	2,766
20,757	Tariff Payment	21,248
(644)	Share of (surplus)/deficit	10,965
(180)	Allowances	(492)
(2,915)	S31 Grants	(14,152)
(13)	Other	(11)
(5,346)		(4,815)
	Capital Grants and Contributions	
(5,831)	Other Capital Grants and Contributions	(1,372)
(3,666)	Community Infrastructure Levy	(2,724)
(1,085)	Disabled Facilities Grant	(1,326)
(10,582)		(5,422)
	Non-Ringfenced Government Grants	
(355)	New Burdens Grant	(4,580)
(2,352)	New Homes Bonus	(2,839)
(46)	Revenue Support Grant	(46)
(193)	Other	(1,659)
(2,946)		(9,124)
(18,874)	Total	(19,361)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

31/3/20		31/3/21
£000		£000
	<u>Grants and Contributions in Advance</u>	
(1,342)	Developers' Contributions - Social Housing	(1,921)
(596)	Developers' Contributions - Open Spaces	(552)
(2,574)	Developers' Contributions - West of Waterlooville	(2,568)
(315)	Open Spaces Commuted Payments	(438)
(756)	Other	(779)
(5,583)	Total	(6,258)

The receipt and payment of some COVID-19 grants during 2020/21 is in substance an agency arrangement, under these schemes the rules on entitlement and the payment amounts are set by central government and all expenditure is reimbursed. Details of the grants administered under agency arrangements and recognised in the Cash Flow Statement are set out below.

<u>COVID-19 Agency Grant Schemes 2020/21</u>	<u>Income</u>	<u>Expenditure</u>	<u>Balance</u>
	£000	£000	£000
Local Restrictions Grants/ Closed Business Support Grant	(10,167)	10,167	0
Business Support Scheme	(27,690)	27,690	0
	(37,857)	37,857	0

19. RELATED PARTIES

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council, or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the council. In this context, related parties include Central Government, Elected Members of the council and officers of the council.

Central Government

UK Government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates; provides the majority of its funding in the form of grants; and prescribes the terms of many of the transactions that the council has with other parties (e.g. Council Tax bills, housing benefits). Details of funding transactions with Government departments in the form of grants and contributions are set out in Note 18.

Elected members of the council

Members of the council have direct control over the council's financial and operating policies. The payments made directly to Members under the Council's Members' Allowance Scheme during 2020/21 totalled £385,562 (£384,452 in 2019/20). The Mayor and Deputy Mayor also received allowances for their additional mayoral duties - these totalled £4,555 in 2020/21 (£5,139 in 2019/20). A detailed breakdown of amounts paid to individual councillors and co-opted members can be found on the council's website www.winchester.gov.uk.

The council provides material financial assistance to a number of organisations (mainly arts or voluntary community bodies) although it does not exercise any form of control over these organisations. During 2020/21 no other members declared a material related party interest with the council. Written declarations of interest are recorded in the Register of Members' Interests, which is open to public inspection on the Council's website. Declarations made at meetings are recorded in the minutes of that meeting.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Officers

Chief Officers have the ability to influence the council. During 2020/21 there were no material transactions between the council and chief officers.

20. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

2019/20			2020/21	
£000	£000		£000	£000
	190,004	Opening Capital Financing Requirement		204,012
		<u>Capital Expenditure</u>		
39,527		Property, Plant and Equipment	47,078	
1,350		Investment Properties	0	
39		Intangible Assets	29	
1,574		Revenue Expenditure Funded from Capital Under Statute	1,466	
63		Acquisition of Share Capital	0	
	42,553			48,573
		<u>Sources of finance</u>		
(6,747)		Capital Receipts	(2,979)	
(7,228)		Government Grants and other contributions	(2,074)	
(8,689)		HRA Major Repairs Reserve	0	
(2,461)		HRA Revenue	0	
(2,918)		GF Reserves	(472)	
	(28,043)			(5,525)
	14,510	Unfinanced capital expenditure in year		43,048
	(502)	Statutory provision for the financing of capital investment		(431)
	0	Voluntary provision for the financing of capital investment		(321)
	204,012	Closing Capital Financing Requirement		246,308
		<u>Explanation for Movement in year</u>		
	14,008	Increase/(decrease) in underlying need to borrow		42,296

21. TERMINATION BENEFITS AND EXIT PACKAGES

The council terminated the contracts of 11 employees, incurring liabilities (for compensation for loss of office; employer's pension contributions for enhanced benefits; and other costs) in 2020/21 of £587,271 (£284,786 in 2019/20).

2019/20		Amount		2020/21		Amount
Compulsory Redundancy	Other Termination	Paid (£)	Total Package	Compulsory Redundancy	Other Termination	Paid (£)
3	3	40,611	£0 - £20,000	15	5	149,179
			£20,001 -			
0	1	22,397	£40,000	0	0	0
			£40,001 -			
2	1	143,408	£60,000	1	0	51,243
			£60,001 -			
0	1	78,369	£80,000	1	1	133,384
			£80,001 -			
0	0	0	£250,001 -	0	1	253,465
			£300,000			
5	6	284,786		17	7	587,271

22. DEFINED BENEFIT PENSION SCHEMES

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

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

The principal risks to the council of the scheme are the longevity assumptions; statutory changes to the scheme; structural changes to the scheme; and changes in inflation, bond yields and performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the council's General Fund the amounts required by statute.

The McCloud judgement on Pension Schemes

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

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

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

obligation on the Council's share of the Hampshire Pension Fund resulting from the McCloud judgement has been included in the figures in the 2020/21 financial statements.

Transactions relating to post-employment benefits

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

The following transactions have been made in the accounts during the year:

2019/20 £000		2020/21 £000
	<u>Included in the Cost of Services</u>	
5,256	Current Service Cost	5,096
102	Past Service Cost	206
0	Settlement Cost	0
	<u>Included in Financing and Investment Income and Expenditure</u>	
1,416	Net Interest on the Net Defined Benefit Liability	1,488
	<u>Included in Other Comprehensive Income and Expenditure</u>	
2,723	Remeasurement of the Net Defined Benefit Liability	(7,507)
9,497	Total Included in Comprehensive Income and Expenditure	(717)
	<u>Included in the Movement in Reserves</u>	
(6,774)	Removal of Notional Charges Made for Retirement Benefits	(6,790)
3,636	Inclusion of Actual Employer's Contributions Payable	2,815
(3,138)	Total Included in the Movement in Reserves	(3,975)
	<u>Actual Employer's Contributions Charged Against Council Tax</u>	
3,356	Normal Funded Contributions	2,440
101	Lumps Sums for Early Retirements	206
179	Discretionary / Unfunded Added Years	169
3,636	Total Amount Charged to Council Tax	2,815

Assets and liabilities in relation to post-employment benefits

The movement in scheme liabilities was:

2019/20 Funded Liabilities £000	2019/20 Unfunded Liabilities £000		2020/21 Funded Liabilities £000	2020/21 Unfunded Liabilities £000
(181,700)	(2,470)	Opening Present Value of Liabilities	(181,654)	(2,263)
(5,256)	0	Current Service Cost	(5,096)	0
(4,307)	(57)	Interest Expense on Benefit Obligation	(4,136)	(50)
(952)	0	Contributions by Scheme Participants	(969)	0
4,775	17	Actuarial Gains / (Losses) - Financial Assumptions	(36,759)	(156)
4,514	48	Actuarial Gains / (Losses) - Demographic Assumptions	0	0
(4,135)	20	Actuarial Gains / (Losses) - Experience	2,079	32
5,509	179	Net Benefits Paid Out	4,853	169
(102)	0	Past Service Cost	(206)	0
0	0	Settlements	0	0
(181,654)	(2,263)	Closing Present Value of Liabilities	(221,888)	(2,268)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

2019/20 £000		2020/21 £000
123,380	Opening Fair Value of Assets	117,266
2,948	Interest Income on Assets	2,698
952	Contributions by Scheme Participants	969
3,457	Contributions by the Employer	2,815
(7,962)	Remeasurement Gains / Losses on Assets	27,297
(5,509)	Net Benefits Paid Out	(5,022)
0	Settlement	0
117,266	Closing Fair Value of Assets	146,023

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

The actual return on scheme assets in 2020/21 was a gain of £29.4 million (£4.4 million loss in 2019/20).

Impact on the council's cash flow

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

The total contributions expected to be made to the scheme by the council in the year to 31 March 2022 is £6.8 million (£6.79 million for funded benefits and £0.05 million in respect of unfunded early retirements).

Basis for estimating assets and liabilities

The latest actuarial valuation of the Council's liabilities took place as at 31 March 2020. Liabilities have been estimated by the independent actuary, Aon Hewitt Limited, on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the valuation were:

2019/20		2020/21
	<u>Principal Financial Assumptions</u>	
2.3%	Rate for Discounting Scheme Liabilities	2.1%
2.0%	CPI Inflation Rate	2.7%
2.0%	Pension Increases	2.7%
2.0%	Pension Accounts Revaluation Rate	2.7%
3.0%	Rate of General Increases in Salaries	3.7%
	<u>Mortality Assumptions</u>	
	Future lifetime from 65 for members aged 65 at 31 Mar	
23.0	Males	23.1
25.5	Females	25.5
	Future lifetime from 65 for members aged 45 at 31 Mar	
24.7	Males	24.8
27.2	Females	27.3

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

2019/20				2020/21		
Quoted	Unquoted	Total		Quoted	Unquoted	Total
44.1%	8.6%	52.7%	Equities	49.4%	7.6%	57.0%
0.8%	6.5%	7.3%	Property	0.8%	5.3%	6.1%
21.8%	0.0%	21.8%	Government Bonds	17.3%	0.0%	17.3%
0.0%	0.0%	0.0%	Corporate Bonds	0.0%	0.0%	0.0%
2.0%	0.0%	2.0%	Cash	1.4%	0.0%	1.4%
14.1%	2.1%	16.2%	Other	15.9%	2.3%	18.2%
82.80%	17.2%	100.0%		84.80%	15.2%	100.0%

The overall expected return on each asset class is set out above. The overall expected rate of return on assets is then derived by aggregating the expected return on each asset class over the actual asset allocation from the Fund as at 31 March 2021.

Sensitivity of Actuarial Assumptions

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

Change in Assumptions as at 31 March 2021

	Present Value of Total Obligation £000	Change in Present Value of Total Obligation %	Projected Service Cost £000	Approximate Change in Projected Service Cost %
0.1% Increase in Discount Rate	217,450	-2.0%	7,005	-3.4%
0.1% Decrease in Discount Rate	226,548	2.1%	7,506	3.5%
0.1% Increase in the Salary Increase Rate	222,332	0.2%	7,252	0.0%
0.1% Decrease in the Salary Increase Rate	221,444	-0.2%	7,252	0.0%
0.1% Increase in the Pensions Increase Rate	225,882	1.8%	7,506	3.5%
0.1% Decrease in the Pensions Increase Rate	217,894	-1.8%	7,005	-3.4%
1 year Increase in Post Retirement Mortality	214,122	-3.5%	6,962	-4.0%
1 year Decrease in Post Retirement Mortality	229,876	3.6%	7,549	4.1%

23. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The council has adopted CIPFA's Code of Practice on Treasury Management and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in December 2017).

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

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

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

The main risks covered are:

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

Credit Risk: Investments

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

Asset Type	Credit Risk Management Practices	Estimation of Impairment Loss Allowance
Government gilts, bonds Loans to other authorities	Investments guaranteed by statute – no credit risk.	No allowance required.
Deposits with banks, building societies and other investments	<p>Deposits are restricted by the council's Treasury Management Strategy to institutions with high credit ratings and will be recalled if these fall below investment grade A-. A limit of £5m of the total portfolio is placed on the amount of money that can be invested with a single counterparty. For unsecured investments in banks, building societies and companies, a smaller limit of £2.5m applies. The Council also sets limits on investments in certain sectors. No more than £10m in total can be invested for a period longer than one year.</p> <p>The credit quality of £5.5m of the council's investments is enhanced by collateral held in the form of covered bonds collateralised by residential mortgages. The collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments.</p> <p>All deposits held at 31 March 2021 therefore have low credit risk.</p>	12 month expected credit losses have been calculated by applying risk factors provided by the council's treasury management providers.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

Long Term	Short Term		Long Term	Short Term
31/3/20	31/3/20	Credit Rating	31/3/21	31/3/21
£000	£000		£000	£000
5,852	3,004	AAA	2,038	3,677
0	2,809	AA-	0	0
0	10	A+	0	250
0	0	A	0	4,011
0	0	A-	0	0
0	12,550	AAA Money Market Funds	0	10,480
1,516	0	Unrated local authorities	0	1,704
5,577	987	Credit risk not applicable	5,351	1,002
12,945	19,360	Total Investments	7,389	21,124

Credit Risk: Trade Receivables

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

	31/03/2020		31/03/2021	
	Trade receivables	Loss Allowance	Trade receivables	Loss Allowance
	£000	£000	£000	£000
Not past due	2,181	9	2,099	1
Past due < 3 months	1,957	101	548	32
Past due 3-12 months	730	225	440	199
Past due 12+ months	648	462	437	411
Total	5,516	797	3,524	643

Liquidity Risk

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

The maturity analysis of the principal sums borrowed is as follows:

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31/03/20			31/03/21		
Discounted (principal) £000	Undiscounted (principal plus interest) £000	Time to maturity (years)	Discounted (principal) £000	Undiscounted (principal plus interest) £000	
-	(5,168)	Not over 1	-	(5,363)	
-	(5,168)	Over 1 but not over 2	(5,000)	(10,363)	
(15,000)	(30,113)	Over 2 but not over 5	(15,000)	(30,294)	
(25,000)	(46,717)	Over 5 but not over 10	(30,000)	(51,937)	
(50,000)	(79,613)	Over 10 but not over 20	(40,000)	(69,888)	
(40,000)	(71,937)	Over 20 but not over 40	(40,000)	(74,433)	
(26,722)	(28,582)	Over 40	(36,722)	(39,602)	
(156,722)	(267,298)	Total	(166,722)	(281,880)	

Market Risks: Interest Rate Risk

The council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rate would have the following effects:

- borrowings at variables rates - the interest expense will rise
- borrowings at fixed rates - the fair value of the liabilities borrowings will fall
- investments at variable rates - the interest income credited will rise
- investments at fixed rates - the fair value of the assets will fall

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2021, all the net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates.

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

	£000
Increase in interest receivable on variable rate investments	(198)
Decrease in fair value of investments held at FVPL	24
Impact on Surplus or Deficit on the Provision of Services	(174)
Decrease in fair value of investments held at FVOCI/ Available for Sale	0
Impact on Comprehensive Income and Expenditure	(174)

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

Market Risks: Price Risk

The market prices of the council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk. The council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the council's investment strategy. A 5% fall in commercial property prices at 31 March 2021 would result in a £0.26m (2020: £0.26m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

24. ACCOUNTING POLICIES

24.1 General Principles

The Financial Statements summarise the council's transactions for the 2020/21 financial year and its position at 31 March 2021. The Accounts and Audit Regulations 2015 require the Council to prepare annual Financial Statements in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).

The Financial Statements have been prepared on a going concern basis. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible non-current assets and financial instruments.

24.2 Recognition of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is impaired and a charge made to revenue for the income that might not be collected.

24.3 Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits.

Cash Equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The council includes the following as Cash Equivalents:

- Instant Access/One Day Call Accounts
- Instant Access Short-Term Funds
- Short-Term deposits with seven days to maturity

24.4 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are charged with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service, where there are no accumulated gains in the Revaluation Reserve against which such losses can be written off;

- amortisation of intangible fixed assets attributable to the service.

The council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

24.5 Council Tax and Non-domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

24.6 Employee Benefits

Benefits Payable during Employment

Short-Term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries; paid annual leave and paid sick leave; for current employees. They are recognised as an expense for services in the year in which employees render services to the council.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date; or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy.

Post-Employment Benefits

Most employees of the Council are members of the Local Government Pension Scheme, administered by Hampshire County Council. The scheme provides members with defined benefits (retirement lump sums and pensions) earned by employees whilst working for the Council; and is accounted for as a defined benefits scheme where:

- The liabilities of the Hampshire County Council Pension Fund attributable to the Winchester City Council are included in the council's Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees; based on assumptions about mortality rates, employee turnover rates, etc.; and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices for both funded and unfunded liabilities. The discount rates are based on the indicative rate of return on high quality corporate bonds.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

- The assets of the Hampshire County Council Pension Fund attributable to the council are included in the Balance Sheet at their fair value: quoted securities at current bid price; unquoted securities at professional estimate; unlisted securities at current bid price; and property at market value.
- The change in the net pensions liability is analysed into the following components:
 - Service costs comprising
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs.
 - Net Interest on the Net Defined Benefit Liability – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Re-measurements
 - Expected Return on Assets – the annual investment return on the fund assets attributable to the Council; based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – this is debited to the Pensions Reserve.

Contributions paid to the Hampshire Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense. In relation to retirement benefits, statutory provisions require the General Fund and Housing Revenue Account to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits; and replace them with debits for the cash paid to the pension fund and pensioners (and any such amounts payable but unpaid at the year-end). The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

24.7 Fair Value Measurement

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

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

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

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

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

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

24.8 Financial Instruments

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

Financial Liabilities

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

Financial Assets

Financial assets are subsequently measured in one of two ways:

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

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

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

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

24.9 Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant

service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Business Improvement Districts

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

The council acts as principal under one scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

The council acts as a recipient in the other scheme which covers an overlapping area of both Winchester City Council (17.9%) and Fareham Borough Council (82.1%). Fareham Borough Council act as the Principal; accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

Community Infrastructure Levy

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges for this authority may be used to fund revenue expenditure.

24.10 Investment Property

Investment properties are those that are held solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

24.11 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the absorption costing principle. The full cost of overheads and support services is shared between service segments in proportion to the benefits received.

24.12 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment, which exceeds the de-minimis of £10,000, is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- Assets of a specialised nature – depreciated replacement cost (DRC).

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Unrealised gains are only credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for based on the presence of a balance in the Revaluation Reserve:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for in the same way as revaluation losses.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation between 5–60 years.

Where a significant item of Property, Plant and Equipment (valued over £1.5 million) has major components (over 20% of the total value) with materially different useful lives the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation charged in year is based on the opening gross book values of the assets. It does not include any revaluations or additions in year. A full year of depreciation is charged in the year of disposal.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals may need to be paid to Central Government in accordance with the Council's signed agreement.

Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

24.13 Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation; that probably requires settlement by a transfer of economic benefits or service potential; and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, the provision carried in the Balance Sheet is released.

24.14 Reserves

The council sets aside specific amounts as usable reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year and included in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net additional charge against Council Tax for the expenditure in that year.

Certain reserves are kept to manage the accounting processes for non-current assets; financial instruments; and retirement and employee benefits. These do not represent usable resources for the council.

24.15 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

24.16 Value Added Tax (VAT)

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

25. GOING CONCERN

Underlying principle

These accounts have been prepared on a going concern basis that the authority will continue in operational existence for the foreseeable future. The provisions in the Code of Audit Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

The impact of Covid-19

During 2020/21 the council has received approximately £6.9m less service and commercial income than had been anticipated for the year. Government funding, including an expected £3.7m from the Sales, Fees and Charges compensation scheme, has softened the impact of these losses. The revised budget in September 2020 set out plans to address this impact and included reductions to revenue expenditure budgets of just over £1m and revisions to capital funding in order to free up earmarked reserves to fund the remainder of the forecast deficit. The final outturn was £1.2m favourable to the revised budget, with lower than forecast losses in income and a much improved final interest receivable for the year. This improvement has helped to ensure that the final net adverse variance compared to the original budget was limited to £1.4m, meaning earmarked reserves were protected as far as possible and contributions to reserves retained (including a £2.5m transfer to the transition reserve as noted above which was approved as part of the original budget for the year).

The Medium Term Financial Strategy (MTFS), updated for approval at October 2021 Cabinet, forecasts an underspend of £0.4m in 2021/22 and a balanced budget for 2022/23. Additionally, the MTFS proposes use of

reserves to balance the forecast deficit of circa £1m in 2023/24, should this be required. Prudent income estimates have been used in order to allow for a continued impact from COVID-19, particularly in relation to car parking usage and income. The contingency estimates, essentially reducing income budgets, total £3.65m (-20%) in 2021/22, £1.8m (-10%) in 2022/23, and £0.9m (-5%) in 2023/24. Reserves have been maintained, despite the financial challenges in 2020/21, with an opening 2021/22 earmarked reserve balance of £33.9m which reduces to £19.5m by the end of 2025/26 due to planned expenditure on major projects and the distribution of discretionary COVID-19 grants of £2m which were received in 2020/21 and transferred to reserves. These reserve balances are considered adequate to deliver the Council Plan and also enable the council to deliver savings plans to balance the budget over the medium term to 2025/26.

Cash position

The council had a cash and investment balance of £24m as at 31 March 2021. Of this, £5m is invested in the CCLA property fund and is therefore not readily liquid. The council has undertaken a cashflow forecast looking forward through 2021/22 and the following financial period, and without the impact of the capital programme does not forecast the need to borrow for revenue purposes. Due to its capital programme, in particular the build of a £40m new Sport & Leisure Park, the council had already anticipated the need to increase its external borrowing in the 2021/22 financial year. One consequence of COVID-19 has been that UK Gilt yields have remained low and, as Public Works Loans Board (PWLB) debt is at a margin to gilts, it is anticipated the council will likely be able to borrow at a rate below that forecast in the February 2021 budget.

As well as access to the PWLB for its long-term borrowing needs, the council is also able to borrow short-term for revenue purposes if necessary and so the council remains confident in its ability to maintain sufficient liquidity.

Conclusion

These accounts have been prepared on a going concern basis; assessed up to 31 March 2023. The council has sufficient access to cash and borrowing to ensure its liquidity, plans to set a balanced budget for 2022/23 and 2023/24, and has sufficient reserves throughout the period of its Medium Term Financial Strategy. Reserve balances are forecast to include £3.7m of risk reserves which are in addition to the general fund balance of £2.8m, giving high levels of assurance that the council is in a strong position to deal with any future unexpected events.

26. TRADING ACCOUNT

The Guildhall no longer operates as a separate trading account and income and expenditure is no longer reported separately and is included within the council's Net Cost of Services as part of Operational Delivery. For comparative purposes, net expenditure related to the Guildhall included in Operational Delivery for 2020/21 is £905k (£618k, 2019/20).

27. ACCOUNTING STANDARDS ISSUED BUT NOT ADOPTED

There are no changes in accounting requirements for 2021/22 that are anticipated to have a material impact on the council's financial performance or financial position.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE FOR YEAR ENDED 31 MARCH 2021

The Housing Revenue Account (HRA) is a record of the revenue expenditure and income relating to the council's housing stock. Its primary purpose is to ensure that expenditure on managing and maintaining dwellings is balanced by rents charged to tenants. The HRA is a statutory account that is ring-fenced from the rest of the Council Fund, so that rents cannot be subsidised from Council Tax (or vice versa).

2019/20		2020/21
£000	Note	£000
	<u>Income</u>	
(26,473)	Dwelling Rents	(26,698)
(718)	Non-Dwelling Rents	(381)
(2,645)	Charges for Services and Facilities	(2,076)
(29,836)	Total Income	(29,155)
	<u>Expenditure</u>	
4,610	Repairs and Maintenance	5,137
7,987	Supervision and Management	7,756
427	Rents, Rates, Taxes and Other Charges	517
8,095	Depreciation and Impairment of Non-Current Assets	H5 8,190
(12,969)	Revaluation (Gains) or Losses on Property, Plant and Equipment	H5 (32,988)
10	Amortisation of Intangible Assets	H5 10
205	Revenue Expenditure Funded by Capital Under Statute	H4 125
8	Debt Management Costs	11
8,373	Total Expenditure	(11,242)
(21,463)	Net (Income) or Expenditure of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement	(40,397)
109	HRA share of Corporate and Democratic Core	102
	HRA share of other amounts included in the whole Council Net Expenditure of Continuing Operations but not allocated to Specific Services	
19		37
(21,335)	Net (Income) or Expenditure of HRA Services	(40,258)
(3,024)	Net Gain on Sale of HRA Non-Current Assets	(1,636)
	Changes in Fair Valuations on Investment	
(35)	Properties	473
5,168	External Interest Payable	5,182
(4,832)	Capital Grants and Contributions	H4 0
(24,058)	(Surplus)/Deficit for the year on HRA Services	(36,239)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE
FOR THE YEAR ENDED 31 MARCH 2021

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

2019/20			2020/21	
£000	£000		£000	£000
	(24,058)	(Surplus)/Deficit for the year on the Housing Revenue Account		(36,239)
		<u>Adjustments between Accounting Basis and Funding Basis under Statute:</u>		
			Note	
		- Difference between Interest Payable and Similar Charges including Amortisation of Premiums and Discounts Determined in Accordance with the Code and those Determined in Accordance with Statute		(4)
(39)		Reversal of Items Relating to Retirement Benefits and Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	H1	(372)
		Reversal of Revaluation Gains or (Losses) on Property, Plant and Equipment and Movements in the Market Value of Investment Properties		32,515
13,004		Net Gain on Sale of Non-Current Assets		1,636
3,024		Capital Expenditure Funded from the HRA	H4	0
2,461		Reversal of Revenue Expenditure Funded by Capital Under Statute	H4	(125)
(205)		Reversal of Capital Grants and Contributions	H4	0
4,832		Contribution from the Capital Receipts Reserve towards Administrative costs of Non-Current Asset Disposals		(23)
(31)		Charges for Depreciation and Impairment of Non-Current Assets	H5	(8,190)
(8,095)		Amortisation of Intangible Assets	H5	(10)
(10)		Transfer to Major Repairs Reserve	H2	8,199
8,105				<u>33,626</u>
	<u>22,702</u>			
	(1,356)	Net increase in HRA Balance		(2,613)
	<u>(11,627)</u>	Housing Revenue Account Surplus Brought Forward		<u>(12,983)</u>
	(12,983)	Housing Revenue Account Surplus Carried Forward		(15,596)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2021

H1. IAS 19 EMPLOYEE BENEFITS

In accordance with the requirements of IAS 19 and the statutory regulations regarding the Housing Revenue Account, the account has been charged with an allocation of its share of the current and past service costs. This adjustment is then reversed out of the Housing Revenue Account via the Statement of Movement on the Housing Revenue Account Balance, so its effect on the account is neutral.

H2. MAJOR REPAIRS RESERVE

This is a statutory reserve used to fund the conservation of the Housing Revenue Account (HRA) long-term assets and annually an amount equal to HRA depreciation is placed into the reserve for this purpose.

2019/20		2020/21
£000		£000
(8,105)	HRA Depreciation	(8,199)
(8,105)	Net Charge to HRA	(8,199)
8,689	HRA Capital Financed	0
584	Movement in Year	(8,199)
(596)	Balance Brought Forward at 1 April	(12)
(12)	Balance Carried Forward at 31 March	(8,211)

H3. HOUSING STOCK

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

31/3/20		31/3/21
859	Bungalows	859
1,959	Flats & Maisonettes	1,901
2,260	Houses	2,303
16	Shared ownership	39
5,094		5,102

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

31/3/20		31/3/21
£000		£000
	<u>Operational Assets</u>	
419,586	Dwellings	450,434
4,093	Other Land and Buildings	1,407
15	Vehicles Plant Furniture and Equipment	8
3,907	Infrastructure	3,833
14	Community Assets	14
13,836	Assets Under Construction	26,231
20	Intangibles	11
441,471		481,938
	<u>Non-Operational Assets</u>	
2,766	Investment Properties	2,293
444,237	Total value	484,231

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2021

In arriving at the Balance Sheet value of Dwellings, the vacant possession value of a property is multiplied by a Government recommended percentage to arrive at the value for social housing. The figure for 2020/21 was 33% (2019/20 - 33%) with the exception of affordable housing which was valued at its existing use.

The valuation for existing use for social housing, which is the value held in the Statement of Accounts, was £450 million at 31 March 2021 (£420 million at 31 March 2020) and the vacant possession value was £1,305 million (£1,245 million at 31 March 2020).

H4. CAPITAL EXPENDITURE AND RECEIPTS

2019/20		2020/21
£000	£000	£000
162,859	Opening Capital Financing Requirement	162,859
	<u>Capital Expenditure</u>	
8,430	Dwellings	5,822
297	Infrastructure	148
13,799	Assets Under Construction	14,317
205	Revenue Expenditure Funded from Capital Under Statute	125
22,731	Expenditure in year	20,412
	<u>Financed by</u>	
(4,995)	Capital Receipts	(2,019)
(8,689)	Major Repairs Reserve	0
(2,461)	Contributions from Revenue	0
(4,832)	Grants and Contributions	0
(20,977)		(2,019)
1,754	Unfinanced Capital Expenditure in Year	18,393
0	Voluntary Financing of Capital Investment	0
(1,754)	Transfer of assets to the General Fund	(3,075)
162,859	Closing Capital Financing Requirement	178,177
	<u>Capital Receipts</u>	
	Operational Assets	
(5,177)	Dwellings	(2,390)
(165)	Other	0
(5,342)	Total	(2,390)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2021

H5. DEPRECIATION AND IMPAIRMENT

2019/20		2020/21
£000		£000
	<u>Depreciation</u>	
7,779	Dwellings	7,941
100	Other Land and Buildings	20
8	Vehicles, Plant, Furniture and Equipment	8
<u>208</u>	Infrastructure	<u>221</u>
<u>8,095</u>	Total Depreciation	<u>8,190</u>
	<u>Amortisation</u>	
<u>10</u>	Intangibles	<u>10</u>
<u>10</u>	Total Amortisation	<u>10</u>
	<u>Revaluation Below Historic Cost</u>	
(13,058)	Dwellings	(32,907)
<u>89</u>	Other Land and Buildings	<u>(81)</u>
<u>(12,969)</u>	Total	<u>(32,988)</u>

As at the 1 April 2007 new fixed assets accounting was adopted by local government and property values at that date were deemed to be historic cost. In 2008/09, the market value of the properties dropped below the 1 April 2007 values resulting in costs being charged to the Comprehensive Income & Expenditure Statement (CIES) in line with standard accounting practice. During 2010/11 dwelling market values increased but Central Government reduced the percentage to be applied to valuing social housing from 45% to 32%, resulting in a downward revaluation of £104.0 million. Since then, the social housing factor remained at 32% until 2016/17 when it increased to 33%. The value of dwellings has increased in 2020/21, by £32.908m, decreasing the overall reduction to the 2007/08 historic cost as set in April 2007. Any future upward valuation will reverse the charges to the CIES and, when the historic cost values are reached and downward valuations reversed, a revaluation reserve will be created.

H6. RENT ARREARS

31 Mar 20		31 Mar 21
£000		£000
671	Rent Arrears	796
<u>(439)</u>	Provision for Bad Debts	<u>(528)</u>
<u>232</u>	Anticipated Collectable Arrears	<u>268</u>

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2021

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

2019/20			2020/21		
Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
0	(86,007)	(86,007)	0	(89,295)	(89,295)
(64,543)	0	(64,543)	(36,670)	0	(36,670)
(64,543)	(86,007)	(150,550)	(36,670)	(89,889)	(126,559)
<u>Income</u>					
Council Tax Receivable					
Transfer for S13A(1c) Relief					
Business Rates Receivable					
<u>Expenditure</u>					
Precepts and Shares					
30,276	0	30,276	31,424	0	31,424
5,450	60,987	66,437	5,656	64,263	69,919
24,221	11,041	35,262	25,139	11,539	36,678
606	3,339	3,945	628	3,450	4,078
0	9,933	9,933	0	10,565	10,565
<u>Distribution of Previous Year (Deficit)/ Surplus</u>					
485	0	485	1,340	0	1,340
87	(9)	78	241	(103)	138
388	(2)	386	1,072	(19)	1,053
10	(1)	9	27	(6)	21
0	(1)	(1)	0	(17)	(17)
<u>Charges to Collection Fund</u>					
0	0	0	0	0	0
251	65	316	264	0	264
558	487	1,045	540	376	916
1,997	0	1,997	(361)	0	(361)
202	0	202	203	0	203
(614)	0	(614)	301	0	301
(22)	0	(22)	289	0	289
63,895	85,839	149,734	66,763	90,048	156,811
(648)	(168)	(816)	30,093	159	30,252
(984)	351	(633)	(1,632)	183	(1,449)
(1,632)	183	(1,449)	28,461	342	28,803

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2021

C1. COUNCIL TAX

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

The tax base is arrived at by adjusting the total number of properties in each band by a proportion to convert the number to a band D equivalent, which is then adjusted for discounts and collection rate. The basic amount of tax for a band D property, which will vary according to Parish (average for district £1,797.76) is then multiplied by the proportion specified for the particular band to give an individual amount due. For 2020/21, Council Tax bills were based on the following dwellings and proportions:

Band	Estimated Number of Taxable Properties after Discounts and Exemptions	Ratio Equivalent	Number of Band D Equivalent Dwellings
Disabled A	1.75	5/9	0.97
A	2,008.57	6/9	1,339.05
B	5,808.68	7/9	4,517.86
C	10,755.68	8/9	9,560.60
D	5,754.25	1	5,754.25
E	8073.90	11/9	9,868.10
F	6,292.74	13/9	9,089.51
G	5,201.88	15/9	8,669.80
H	641.45	18/9	1,282.90
Ministry of Defence			378.04
	44,538.90		50,461.08
			(500.80)
			49,960.28

Less adjustment for collection rates

C2. NON-DOMESTIC RATES (NDR)

For 2020/21, the standard Non Domestic Rate multiplier was 51.2p (50.4p in 2019/20) and the small business multiplier was 49.9p (49.1p in 2019/20). The total estimated non-domestic rateable value in the district as at 31 March 2021 was £156.6 million (£155.7 million as at 31 March 2020).

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

2019/20			2020/21		
Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
£000	£000	£000	£000	£000	£000
(653)	23	(630)	11,384	44	11,428
(979)	160	(819)	17,077	298	17,375
(1,632)	183	(1,449)	28,461	342	28,803

City Council share -
Collection Fund Adjustment Account

Preceptors' share - Included within Creditors

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
INDEPENDENT AUDITOR'S REPORT**

Opinion

We have audited the financial statements of Winchester City Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- Expenditure and Funding Analysis,
- The related notes 1 to 27,
- Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on the Housing Revenue Account Balance and the related notes H1 to H6,
- Collection Fund and the related notes C1 to C3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Winchester City Council as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the s151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period to 31 March 2023 from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the s151 Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Financial Report, other than the financial statements and our auditor's report thereon. The s151 Officer is responsible for the other information contained within the Financial Report 2020/21.

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

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

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
INDEPENDENT AUDITOR'S REPORT**

the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.
- We are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibility of the s151 Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 28, the s151 Officer is responsible for the preparation of the Annual Financial Report 2020/21, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the s151 Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

**WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
INDEPENDENT AUDITOR'S REPORT**

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:

- Local Government Act 1972,
- Local Government and Housing Act 1989 (England and Wales),
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2020 (SI 2010/948),
- The Local Audit and Accountability Act 2014,
- The Accounts and Audit Regulations 2015.

In addition the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how Winchester City Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit, those charged with governance and the monitoring officer and obtaining and reviewing documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our review of the Council's committee minutes, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance through inappropriate capitalisation of revenue expenditure, the compensation scheme for lost sales fees and charges and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and expenditure was genuine. We also tested a sample of REFCUS items to confirm they were appropriately classified.

To address our fraud risk around the compensation scheme for lost sales fees and charges we gained an understanding of the Council's process for completing the grant return to Central Government, assessed whether those returns appropriately followed the guidance, and confirmed whether the return was supported by relevant and appropriate evidence.

To address our fraud risk of management override of controls. In common with all audits under ISAs (UK), we perform specific procedures to respond to the risk. We tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether Winchester City Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Winchester City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2020/21
INDEPENDENT AUDITOR'S REPORT

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue of an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Use of our report

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

Kevin Suter (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
17 December 2021

ANNUAL GOVERNANCE STATEMENT 2020/21

1 Executive Summary

- 1.1 Winchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Winchester City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Winchester City Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Winchester City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government 2016.
- 1.4 This Statement explains how Winchester City Council has complied with the Code and also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the review of its system of internal control in accordance with best practice, and that the review be reported in an Annual Governance Statement.
- 1.5 The Statement also sets out the council's arrangements for governance and includes reference to the documents that evidence the council's commitment to the seven principles of governance.
- 1.6 The council has made a commitment to address governance issues as they arise and to keep arrangements under review. The Constitution was reviewed in February 2017 and the updated document adopted by Council on 19 March 2019, becoming effective from the start of the 2019/20 municipal year.
- 1.7 Included in this Statement are the significant governance issues identified during the previous financial year and the actions that are to be undertaken to address them. Monitoring of the progress of these actions is reported quarterly to the Audit and Governance Committee.

2 The Purpose of the Governance Framework

- 2.1 The purpose of the governance framework is to ensure that the authority directs and controls its activities in a way that meets standards of good governance and is accountable to the community. It does this by putting in place an organisational culture and values which drive a responsible approach to the management of public resources, supported by appropriate systems and processes, and ensuring that these work effectively. It works with the council's Performance Management Framework to ensure that the council has in place strategic objectives reflecting the needs of the community and is monitoring the achievement of these objectives through delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Winchester City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Winchester City Council for the year ended 31 March 2021 and remains in place up to the date of approval of the Statement of Accounts.

3 The Principles of Good Governance

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

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

Principle 2 – Ensuring openness and comprehensive stakeholder engagement

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

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

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

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

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

4 Methodology for preparing the Annual Governance Statement

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

- Service leads completed a statement of assurance providing details as to the extent and quality of internal control arrangements operating within their teams during the previous year. Furthermore, they were also asked to declare any weaknesses in the governance arrangements in their service areas, including overdue and significant internal audit actions.
- An internal control checklist is provided to service leads to support the completion of their statement of assurance. The checklist requires the manager to self-assess the arrangements in their team against a number of criteria including risk and performance management, financial control and staffing.
- Review of the Annual Internal Audit and Opinion report and quarterly internal audit progress reports.
- The council's Audit and Governance Committee considers the draft governance statement at its meeting in early summer and is given the opportunity to give its input to the Statement and to consider whether it accurately reflects the council's control environment.
- Once approved by this Committee the governance statement is signed off by the Chief Executive and Leader of the council.

5 The Governance Framework

5.1 There are a number of key elements to the systems and processes that comprise the council's governance arrangements and these are underpinned by the core principles of good governance which are:-

- Focusing on the purpose of the council and on outcomes for the local community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managed risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability

5.2 The council's constitution explains existing policy making and delegation procedures and the matters which must be dealt with by Full Council. It documents the role and responsibilities of Cabinet, each committee and members and officers. The council has approved a protocol governing relationships between members and officers as part of its Constitution and has adopted codes of conduct for both officers and members which

**WINCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT**

facilitate the promotion, communication and embedding of proper standards of behaviour. All officers have job descriptions and there are clearly defined schemes of delegation, all of which are reviewed from time to time.

- 5.3 The council's constitution incorporates clear guidelines to ensure that business is dealt with in an open manner except in circumstances when issues should be kept confidential. Meetings are open to the public except where personal or confidential matters are being discussed. All cabinet /committee agendas, minutes and cabinet member decisions are published promptly on the council's website. In addition, senior officers of the council can make decisions under delegated authority. The over-arching policy of the council is decided by the Full Council.
- 5.4 The Scrutiny Committee and Audit and Governance Committee hold Cabinet Members to account for delivery of the council's policy framework within the agreed budget, and protocols are in place for any departure from this to be properly examined.
- 5.5 The council engages with its communities through a number of channels, including community planning, consultation events, surveys and campaigns relating to specific initiatives.
- 5.6 The refreshed Council Plan 2020-25, adopted in February 2021, is supplemented by more detailed information on the key projects and programmes of work that the authority will be delivering during the year – with actions to achieve priority outcomes set out in strategic service plans. More detailed service plans are drawn up by teams across the council, with objectives set for individual members of staff through the annual appraisal process. This process also looks at the development and training needs of staff, with a programme of training then put in place to meet these needs.
- 5.7 Progress against the Council Plan priorities and budgets is monitored regularly by the Executive Leadership Board and Cabinet Members. The Scrutiny Committee receives quarterly reports focusing on delivery of key projects and programmes of work and drawing attention to other areas where progress is exceeding, or falling short of targets. Cabinet Members also monitor progress in delivery.
- 5.8 The council has arrangements in place to regularly monitor financial performance, service performance, the progress of key corporate projects and risk management and to oversee the implementation of recommendations from internal audit reports.
- 5.9 The council publishes an Annual Financial Report (incorporating the Statement of Accounts) within the statutory timescales. The Annual Financial Report incorporates the full requirements of best practice guidance in relation to corporate governance, risk management and internal control.
- 5.10 The council is subject to independent audit by Ernst and Young and receives an Annual Audit Letter reporting on findings. The council supplements this work with the Southern Internal Audit Partnership and ad hoc external peer reviews. The Audit and Governance Committee undertakes the core functions as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*.
- 5.11 The council has set out the arrangements for managing risk in its Risk Management Policy (approved by Cabinet 10 March 2021, report CAB3245 refers) which also includes a Risk Appetite Statement and is refreshed annually and reviewed by Audit and Governance Committee before being approved by Cabinet.

6 Responding to the COVID-19 pandemic

- 6.1 The council responded to the outbreak of the COVID-19 pandemic quickly by providing support for those in need while maintaining services to residents and businesses across the district.
- 6.2 A clear command and control structure is in place leading the council's response to the COVID-19 pandemic. Audit testing confirmed that the council's Gold Command Group was stood up on 2 March 2020, ahead of the nationwide restrictions, which enabled preparations for council services to be maintained. The various council command groups hold regular meetings and action points from these meetings are recorded, assigned to relevant officers, and monitored through to completion.
- 6.3 A COVID-19 specific response plan was initiated in March 2020 as a framework to manage the continuous delivery of key council services during the first nationwide lockdown.
- 6.4 Testing of the council's ICT capabilities was undertaken in March 2020 and this ensured that all council services and systems were adequately supported and prepared prior to the establishment of enforced social distancing requiring council staff to work from home.

**WINCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT**

- 6.5 Service managers identified single points of failure within their relevant services following a directive from the Strategic Director – Services to complete a short assessment in anticipation of potential for homeworking by staff. This enabled staff reallocation to areas where the need had been identified and to maintain services.
- 6.6 The council's Business Continuity and Crisis Management Plans, in place since 2017, were reviewed in July 2020 to include new council services identified as critical. This followed work with HCC on improving key elements of the business continuity framework.
- 6.7 Business impact analysis completed by the Policy and Performance Team, identified 13 critical services to be prioritised for recovery if they become unavailable. Standard proformas were used ensuring relevant details were captured. The Policy and Performance Team, working together with service leads, have reviewed and updated the various critical functions plans to incorporate the COVID-19 response plans. Responsibility for maintenance and update of the critical function plans have been appropriately assigned. Copies of the plans are kept on Resilience Direct to ensure accessibility outside council offices and IT systems.
- 6.8 Regular meetings have been held between the council and key suppliers and contractors. These key suppliers and contractors provide the council with daily updates on their staffing resources to aid in identifying any risk of non-delivery. Business continuity plans from key suppliers and contractors were also obtained to gain assurance that these critical services could continue to be delivered throughout the nationwide restrictions.
- 6.9 The GOLD Command Group, which includes the Strategic Director – Services monitors daily service demand and service availability to ensure the impact of the COVID-19 pandemic on council services is identified and appropriate measures implemented to sustain service delivery. In addition, service managers complete a daily register setting out team attendance to ensure any capacity issues are identified and resolved quickly.
- 6.10 There is a Local Resilience Forum Recovery Plan, providing a framework for recovery, and the council has also established a local recovery plan. A draft was included in the cabinet report CAB3244 in May 2020.
- 6.11 The council has worked closely with its partners through the community impact assessment completed for each council service area relating to issues arising from COVID19, which identifies impacts on implementation of the restoration plans. Oversight of this process is through the Restoration and Recovery Group.
- 6.12 The council has continued to work on a business as usual basis with no significant business interruptions during the period.
- 6.13 The significant impact of COVID-19 on the finances of the Council, particularly the loss of income from key areas such as car parking and commercial property, were reviewed as the impact of the pandemic unfolded. The Council faced an urgent need to agree a revised budget in September 2020 to address a potential shortfall of up to £10.7m. This challenging position for the Council's finances was addressed by achieving significant "in year" savings; timing and funding changes to the capital programme; and through Government grant.
- 6.14 There is a lessons learnt document in place which captures learning points identified because of the COVID-19 pandemic as well as actions taken which are deemed to have worked well. There are plans to incorporate these points into the business continuity plans during the annual reviews.
- 6.15 An internal audit review of the council's business continuity arrangements was undertaken during the summer of 2020 and concluded with a substantial assurance opinion.
- 6.16 There were no areas where the framework of governance, risk management or control could be improved.

7 Review of Effectiveness

- 7.1 The council has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of strategic leads who have responsibility for the development and maintenance of a sound governance environment.
- 7.2 Staff awareness training has been undertaken to ensure that the council complies adequately with the provisions of the General Data Protection Regulation (GDPR) and Freedom of Information Act 2000 requirements.

**WINCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT**

- 7.3 The council has appointed the Strategic Director: Services as the Section 151 officer with the statutory responsibility for the proper administration of the council's financial affairs. CIPFA/SOLACE advises that the S151 officer should report directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. The Strategic Director: Services is a member of the Executive Leadership Team.
- 7.4 The council has appointed the Strategic Director and Monitoring Officer as the statutory "Monitoring Officer" and has procedures to ensure that the Monitoring Officer is aware of any issues which may have legal implications.
- 7.5 All Cabinet reports are reviewed by the S151 officer and the Monitoring Officer and are required to demonstrate how the subject matter links to the Council Plan and highlight resource implications. Report authors are also asked to draw out risk, equality, environmental, management and legal considerations as required. Similar procedures are in place for the Scrutiny and Regulatory Committees.
- 7.6 The council has whistle-blowing and anti-fraud and corruption policies. It has a formal complaints procedure and seeks to address and learn from complaints. The council's Audit and Governance Standards Sub-Committee deals with complaints relating to the conduct of Members.
- 7.7 Members' induction training is undertaken after each election. Members also receive regular briefings and training on developments in local government.
- 7.8 Key roles in maintaining and reviewing the effectiveness is undertaken by:

The Council collectively responsible for the governance of the council and the Full Council is responsible for agreeing the Constitution, policy framework and budget. Manages risk in making operational and governance decisions together with proposing and implementing the policy framework, budget and key strategies.

The Cabinet receives regular monitoring reports on revenue and capital expenditure and performance.

Audit & Governance Committee approves the annual audit plan, monitors the internal control environment through receipt of audit reports and this governance statement, and keeps an overview of arrangements for risk management. It also approves this governance statement and the Statement of Accounts.

External Audit external audit is provided by Ernst and Young LLP. Whilst the external auditors are not required to form an opinion on the effectiveness of the council's risk and control procedures, their work does give a degree of assurance following the annual audit of the council's financial accounts.

Internal Audit the Southern Internal Audit Partnership provides the council with an internal audit service which includes the council's entire control environment. The Head of the Southern Internal Audit Partnership takes account of the council's assurance and monitoring mechanisms, including risk management arrangements, for achieving the council's objectives.

The Internal Audit Plan is based on the Corporate Risk Register and identifies internal audit's contribution to the review of the effectiveness of the control environment. The process includes reports to the Audit and Governance Committee on progress of audits. Regular summaries are also produced of the outcome of each audit, together with reviews of whether agreed recommendations have been implemented. Internal audit provides an annual opinion on the internal control environment and issues that should be included in this Statement.

There is a requirement for internal audit to undertake an annual self-assessment and independent external assessment every five years. Any areas of non-conformance must be reported as part of their annual report and opinion. In the light of feedback we have concluded that internal audit is an effective part of the council's governance arrangements.

8 Significant Governance Issues

- 8.1 Set out below are the significant governance issues that have been identified that will require consideration and action as appropriate over the coming year and these are:
- **Partnership Working** – ensuring that the council has adequate governance arrangements in place to maintain effective partnership working
 - **Equality Impact Assessment** – reviewing the current arrangements in place ensuring the council meets the requirements of the Equalities Act 2010.
- 8.2 An action plan is included with this Statement and details the actions to be undertaken during next 12 months that will address these issues. Each action is assigned to a senior officer who has responsibility for delivering the relevant actions.

9 Assurance Summary

- 9.1 Good governance is about operating properly. It is the means by which the council shows that it is taking decision for the good of its residents, in fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the effective delivery of good quality services that meet the needs of the users. It is fundamental to demonstrating that public money is well spent. Without good governance, the council would find it difficult to operate services successfully.
- 9.2 The Internal Audit Opinion for 2020/21 is that the council’s framework of governance, risk management and management control is ‘reasonable and that audit testing carried out during the year has demonstrated controls to be working in practice.
- 9.3 The pandemic has inevitably had an impact on staff capacity and a number of staff have been actively supporting the council’s response during the last four months, many almost exclusively.
- 9.4 The council responded to the outbreak by activating its Emergency Control Centre and Gold and Silver emergency management protocols to coordinate a response to ensure that resources were prioritised to the areas that were in most need.

10 Conclusion

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

Signed:

Signed:

Laura Taylor
Chief Executive
Winchester City Council

Councillor L. Thompson
Leader of the Council
Winchester City Council

Dated:

Dated:

**WINCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT**

Annual Governance Statement 2020/21 – Action Plan

No.	Issue	Actions	Lead Officer	Target Date	Method of Assurance
1	Partnership working – the need to ensure that the Council maintains effective partnership working	Review partnerships to ensure all required documents are in place and up to date	Corporate Head of Economy and Community	September 2021	Review of partnership register completed
		Annual report covering the performance of key partnerships scheduled to be considered at The Scrutiny Committee.	Corporate Head of Economy and Community	December 2021	Progress report to Scrutiny Committee
		Complete Partnership Working Guide for Managers	Corporate Head of Economy and Community	December 2021	Partnership Working Guide completed and issued to managers
2.	Equality Impact Assessments (EqIA) reviewing the current arrangements in place ensuring the council meets the requirements of the Equalities Act 2010	Review and update current EqiA policy, guidance and templates and brief out to staff ensuring that the council meets the requirements of the Equalities Act 2010	Service Lead – Legal	30 September 2021	Record of all required EqIA's published on the council's website

**WINCHESTER CITY COUNCIL
GLOSSARY OF TERMS**

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

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

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

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

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

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

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

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

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

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

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

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

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

Beacon Property - a property that is similar to others held by the council, so that its valuation can be used to estimate a valuation for those other properties.

Budget – prior to the start of each financial year, the council is required to set a budget for its expenditure. It is a legal requirement of the Council to set a balanced budget, i.e. expenditure cannot be more than the Council's income.

Business Improvement District – is a defined area in which a levy is charged to all business rate payers in addition to the business rates bill. The levy is used to develop projects which will benefit businesses in the local area.

Business Rates – is the commonly used name of non domestic rates (NDR), business rates are a tax on local business properties, the tax is set by central government but collected by local authorities.

Capital Adjustment Account – is an unusable reserve which absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

Capital Allowance – is a provision which avoids the need for pooling non right-to-buy housing capital receipts.

Capital Charges – charges to revenue accounts to reflect the cost of long-term assets used in the provision of services. This includes the repayment of debt and the charge for depreciation.

**WINCHESTER CITY COUNCIL
GLOSSARY OF TERMS**

Capital Commitment – this is future capital expenditure that the council has committed to at some time in the future which has not yet become an actual liability.

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

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

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

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

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

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

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

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

CIPFA - the Chartered Institute of Public Finance and Accountancy - the accountancy body primarily concerned with public services that issues guidance on accounts preparation for local authorities.

Collection Fund – the separate accounting arrangements for the collection of council tax and business rates and the sharing of the proceeds between the council, Government and other public bodies.

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

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

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

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

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

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

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

Council Tax Reduction - the council's scheme for giving discounts to council tax for households on low incomes or receiving benefits. Also called council tax support.

Community Infrastructure Levy (CIL) – is a planning charge on new development which is used to help deliver infrastructure.

WINCHESTER CITY COUNCIL
GLOSSARY OF TERMS

Credit Losses – A measure of how much the council would lose if the amounts owed to it by debtors and borrowers are not repaid. Defined as the shortfall between all the cash flows that are contractually due to the council and those that it expects to receive (discounted using the investment's effective interest rate).

Creditor – is an individual or body to whom, at the Balance Sheet date, the council owes money.

Credit Rating – is a method of measuring the creditworthiness of a debt issuer.

Credit Risk – is the risk that a borrower may not repay a loan.

Current Asset – an asset that is realisable or disposable within one year of the Balance Sheet date.

Current Liability – is a liability that is due to be settled within one year of the Balance Sheet date.

Current Service Cost (Pensions) – the value of the standard benefits promised to members over the last accounting period, after offsetting the members' contributions, i.e. it is the Employer's share of the cost.

Current Value - The measurement bases for property, plant and equipment, reflecting the economic environment for the service the item is supporting. Possible methods comprise: existing use value, existing-use value - social housing, depreciated replacement cost and fair value.

Debtor – is an individual or body whom, at the Balance Sheet date, owes money to the council.

Deferred Capital Receipts Reserve – this reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has not yet taken place.

Deficit - An excess of expenditure over income.

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

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

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

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

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

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

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

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

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

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

WINCHESTER CITY COUNCIL
GLOSSARY OF TERMS

Effective Interest Rate – the implied rate of interest in an arrangement calculated by reference to the cash flows within the arrangement as opposed to quoted rates of interest.

Employee Benefits - All the forms of remuneration given to the council's officers in return for the services they render (including salaries, allowances, pensions benefits and awards on the termination of their employment).

Equity Instrument – is a financial instrument that demonstrates an ownership interest in a business.

Estimated Market Value/Fair Value – the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Events after the Balance Sheet Date – are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Exceptional Items - When items of income and expense are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts (depending on how significant the items are to understanding the council's financial performance).

Existing Use Value (EUV) – is a measure of fair value for land and buildings, it is the amount that would be paid for the asset in its existing use.

Expected Credit Losses (ECLs) – the credit losses that the council estimates will arise from the amounts that it is currently owed. ECLs are calculated by measuring the losses that would arise from different default scenarios and calculates a weighted average loss based on the probability of each scenario taking place.

Expected Rate of Return on Pension Assets (Pensions) – is the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return.

Fair Value - The price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants.

Fair Value through Profit or Loss Financial Assets – are financial assets that do not qualify for measurement at Amortised Cost or Fair Value through Other Comprehensive Income.

Finance Costs – are the costs of borrowing money.

Finance Lease – a lease where substantially all of the risks and rewards of ownership of a fixed asset are transferred to the lessee.

Financial Instruments - are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

General Fund/ General Fund Balance – the General Fund is the main revenue fund from which the cost of services is met. The accounts include separate funds for the Housing Revenue Account and the Collection Fund. The General Fund Balance is the accumulated credit balance on the General Fund. It is the excess of income over expenditure after adjusting for movements to and from other reserves and other non cash items. The level of this balance is kept under review and considered in the light of a number of factors concerning the council's level of exposure to risk and particularly to changes in income and expenditure.

Going Concern - The assumption made when preparing the financial statements that the functions of the council will continue in operational existence for the foreseeable future, in particular so that assets can be valued on the contribution they will continue to make to the council's services rather than the price that would be obtained if they were sold on its liquidation.

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

WINCHESTER CITY COUNCIL
GLOSSARY OF TERMS

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

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

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

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

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

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

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

Housing Revenue Account (HRA) - The HRA is a record of revenue expenditure and income relating to the council's housing stock. Its purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. It is ring-fenced from the rest of the General Fund to ensure that rents cannot be subsidised from Council Tax (or vice versa).

International Accounting Standards 19 (IAS 19) Adjustments – IAS 19 outlines the accounting requirements for employee benefits including post-employment benefits. The adjustments represent the removal of employer pension contributions and replacing them with the current service cost and past service cost.

Investing Activities - a category of cash flows relating to the acquisition and disposal of long-term assets and investments and the making of loans.

Impairment – is a reduction in the recoverable amount of a long-term asset below its carrying value in the Balance Sheet.

Infrastructure Assets - are a category of long-term assets that cannot be taken away or transferred and whose benefits can only be obtained by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Examples of infrastructure assets include highways and footpaths.

Intangible Assets – are a category of long-term assets that are identifiable, but have no physical substance (e.g. Software licences).

Interest Costs (Pensions) – represents the unwinding of the discounting on the value placed on the benefits over the period, as they become closer to being paid.

International Financial Reporting Standards (IFRS) – are a set of international accounting standards that govern the accounting treatment and reporting of transactions in financial statements.

Inventories – are assets in the form of materials or supplies to be consumed in a production process or rendering of services.

**WINCHESTER CITY COUNCIL
GLOSSARY OF TERMS**

Investment property – is a category of long-term assets, which is held for its investment potential and is not used in the delivery of services.

Lessee – is an entity that holds an agreement that allows the use of an asset for a period of time in exchange for a payment or series of payments.

Lessor – is an entity that leases an asset to a lessee.

Liabilities – are the council's debts and obligations.

Loans and Receivables – is a category of financial instrument that has fixed or determinable payments but is not quoted on an active market.

Long-Term Assets – is the value of the council's property, equipment and other capital assets minus depreciation, which are expected to be useable for more than one year after the balance sheet date.

Long-Term Borrowing – is the total of loans repayable after more than one year of the Balance Sheet date.

Long-Term Debtor – is an individual or body that owes money to the council, but which is not due within one year of the Balance Sheet date.

Long-Term Investments – are financial instruments with a maturity date after more than one year of the Balance Sheet date.

Major Repairs Reserve – this is a statutory reserve used to finance the HRA capital program.

Materiality – a measure of the significance of information potentially to be included in the financial statements, whereby its omission, misstatement or obscuration could reasonably be expected to influence decisions that the primary users make on the basis of those financial statements. Materiality is important for influencing what figures should be included in the financial statements, how precise those figures need to be, and how much additional information needs to be provided about them.

Member Contributions - amounts paid into a pension fund by employees to provide for the future payment of their pensions.

Money Market Funds - collective investment schemes in which a number of investors put their money, which is then invested by the fund manager in a portfolio of highly liquid and low risk investments.

Monitoring Officer – this is a statutory role; this officer is responsible for ensuring that the council operates within the law.

Net Assets – is the amount by which the total assets exceed the total liabilities in the Balance Sheet.

Net Book Value – this is the cost or valuation of an asset less cumulative depreciation.

Net Current Replacement Cost – is the cost of replacing or recreating the particular asset in its existing condition and in its existing use.

Non Current Asset – is an asset which is not expected to be consumed within one year of the Balance Sheet date.

Non Domestic Rates – also known as Business Rates, this is a tax on local business properties, the tax is set by the government but collected by local authorities.

Non Ring-fenced Government Grants – grant monies paid by the government to support the council's general revenue expenditure.

Operating Leases – this is a lease contract that allows for the use of an asset but does not convey rights of ownership of the asset.

Overheads – are indirect costs which cannot be directly attributed to a service.

WINCHESTER CITY COUNCIL
GLOSSARY OF TERMS

Portfolio/ Portfolio Holder – portfolios are groupings of services determined by members of the council. A member of the council's cabinet is responsible for each of the portfolios and is the portfolio holder.

Past Service Cost (Pensions) – is the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Those decisions may include additional enhanced benefits on retirement or any discretionary benefits granted.

Pension Scheme Liability – is the difference between the total amounts due to be paid to retirees and the assets available to meet those payments.

Pension Reserve – is an unusable reserve that reflects the net liability/asset in the pension fund.

Pooled Investment Funds - collective investment schemes in which a number of investors pool their money, which is then invested in a portfolio of assets.

Pooled Investment Funds Adjustment Account - the unusable reserve that accumulates the gains and losses arising from changes in the fair value of investments in qualifying pooled investment funds, as required by statutory provisions. The balance is released to revenue when the investment is disposed of.

Precepts/Preceptors – are amounts levied on the council, by other local authorities (preceptors), which the council is required to collect and distribute tax for.

Prior Period Adjustment – is an adjustment that arises from a change in accounting policies or to correct a material error. Prior period figures are corrected by amending opening balances and comparative amounts for the prior period.

Property Fund - collective investment schemes in which a number of investors put their money, which is then invested by the fund manager in a portfolio of commercial properties.

Property, Plant and Equipment (PPE) –are tangible long-term assets that are used in the provision of services and are expected to be used for more than one year.

Provision – is where the Council has a probable but uncertain economic obligation, and an estimate of that obligation is set aside to meet a future liability.

Provision for Non Domestic Rates Appeals - local authorities are liable for the cost of refunds from successful appeals against business rates valuations. A provision is recognised as an estimate of the Council's proportionate share of the potential liability.

Provision for the Financing of Capital Investment - councils are required to set aside a prudent amount of revenue each year for the repayment of debt (as measured by the underlying need to borrow, rather than actual debt). This is also known as the Minimum Revenue Provision.

Public Works Loan Board (PWLB) – is a government body that issues central government loans to local authorities.

Remuneration – are amounts paid to or receivable by an employee and amounts due by way of expenses allowances (as far as those amounts are chargeable to UK Income Tax) and the monetary value of any other non-cash benefits.

Rent Allowances – are housing benefit payments relating to property rents where the council is not the landlord.

Rent Rebates – are housing benefit payments relating to property rents where the council is the landlord.

Residual Value - is the amount that the council expects to receive for an asset at the end of its useful life less any anticipated disposal costs.

Retirement Benefits – are all forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- i) an employer's decision to terminate an employee's employment before normal retirement date; or
- ii) an employer's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

**WINCHESTER CITY COUNCIL
GLOSSARY OF TERMS**

Revaluation Reserve – this is an unusable reserve to reflect movements in Property, Plant and Equipment assets resulting from upward revaluations, and downward revaluations to the extent that there has been a previous upward revaluation.

Revenue Expenditure Funded from Capital under Statute (REFCUS) – this is expenditure which may properly be capitalised in accordance with statute but where no tangible long-term asset is created.

Revenue Support Grant (RSG) – is a general government grant that is not ring-fenced. It is based on the Government's assessment of the council's spending need, its receipt from NDR and its ability to generate income from Council Tax.

RICS - Royal Institution of Chartered Surveyors - responsible for the professional standards applied in valuing local government property.

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

Section 106 Receipts - Monies received from developers and other parties to compensate for the adverse impact of granting planning permission (e.g., building a community facility to service a new housing development).

Section 151 Officer – this is a statutory role, every local authority is required to make arrangements for the proper administration of its financial affairs; the council's S151 officer has the responsibility for the administration of those affairs.

Settlement (Pensions) – arises when a council enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan. Settlements have the effect of extinguishing a portion of the plan liabilities, usually by transferring plan assets to or on behalf of plan members to their new employer or an insurance company in settlement of the obligation.

Short-Term Borrowing – is a loan repayable within one year of the Balance Sheet date.

Short-Term Creditor – is an individual or body to whom the council owes money that is due for payment within one year of the balance sheet date.

Short-Term Debtor – an individual or body that owes money to the council that is due for payment within one year of the Balance Sheet date.

Short-Term Investments – are financial instruments with maturity dates within one year of the Balance Sheet date.

Soft Loan – is a loan with a rate of interest that is below the market rate.

Straight Line Basis – is a method used to apportion depreciation equally over the applicable number of periods.

Termination Benefits – are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

Trading Account – is a separate account prepared to determine the gross profit or loss of a business concern.

Unusable Reserves – amounts set aside that the council is not able to use to fund expenditure.

Unrealised Gains and Losses – are movements in the value of an asset but the assets have yet to be sold.

Usable Reserves – amounts set aside that the council is able to use to fund expenditure.

Useful Life – the period over which the council will derive benefits from the use of a long-term asset.

Write-off - the derecognition of an asset (such as a debtor) from the Balance Sheet when it becomes probable that the Council will not recover any further value from the asset. This does not preclude the Council from continuing attempts to (e.g.) recover a debt.

1. BUILDING CONTROL ACCOUNT

The Building (Local Authority Charges) Regulations 2010 require the setting of a scheme of charges, the recovery of costs and the disclosure of an annual statement in respect of the Building Regulation function. This scheme is renewed annually and the fee structure published on the Council's website.

Some of the activities of the Building Control Unit cannot be recharged. These include enforcement, advisory, consultative and public protection activities. The council is expected to set the fee level to ensure that, taking one financial year with another, the fees as nearly as possible equate to the expenses incurred in performing its chargeable Building Control activities.

	2020/21
	£000
Chargeable Costs	462
Chargeable Income	<u>(452)</u>
Net (surplus) or deficit	10
Building Control Earmarked Reserve (deficit brought forward)	126
Deficit carried forward	<u>136</u>

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

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

Signature: Date: July 2021

Richard Botham
Strategic Director Services, Section 151 Officer

2. CHARGES FOR PROPERTY SEARCHES

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

	2020/21
	£000
Income from charges under regulation 8 (answering queries)	(278)

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

Signature: Date: July 2021

Richard Botham
Strategic Director Services, Section 151 Officer



If you would like to receive this document in another format,
please contact Winchester City Council's customer service centre on **01962 840 222**.
Alternatively, you can request this information online.