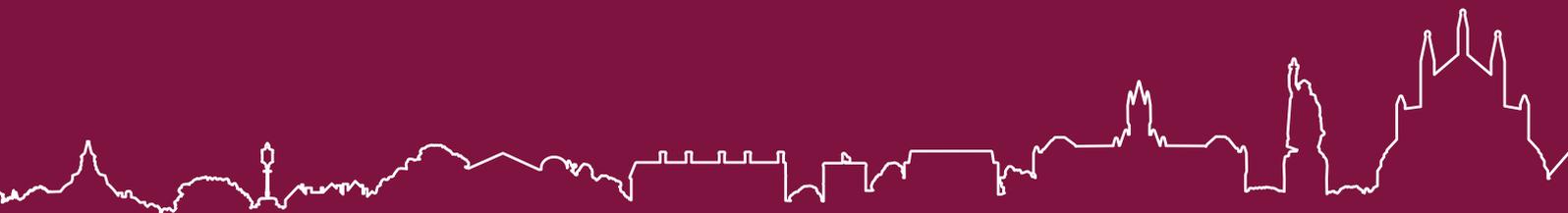




ANNUAL FINANCIAL REPORT 2021/22

FOR THE YEAR ENDED 31 MARCH 2022



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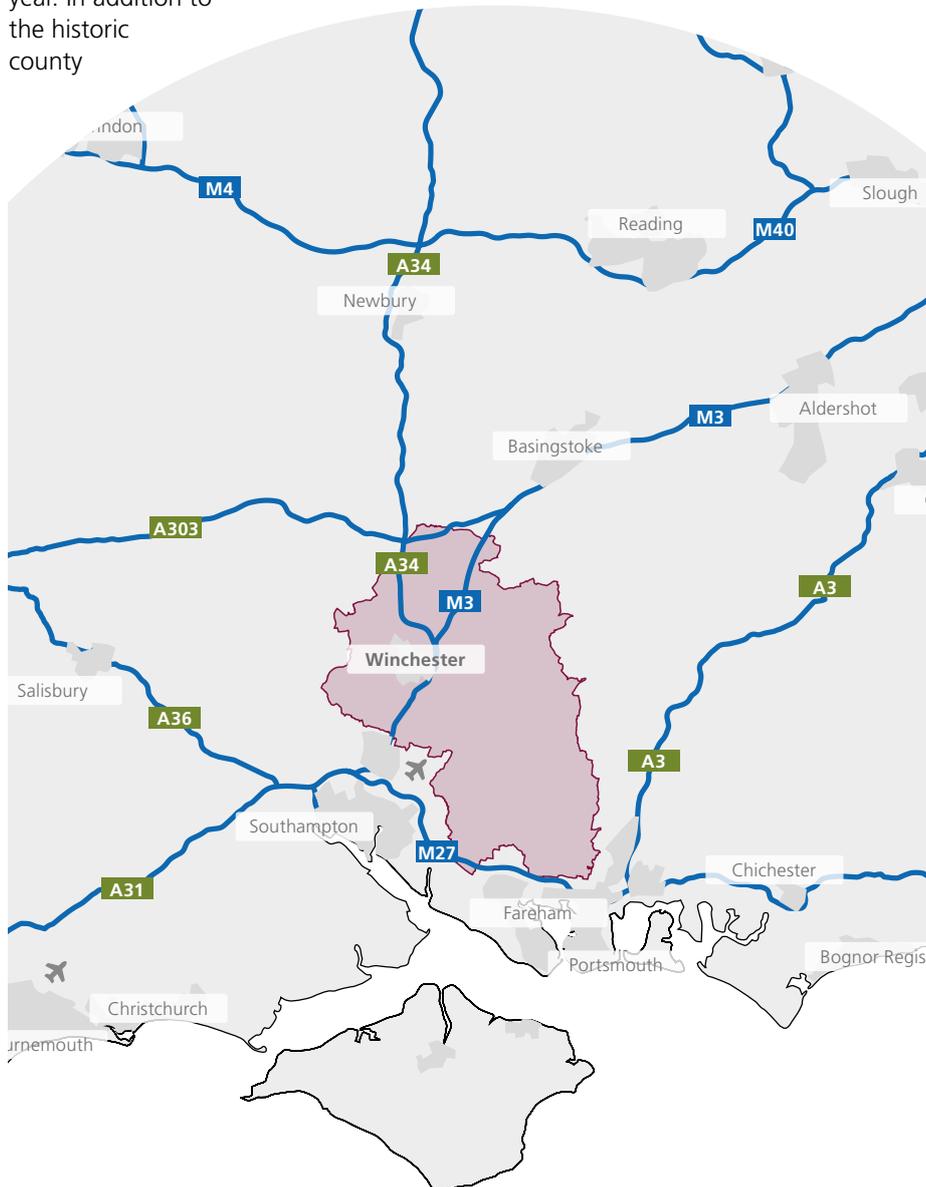
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THE WINCHESTER DISTRICT

Winchester City Council is one of 11 district and borough councils in Hampshire and the council serves an estimated population of 132,000 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's Waltham and Alresford and the flourishing business district at Whiteley. As well as the urban centres there are many miles of unspoilt countryside, the Winchester District spans 250 square miles of central Hampshire with a substantial part of the district situated within the South Downs National Park.



DISTRICT
COVERS
250
SQUARE
MILES



POPULATION
131,750
(Hampshire County
Council 2022 district
population forecast)

80%
OF ALL
RESIDENTS IN
EMPLOYMENT
(Jul 2020- June 2021 figures)



52.5%
OF RESIDENTS
QUALIFIED TO
NVQ4 AND ABOVE

8,920
BUSINESSES
Local Enterprises (2021)



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 and some services are retaining a 'hybrid' working model being home working with customer facing and office based working.

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 2022 elections)

45 Councillors

16 wards

The political make-up of the council is:

Liberal Democrat 27 Councillors;

Conservative 15 Councillors;

Independent 2 Councillors

Green 1 Councillor

Employees

Chief Executive

Three Strategic Directors

Nine Corporate Heads/Programme Leads

431 employees (389 F/T equivalents) Just under two-thirds of the council workforce is female (figures at 31/3/22).

Partnerships

The council has a shared Information Management and Technology (IMT) service with Test Valley Borough Council. Hampshire County Council provides internal audit and treasury management services.

Services the council provides

Revenues & Benefits

Housing options and social inclusion

Housing operations & community safety

Housing property services

New Homes

Engineering & Transport

Community

Economy & Tourism

Development Management

Strategic Planning

Building Control

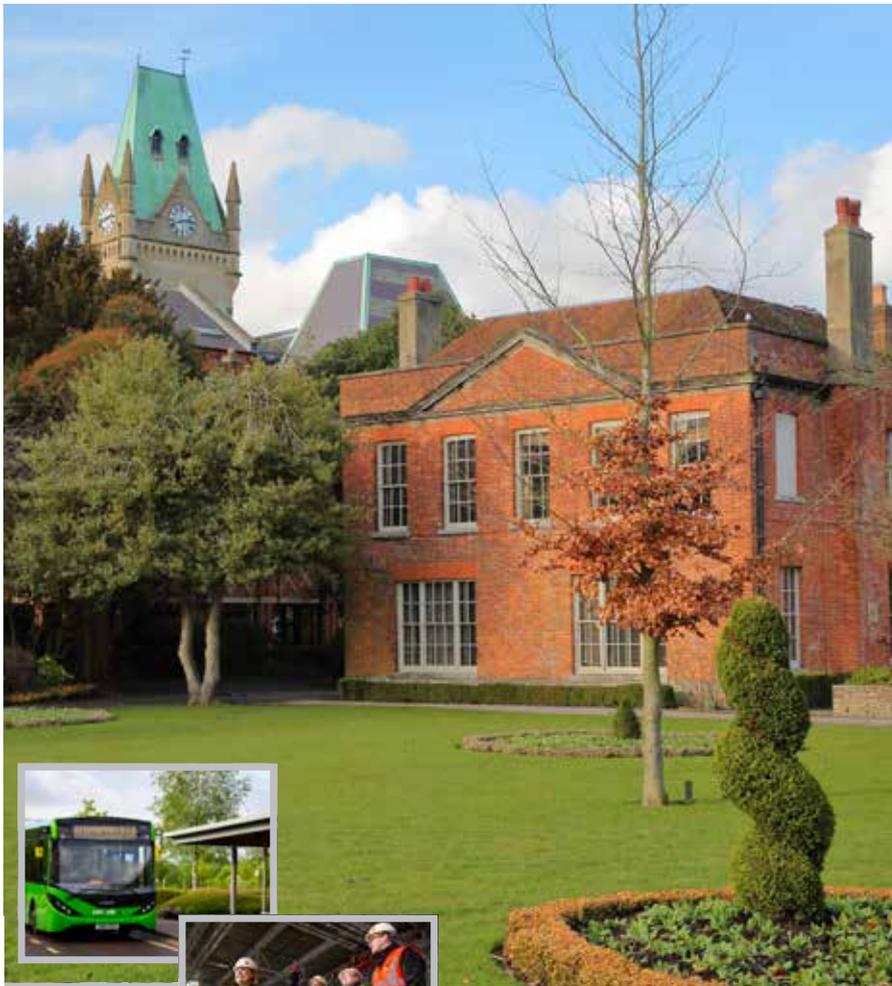
Environmental Health

Licensing

Parking

Household waste and recycling collections

Special Maintenance



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 Council 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.



Our Council 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 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 sets the agenda for the way the council spends its budget and how it invests in the community.

The plan was 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

THE COUNCIL HAS DECLARED A

CLIMATE EMERGENCY



IT'S OUR GOAL, TO BECOME
A CARBON NEUTRAL ORGANISATION BY 2024
CARBON NEUTRAL DISTRICT BY 2030

Your council agreed a comprehensive Carbon Neutrality Action Plan in December 2020 to meet these ambitious targets

THE COUNCIL'S PROGRESS TOWARDS ITS GOAL...

NEW PARK & RIDE SITE INCLUDES PHOTOVOLTAIC PANELS AND ELECTRIC CHARGING POINTS

Construction of the decked car park at the Vaultex site to provide 287 park & ride car parking spaces, 16 electric vehicle charging bays and 800m² of photovoltaic panels.



CARBON LITERACY

106 staff trained, 63 have been certified as carbon literate, the council is close to achieving carbon literate silver accreditation.



INSTALLATION OF SOLAR PV PANELS

Installation of solar photovoltaic panels on three buildings at Marwell Zoo. Preparations made for installation of solar photovoltaic panels on the Winchester depot. The panels will reduce energy consumption and generate an income stream from the sale of energy to the businesses.



CARBON FOOTPRINT REPORTS

Carbon footprint reports produced for each of the parishes and wards of Winchester, accompanying webinars delivered to community representatives.



MOVING HOMES TOWARDS ZERO CARBON

£1.5m of budget measures implemented to move the energy efficiency of new and existing homes towards zero carbon. Including £1.25m to fund additional insulation to 100 properties.



COUNCIL ACHIEVEMENTS

LIVING WELL



- Grant support to key voluntary sector organisations supporting more vulnerable residents.
- Winchester hospice opened in September, one-off grant of £50,000 towards the build costs.
- Summer activity programme delivered by community coaches to 341 children across nine district locations.
- The Winchester Sport and Leisure Park opened in May 2021, and now has approximately 4,500 health and fitness members and 1,400 swim only members. Over 1,300 children having swimming lessons every week. Overall attendance is approximately 50,000 per month.

HOMES FOR ALL



- 2 large schemes completed delivering 77 new homes at The Valley in Stanmore, and 35 new affordable homes in Kings Worthy.
- Tenancy Ready Programme for Temporary Accommodation residents to help prevent individuals returning to rough sleeping.
- Foundations laid for 54 new energy efficient homes in North Whiteley.

YOUR SERVICES YOUR VOTE



- A refreshed complaints process has been implemented in year including a revised performance monitoring process.

VIBRANT LOCAL ECONOMY



- The Welcome Back fund has provided a programme of business support in 2021 including appointments; drop in sessions and webinars.
- The redevelopment of the former depot at Bishop's Waltham with the construction of three new industrial units.
- The Economy team have been responsible for administering the government's discretionary grant. Since March 2020 almost 7 million pounds has been allocated to businesses impacted by the COVID-19 pandemic.
- The council has procured an e-commerce platform. Since launch in September, over 20,000 virtual shopping visits to more than 175 independent businesses.



LIGHT UP THE CITY

An initiative designed to increase footfall on the high street and support local business



PROVIDED
BUSINESS HOTLINE



COMMERCIAL
TENANT RENT
RELIEF SCHEME



SUPPORTING BUSINESS:
SAFE REOPENING
OF HIGH STREETS

SUPPORTING THE LOCAL ECONOMY

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.



As a council we have continued to provide all services during the pandemic with the majority of council staff continuing to work remotely. As staff began to return to working from the office, we provided a safe reduced capacity working environment. Public meetings continued throughout the year, and in periods of greater restrictions virtual meetings were held.

We have continued our essential support to the community. This includes support for the Winchester Local Resource Centre set up in March 2020 as a response to the pandemic. The center provides assistance in a variety of ways; such as help with benefits; with emergency housing situations; getting prescriptions and

delivering food parcels. We have relayed up to date guidance on government COVID-19 announcements and maintained links to websites that provide health related advice including testing for COVID-19.

We supported local businesses continually throughout the pandemic.

We have offered advice on how to operate in a COVID-19 secure way, as well as supporting safe shopping through our Ambassadors and Marshals programme. We have also issued bulletins directly to businesses offering guidance and support on the latest financial assistance available and assisted directly through the local distribution of grant relief.

GRANT DISTRIBUTED IN 2021/22

OMICRON **£1.4m**

RESTART GRANTS **£6.6m**

DISCRETIONARY GRANTS TO BUSINESSES **£3.3m**

OTHER GRANTS **£0.8m**



2021/22 GENERAL FUND BUDGET

The impact of COVID-19 and ongoing restrictions and pressures on the local and national economy will place significant pressures on council funding in 2021/22 and beyond. The 2021/22 budget was set on the assumption of a reduction in income, fees and charges for services of 20% when compared to the 2020/21 original budget.

To produce a balanced budget in 2021/22, whilst supporting the delivery of key priorities of the Council Plan, it was necessary to take measures to reduce the General Fund base budget by £3m. Of this £1.1m of reductions were from vacancy management or reduced staffing costs, whilst a further £1.9m of operational efficiencies were identified.

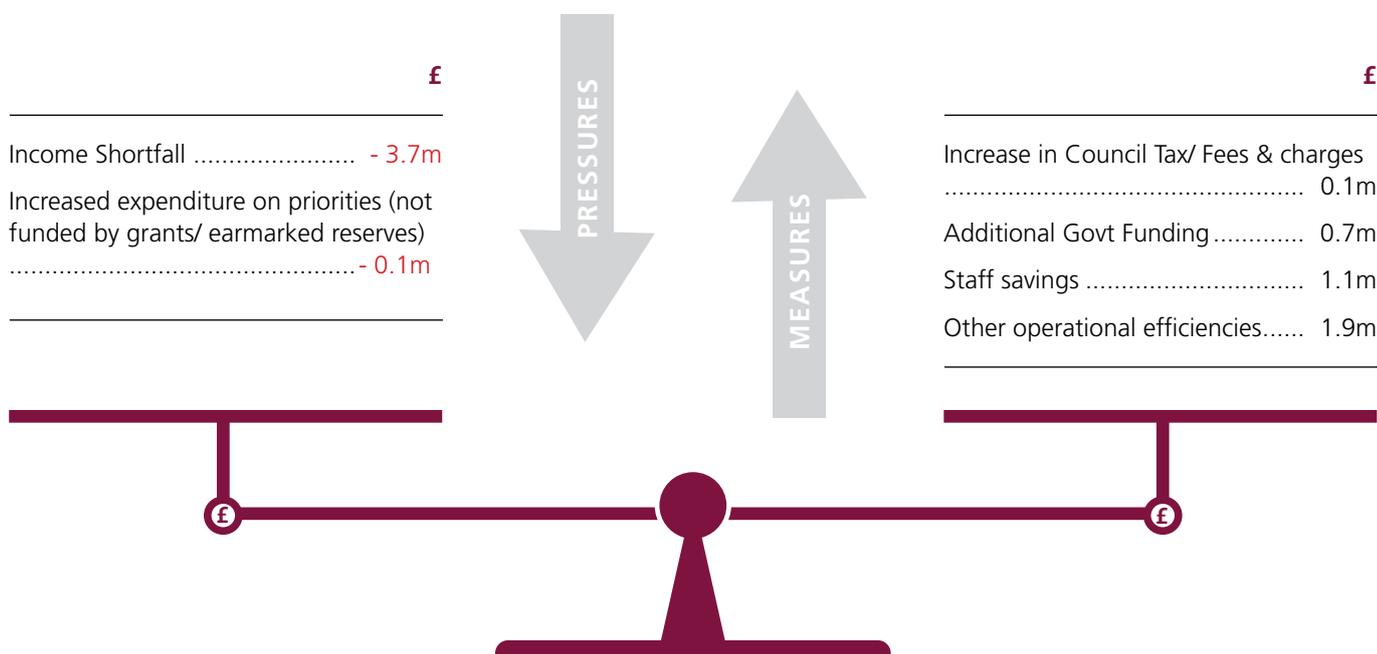
Staffing savings

The need to identify such a significant level of efficiencies to achieve a balanced budget could not be achieved without a direct impact on staffing levels. Transformation and restructure reviews were completed across a number of services with a particular focus on vacant posts – most changes maintained service provision. 28 posts (6% of the workforce) were proposed for deletion, achieving a net reduction in annual salary costs of £1.1m.

Operational efficiencies

A number of measures to achieve budget savings were identified these included:

- £500k through changing the Guildhall to a venue only facility
- £150k reduction in the annual contribution to the Parking Reserve
- £300k suspension of annual contribution to asset reserve
- £706k through a number of operational changes across services
- Other measures undertaken to balance the budget included:
 - 3% Council Tax Increase
 - 3% increase in Fees and charges (not including parking charges or garden waste)
 - 10% increase in Building Control fees



MEDIUM TERM FINANCIAL PLAN

The Medium Term Financial Plan (MTFP) sets out the council's strategic approach to the use and management of its financial resources and provide a framework within which decisions can be made.

The key proposals for achieving long term budget sustainability for the General Fund include:

- Utilising the Transitional Reserve in the short term (up to 2023/24) to cover forecast deficits and maintain a balanced budget
- Commencing a programme of strategic service reviews with a view to reducing net operating costs by £2m by March 2024, with all measures to be identified and agreed by March 2023.

Reserves are projected to reduce significantly over this period. The Transitional Reserve can be used to maintain a balanced budget through to 2023/24, with the remainder providing cover for the risk of forecasts being worse than projected.

The MTFP includes a specific focus on investment to generate additional future income. Whilst it is proposed to retain this aim within the strategy, it must be noted that scope for strategic investments to make a positive contribution to council finances is very limited, at least in the short term. Relying heavily on this strategy can expose councils to risks related to economic pressures. Announcements of potential failures and issuing of section 114 notices are increasing.

The focus on efficiency and transformation that forms a key element of the MTFP has ensured the council has maintained service provision in a climate of reducing resources. Significant savings and efficiencies have been identified, with £2.4m of budget reductions identified in 2020/21 and a further £3m of operational savings identified in 2021/22.

Medium Term Financial Projections (£m)

	22/23	23/24	24/25	25/26
Council Tax	(8.822)	(9.125)	(9.439)	(9.721)
Business Rates	(5.083)	(2.527)	(2.654)	(2.787)
Govt Funding	(2.93)	(2.818)	(1.380)	(0.349)
Investment Activity	(1.860)	(1.777)	(1.547)	(1.521)
Baseline Resource Requirement	16.153	15.691	15.122	15.570
One off budgets & Reserve related movements	2.542	0.840	1.045	1.209
(Surplus)/ Shortfall	0.0	0.284	1.147	2.401



MEDIUM TERM FINANCIAL PLAN

The existing MTFP grouped the medium term financial challenge options around five themes; transformation, efficiency, asset management, income generation and enabling partnerships. These themes will be incorporated into the Strategic Service Review process which will aim to identify options for reducing net operating costs by up to £2m by March 2024 and £4m by March 2025.

STRATEGIC SERVICE REVIEW

Modernising service delivery/Transformation

A focus on digital transformation and “channel shift”, a review of the potential for adopting a more commercial approach, removing unintended barriers/blockages between teams/services.

Asset Management/Regeneration

Making best use of existing buildings/assets, bringing forward development of existing assets to improve return on investment.

Efficiency

The 2021/22 budget process reduced net operating costs by over £3m and scope for further efficiency savings will be limited. However, whilst previous “salami slicing” style targets for budget holders will be of very limited benefit, a coordinated “cross service” efficiency programme can still make an important contribution towards the process

The council will also need to consider how much funding it provides to a range of discretionary services. These services must remain affordable within the overall financial context and it is proposed to include a focus on “discretionary” services within this programme.

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 recent changes to borrowing restrictions have had a significant impact on the scope for income generation from investment. However, opportunities will continue to be reviewed in line with the Strategic Asset Purchase (SAP) governance process.

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. It is important that fees for specific services are fully met by those benefiting from the service, rather than subsidised by the general tax payer wherever possible.

Grants/Partnerships

The council administers a well-established grants programme which underpins the work of core partners. The council also operates an effective IT service partnership with Test Valley Borough Council. Scope to switch existing direct service delivery to shared services through partnerships or partner delivery funded by grant will need to form part of the review process.



GENERAL FUND 2021/22 OUTTURN

Higher income than originally forecast and reprofiling of one-off expenditure has enabled the council to reduce the budgeted reserve movement.

Environment – the net underspend is caused by better than forecast income including planning fees, recycling income and grant income to compensate for reduced Park & Ride income.

SERVICE	ORIGINAL BUDGET	OUTTURN	VARIANCE
	£'000	£'000	£'000
ENVIRONMENT	6,296	5,207	(1,089)
LIVING WELL	5,157	4,846	(311)
HOMES FOR ALL	2,131	1,432	(699)
VIBRANT LOCAL ECONOMY	2,954	2,051	(903)
YOUR SERVICES, YOUR VOICE	5,572	3,290	(2,036)
	22,110	16,826	(5,038)
FUNDING AND OTHER ACTIVITY	(22,110)	(18,705)	3,405
UNDERSPEND			(1,633)

Underspends in the other service areas are mainly due to the reprofiling of one-off expenditure and major project expenditure to future periods. The planned use of reserves related to this expenditure no longer being required is the reason for the reduction in funding and other activity.

HOUSING REVENUE ACCOUNT OUTTURN 2021/22

The HRA outturn shows an increase in the HRA balance of £1.1m. The outturn increase in the HRA balance is consistent with the original budget. The overspend on Repairs has been offset by lower than planned borrowing costs through slippage in the HRA capital programme.

SERVICE	ORIGINAL BUDGET	OUTTURN	VARIANCE
	£'000	£'000	£'000
RENT, SERVICE CHARGES AND OTHER INCOME	(28,471)	(28,203)	268
HOUSING MANAGEMENT GENERAL	5,286	5,354	68
HOUSING MANAGEMENT SPECIAL	2,091	1,934	(157)
REPAIRS (INCLUDING ADMINISTRATION)	5,427	6,606	1179
EXTERNAL INTEREST PAYABLE	6,022	5,370	(652)
DEPRECIATION	8,544	8,588	44
OTHER INCOME AND EXPENDITURE	18	(713)	(731)
INCREASE IN HRA BALANCE	(1,083)	(1,064)	19

COLLECTION FUND 2021/22

The performance of the council's Collection Fund in 2021/22 was again 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

The government extended the reliefs to retail businesses for the first 3 months of 2021/22. The council applied the relief automatically to all eligible properties. The value of the extended reliefs issued for the council's collection fund was approximately £17m.

Because these government measures were not included in the calculation of the planned Business Rates income for the year, it again means that there is an abnormally large Collection Fund closing deficit balance this year of £18.7m. 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 22/23 as the council's share of the year end deficit £7.2m is transferred out and matched-off.

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 £0.6m

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 £488m.

Total long term assets of £716m at the balance sheet date include:

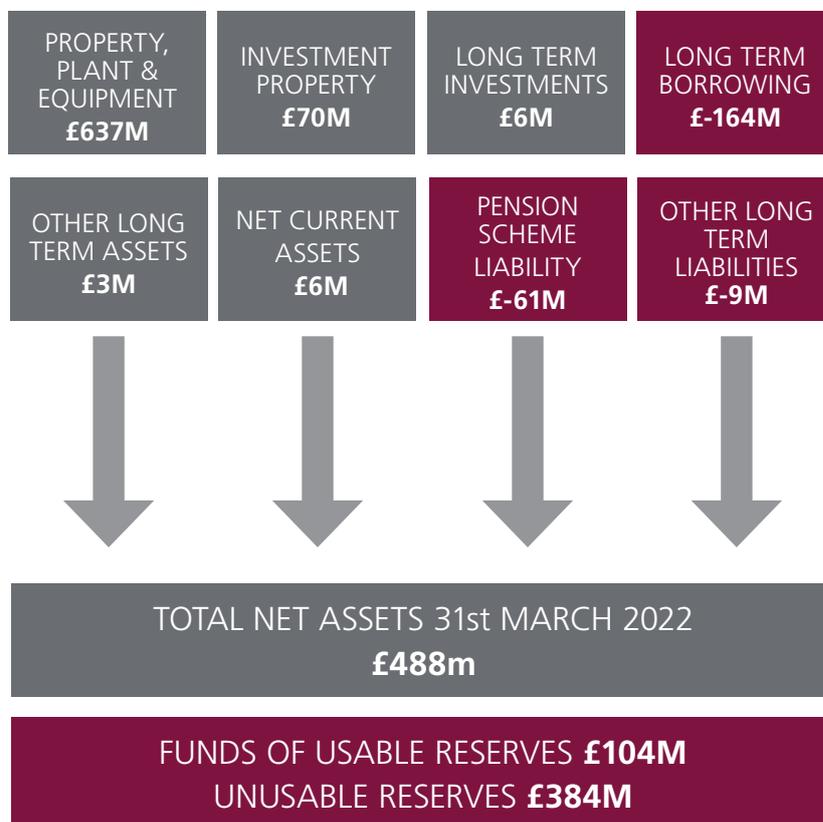
- Council dwellings £512m
- Other operational land and buildings £99m;
- Investment property £70m.

Total long term liabilities of £234m include:

- Long term borrowing of £164m
- The pension scheme potential future liability of £61m.

The council's balance sheet includes £104m of usable reserves available to fund future spending plans and programmes.

The overall increase in the council's net worth of £75m is primarily as a result of valuation increases in the value of the council's housing stock an increase in working capital, and a reduction in the pension scheme liability.



EARMARKED RESERVES

General Fund reserves have all been reviewed as part of the budget process and the levels are considered to be appropriate. The overall levels are reviewed each year in line with the Medium Term Financial Plan.

Operational Reserves

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

Asset Reserves

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

Restricted Reserves

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

Risk Reserves

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

General Fund Balance

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.

EARMARKED RESERVES

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

In summary, reserves are used to support:

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

There are significant existing budget commitments - particularly in relation to major projects such as central Winchester regeneration. In particular the Major Investment reserve, which has historically been the main reserve used to support revenue expenditure for major projects, is forecast to reduce to £4m by March 2024.

Risk Reserves

The purpose of the Transitional Reserve is to both support the significant financial risks faced by the council in relation to Government and other funding reductions and also to enable investment in the Council Plan (for example supporting the Climate Emergency).

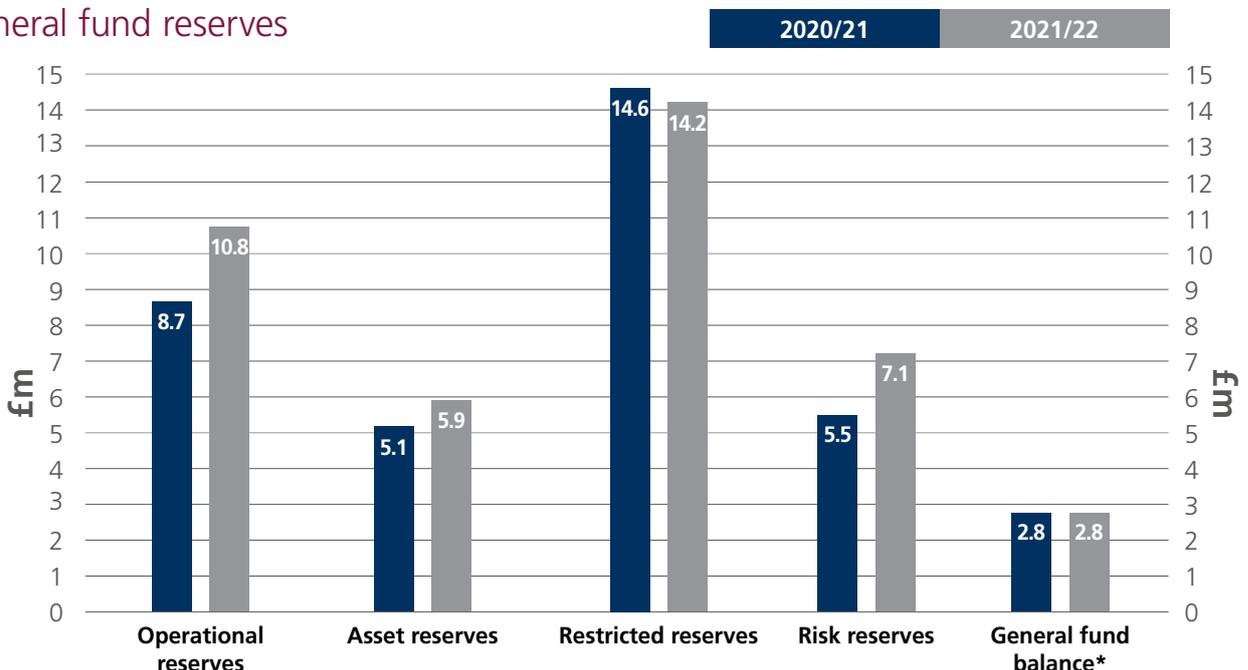
A minimum balance of £1m is also held within the business rates retention reserve in order to provide mitigation against the short term risks of a reduction in income.

Total General Fund earmarked reserves are forecast to reduce from £33.9m at 01 April 2021 to £23.9m at 31 March 2026.



TOTAL GENERAL FUND EARMARKED RESERVES REDUCE BY 10M
(forecast to reduce from £33.9m at 1/4/21 to £23.9m at 31/3/26 March 2026)

General fund reserves



* Excluding Collection Fund Timing adjustment

CAPITAL STRATEGY

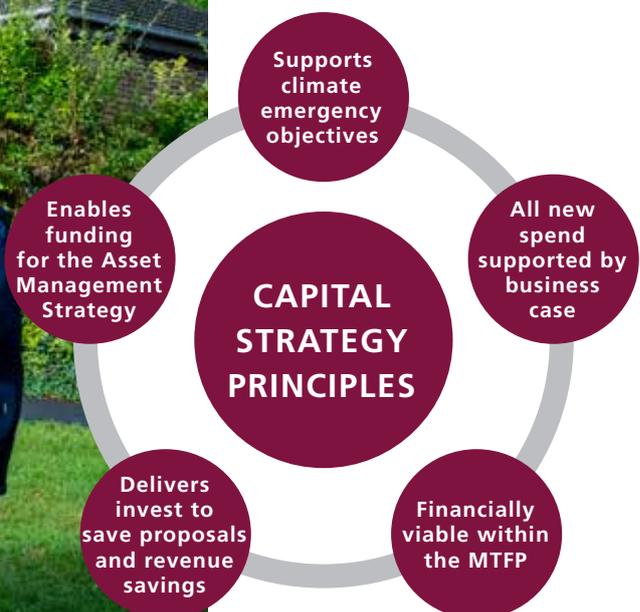
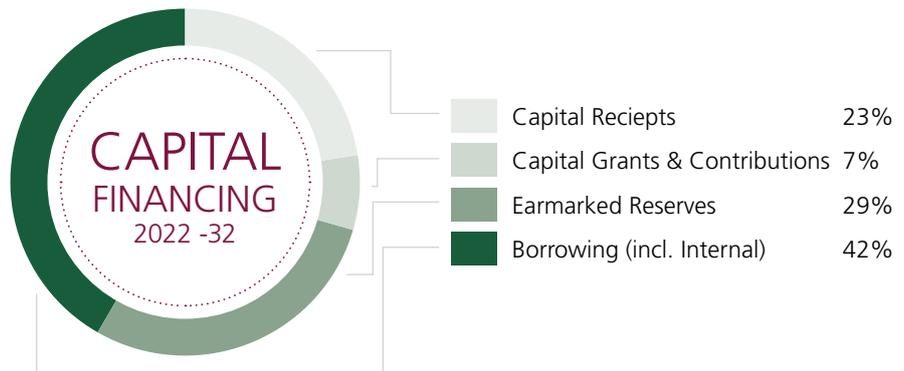
The investment of capital resources will contribute to the achievement of the council's main objectives and priorities in the Council Plan. The Capital Investment Strategy sets out the council's capital spending programme and the principles which underpin this in order to deliver the desired priorities as set out in the Council Plan. It details the overall programme for the next 10 years, how this will be financed, and the impact of the programme on the council's Medium Term Financial Plan. The forecast capital programme over the next 10 years to 2031/32 totals over £400 million of which £60.7 million is General Fund and £356.6 million is Housing Revenue Account.

The proposed financing is made up of £174.7 million of prudential borrowing, £119.9 million from revenue including earmarked reserves, £95.4 million of capital receipts and £27.3 million of capital grants and contributions.

The main sources of finance for capital projects are as follows:

- Capital receipts (from asset sales);
 - Capital grants (e.g. Disabled Facilities Grant);
- External contributions (e.g. Section 106 developers' contributions and Community Infrastructure Levy (CIL));
- Earmarked Reserves (e.g. the Major Investment Reserve, the Property Reserve, the Car Parks Property Reserve, and the IMT Reserve);
- Revenue contributions; and
- Borrowing, including internally (also known as the "Capital Financing Requirement").

Borrowing (or Capital Financing Requirement) makes up a significant element of the council's proposed financing over the next 10 years. In recent years the council has had sufficient cash and investment balances to be able to internally borrow but will now need to increase its external borrowing in addition to the £166.7m the council has already borrowed as a result of the HRA self-financing settlement and HRA capital financing. The council will need to increase its external borrowing but the amount and timing of this is dependent on the delivery of the capital programme and on the council's overall reserve position.



CAPITAL PROGRAMME

The Council Plan details how the council will deliver its five strategic priorities: Tackling the climate emergency and creating a greener district, Homes for all, Vibrant local economy, Living well, and Your services your voice. Several of these priorities will be delivered through capital spend and associated projects including for example: additional investment in the council's housing stock to improve energy efficiency and help tenants reduce their carbon emissions; the provision of new housing and maintenance of existing housing stock; major regeneration schemes; the refurbishment of council's existing assets; and provision of leisure facilities.

The following charts illustrate the percentage of total capital expenditure forecast for each of the council's priorities (the charts are based on the main priority for each project or scheme; however, many meet more than one priority).

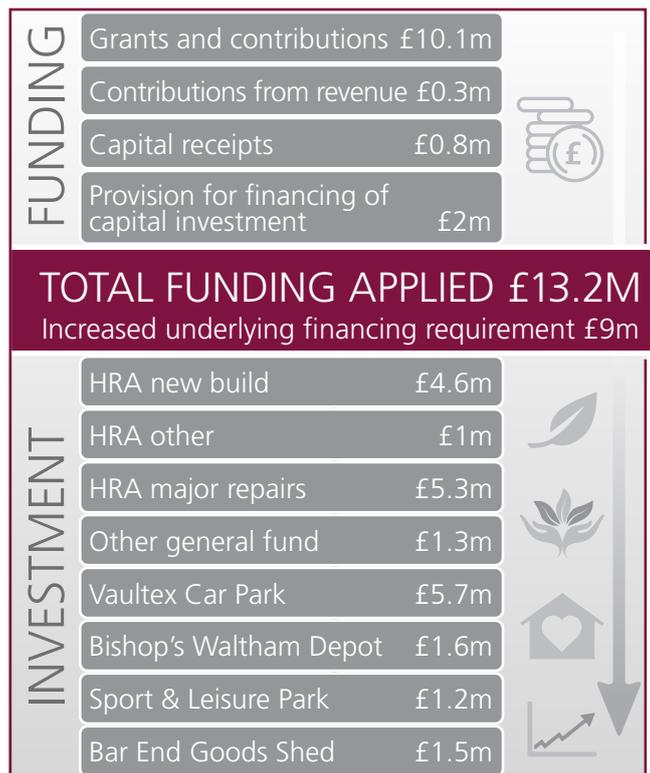
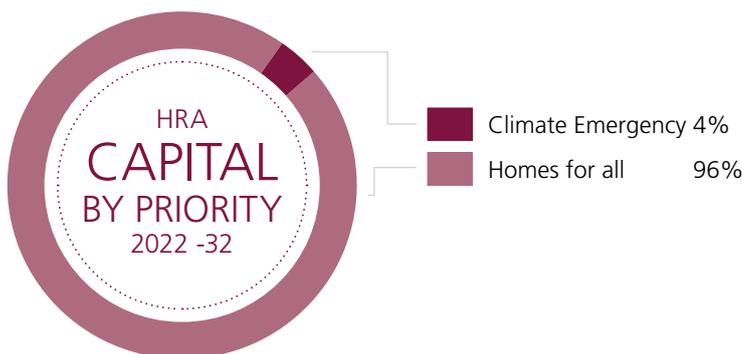
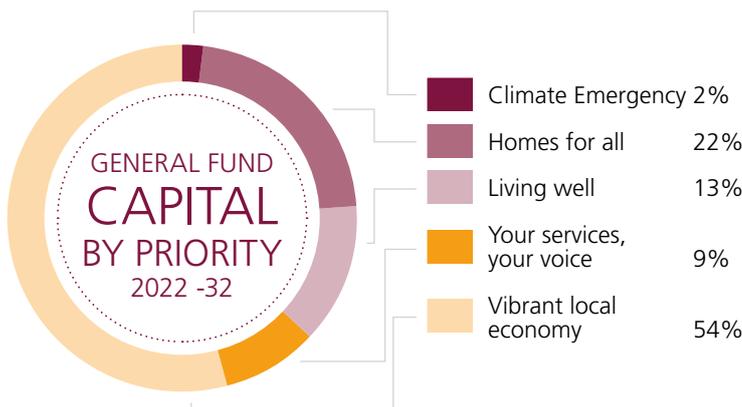
The council has made further progress in 2021/22 in delivering its ambitious capital programme. In the General Fund, works completed or due to complete this year have included:

- Winchester Sport & Leisure Park which opened in May 2021
- A major flood defence scheme at Durngate
- A new multi-storey car park on the former Vaultex site
- The provision of 3 small business units at the former depot site in Bishop's Waltham
- The conversion of the former eighteen71 café at the Guildhall into a self-contained restaurant
- The installation of Solar PV at Marwell Zoo and on the council's depot at Barfield Close
- Disabled facilities grants enabling those in private or housing association to stay in their homes by funding necessary adaptations

Housing Revenue Account capital expenditure in 2021/22 totalled £10.9m and included:

- Major repairs - £5.3m
- New build programme - £4.6m

Of the £22.2m total expenditure in 2021/22, £13.2m was funded, meaning an increase in the underlying financing requirement of £9m.





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.

A number of HRA new build schemes have been completed, or are in progress:

The Valley	77 units
Shared ownership	23
Social	54
Hookpit	35 units
Shared ownership	8
Affordable	25
Sales	2
Affordable housing acquisitions	3
Winnall Flats	76 units
Shared ownership	35
Market rent – not complete	41
North Whiteley	54 units
Shared ownership	27
Affordable – not complete	27

Kings Worthy

Burnett Lane in Kings Worthy provides 35 new affordable homes. The new development is adjacent to a landscaped open space featuring wildlife habitats, wooded areas and wildflower meadows. The scheme comprises one, two, three and four bedroom homes. The mixture of homes at Hookpit Farm includes 25 affordable rent, eight shared ownership and two discounted market sales for people with a strong local connection to Kings Worthy. The new homes are thermally efficient. They include solar panels, contributing to the council's ambition for the district to be carbon neutral by 2030.

Stanmore

The Valley in Stanmore on the outskirts of the city centre provides 77 new council homes with a range of different housing options. These include 54 properties available as social rents and three homes designed for people using a wheelchair.

The Valley development has been designed to be as and energy efficient as possible with high levels of insulation, roof mounted solar panels on all the blocks, and electric vehicle charging points available throughout the site. The council achieved more than £6 million in grant funding from Homes England to enable the council to offer 54 rented homes at social rents.

Whiteley

The council has entered into a conditional purchase contract to acquire 54 homes for the purchase price of £17m plus tax and fees.

The new homes provide a mix of tenures with 27 new shared ownership homes and 27 affordable rented homes. The builder has offered the new homes at a high energy specification as set out through the Association for Environment Conscious Building (AECB) standard and reflects the council's commitment to Carbon Neutrality.

The purchase requires 25% funding upfront in 2021-22 with the remaining 75% payable upon practical completion and handover expected in 2022-23.

The council is also able to bid to Homes England for grant funding of approximately £30k per property. A successful bid would reduce the amount of RTB receipts required to fund the scheme. The remainder of the funding for the scheme will be financed through a mixture of borrowing and shared ownership sales income.



CAPITAL PROGRAMME

Winchester Sport and Leisure Park

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.

Winchester Sport & Leisure Park opened to the public on 29 May and now has approximately 4500 health and fitness members and 1,400 swim only members.

There are now over 1,300 children having swimming lessons every week. The target for the centre is 2,500 at maturity (without COVID-19 restrictions).

There are around 6,500 individuals undertaking a health and fitness workout session every month.



OVERALL ATTENDANCE
50,000 PEOPLE PER MONTH

ENVIRONMENTAL



LIVING WELL



VIBRANT LOCAL ECONOMY



PARK YOGA'S FIRST SESSION ATTRACTED
73 PEOPLE



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

CAPITAL PROGRAMME

Vaultex Park and Ride



A new 287 space car park opposite Winchester Sport & Leisure Park in Barfield Close in Winchester opened in March. The site offers an electric vehicle charging hub for Winchester, helping decarbonise the city and provide clean energy.

The extension to the car park is part of Winchester Movement Strategy's key aim to reduce city centre traffic and improve air quality.

The structure includes 800 square metres of roof-mounted solar panels, generating enough power to charge

the 16 Electric Vehicle Charging Points as well as the lighting, lifts, CCTV and other electrical systems in the building. Further EV charge points can be added as demand grows, further underscoring the council's commitment to encouraging alternatively-fuelled and low-carbon modes of transport.

The project has been delivered by Winchester City Council in partnership with Willmott Dixon Construction and Enterprise M3 Local Enterprise Partnership (EM3 LEP) which has provided £5.65m of grant funding.



The all-new structure features:

- 400 square metres of green wall;
- 115 new trees on the side of the car park facing the South Downs National Park; charged with solar power as well.

CAPITAL PROGRAMME

Bishop's Waltham depot



The council has completed the construction of three new industrial units at Lower Lane, Bishop's Waltham.

The new development saw the demolition of the warehouses, which dated from the 1950s. The initial work was undertaken in September 2020 and the construction of the three light industrial units completed in December 2021.

The £1.5 million investment made by the council into the new buildings

includes 78 roof-mounted photovoltaic panels to ensure a high standard of sustainability performance, as well as three electric vehicle charging points and the installation of a low-energy LED lighting system. The project will improve the appearance of the area, support the development of businesses which will provide local employment opportunities while helping sustain the economy in Bishop's Waltham and deliver an income stream for the council.



CAPITAL PROGRAMME

The Goods Shed Barfield



This project looks to substantially refurbish the existing building to provide three, modern, self-contained office units fronting Barfield Close. The new units proposed behind will be of steel portal frame construction under a profile clad roof and provide modern light industrial / storage units of which there is a real shortage. Small units provide businesses with a stepping stone allowing businesses to grow; and therefore without the first rung on the ladder businesses struggle to prosper.

The site is within walking distance of the city centre and is considered a highly sustainable employment site. Developing the former Goods Shed site for commercial and light industrial use will help underpin Bar End's position as an important employment area with an emphasis on providing accommodation for small businesses who in turn support local employment. This will help to minimise the need for staff to commute and in turn help towards carbon reduction.



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.'

The engagement undertaken over many years has demonstrated that there is widespread support for the central Winchester area of the city to be repurposed for future generations. The council is critically aware of the role it plays in shaping the development and is committed to reflect development proposals back to

the aspirations set out in the Central Winchester Regeneration SPD. The development proposals will provide a city space that attracts more people, supports the economy, welcomes overnight visitors and enables more of our young people to stay – to build a career in their home district, to live, work and play.

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

ENVIRONMENTAL



LIVING WELL



HOMES FOR ALL



VIBRANT LOCAL
ECONOMY



WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
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 2022 and its income and expenditure for the year then ended.

Signature:

Date:

Richard Botham, Strategic Director, Section 151 Officer

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

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 10.

2020/21 RESTATED			2021/22			
Expenditure £000	Income £000	Net £000		Expenditure £000	Income £000	Net £000
16,974	(5,871)	11,103	Environment	23,016	(10,890)	12,126
3,966	(330)	3,636	Living Well	18,343	(608)	17,735
13,353	(10,156)	3,197	Homes for All (General Fund)	12,214	(9,419)	2,795
21,745	(29,154)	(7,409)	Homes for All (HRA)	24,052	(29,711)	(5,659)
5,254	(5,944)	(690)	Vibrant Local Economy	5,910	(1,922)	3,988
22,283	(12,697)	9,586	Your Services, Your Voice	19,206	(12,436)	6,770
83,575	(64,152)	19,423	Cost of service delivery	102,741	(64,986)	37,755
(32,988)	0	(32,988)	HRA Property Revaluation (Note 1)	(42,854)	0	(42,854)
50,587	(64,152)	(13,565)	Cost Of Services	59,887	(64,986)	(5,099)
			Other Operating Income and Expenditure			
		3,383	Parish Council Precepts			3,499
		763	Payments to the Government Housing Capital Receipts Pool			763
		(1,315)	(Gains)/Losses on the Disposal of Non Current Assets			(3,349)
		0	Other (Income)/ Expenditure - Surplus Assets			2,024
			Financing and Investment Income and Expenditure			
		5,183	Interest Payable and Similar Charges (Note 20)			5,436
		1,488	Net Interest on the Net Defined Benefit Liability (Note 15)			1,611
		(482)	Interest Receivable and Similar Income (Note 20)			(258)
		(4,724)	Income and Expenditure in relation to Investment Properties and Changes in their Fair Value (Note 18)			(5,408)
		23	(Gains)/losses for financial assets classified as fair value through profit or loss (Note 20)			(924)
			Taxation and Non-Specific Grant Income			
		(4,815)	Non-Domestic Rates Income and Expenditure (Note 11)			(5,506)
		(9,124)	Non-Ringfenced Government Grants (Note 11)			(4,780)
		(5,422)	Capital Grants and Contributions (Note 11)			(13,026)
		(11,498)	Council Tax Income			(12,043)
		(40,105)	(Surplus) or Deficit on Provision of Services			(37,060)
			Other Comprehensive (Income) and Expenditure			
		4,754	(Surplus)/Deficit on Revaluation of Non Current Assets			(14,350)
		7,507	Remeasurements on Net Defined Benefit Liability (Note 15)			(22,854)
		(27,844)	Total Comprehensive (Income)/ Expenditure			(74,264)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

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 2021	(14,569)	(33,902)	(15,596)	(70)	(8,211)	(13,234)	(1,168)	(86,750)	(326,369)	(413,119)
Movement in Reserves during 2021/22										
(Surplus) or Deficit on Provision of Services	12,165	0	(49,225)	0	0	0	0	(37,060)	0	(37,060)
Other Comprehensive (Income) and Expenditure	0	0	0	0	0	0	0	0	(37,204)	(37,204)
Total Comprehensive (Income) and Expenditure	12,165	0	(49,225)	0	0	0	0	(37,060)	(37,204)	(74,264)
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 10)	(11,723)	0	48,060	0	(8,588)	(7,052)	(8)	20,689	(20,689)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	442	0	(1,165)	0	(8,588)	(7,052)	(8)	(16,371)	(57,893)	(74,264)
Transfers to/(from) Earmarked Reserves (Note 25)	4,088	(4,088)	102	(102)	0	0	0	0	0	0
(Increase)/Decrease in Year	4,530	(4,088)	(1,063)	(102)	(8,588)	(7,052)	(8)	(16,371)	(57,893)	(74,264)
Balance at 31 March 2022 Carried Forward	(10,039)	(37,990)	(16,659)	(172)	(16,799)	(20,286)	(1,176)	(103,121)	(384,262)	(487,383)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

¹The government granted extended business rates relief to retail, hospital and leisure services during 2021/22 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 2022/23. These reliefs are shown as a deficit on the council's share of income within the Collection Fund Adjustment Account (Note 27.4), while the Section 31 grant income is held within the council's General Fund balance. In 2022/23 £7.2 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 31/3/22	(10,039)
Collection Fund Timing Difference	<u>7,239</u>
Available Working Balance	(2,800)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

	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	(2,791)	(28,388)	(12,983)	(70)	(12)	(13,448)	(544)	(58,236)	(327,039)	(385,275)
Movement in Reserves During 2020/21										
(Surplus) or Deficit on Provision of Services Other Comprehensive (Income) and Expenditure	(3,866)	0	(36,239)	0	0	0	0	(40,105)	0	(40,105)
	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 & Funding Basis Under Regulations (Note 10)	(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 25)	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	(14,569)	(33,902)	(15,596)	(70)	(8,211)	(13,234)	(1,168)	(86,750)	(326,369)	(413,119)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
BALANCE SHEET AS AT 31 MARCH 2022

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 21		Note	31 Mar 22
	£000			£000
RESTATED (Note 4)	595,433	Property, Plant and Equipment	16	636,969
	2,800	Heritage Assets	17	2,750
	66,810	Investment Property	18	69,840
	152	Intangible Assets		99
	7,577	Long-Term Investments	20	6,478
	167	Long-Term Debtors		182
	672,939	Long-Term Assets		716,318
	9,267	Short-Term Investments	20	21,143
	27	Inventories		39
	13,800	Short-Term Debtors	22	16,704
	7,075	Cash and Cash Equivalents		17,053
	30,169	Current Assets		54,939
RESTATED (Note 4)	(495)	Short-Term Borrowing	20	(5,504)
	(31,605)	Short-Term Creditors	23	(39,731)
	(3,703)	Provisions	24	(4,117)
	(35,803)	Current Liabilities		(49,352)
RESTATED (Note 4)	(169,795)	Long-Term Borrowing	20	(164,361)
	(78,133)	Pension Scheme Liability	15	(60,837)
	(6,258)	Grants and Contributions in Advance	11	(9,324)
	(254,186)	Long-Term Liabilities		(234,522)
	413,119	Net Assets		487,383
	86,750	Usable Reserves		103,121
	326,369	Unusable Reserves	27	384,262
	413,119	Total Reserves		487,383

These financial statements replace the unaudited financial statements certified by Richard Botham on xx July 2022.

Signature:

Date:

Richard Botham
Strategic Director, Section 151 Officer

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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.

2020/21			2021/22	
£000	£000		£000	£000
		<u>Cash Flows from Operating Activities</u>		
	(40,105)	Surplus on the Provision of Services		(37,060)
		<i>Adjustments for Non-Cash Movements</i>		
(9,780)		Depreciation of Property, Plant and Equipment	(10,165)	
34,641		Revaluation gains on property, plant and equipment and investment property	24,556	
(65)		Amortisation of Intangible Assets	(57)	
(3,975)		Pension Fund Adjustments	(5,558)	
(273)		(Increase)/Decrease in Impairment for Bad Debts	29	
145		Contributions (to)/from Provisions	(414)	
(2,184)		Carrying Amount of Property, Plant and Equipment sold or derecognised	(5,324)	
(23)		Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	924	
		<i>Accruals adjustments:</i>		
(9)		Increase in Inventories	12	
1,437		Decrease/(Increase) in Short-term and Long-term Debtors	2,876	
(10,249)		Increase/(Decrease) in Short-term Creditors	(8,126)	
(675)	8,990	Decrease/(Increase) in Grants and Contributions	(3,066)	(4,313)
	(31,115)			(41,373)
		<i>Adjust for Items that are Investing and Financing Activities</i>		
3,499	3,499	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	6,639	6,639
	(27,616)	<u>Net Cash Flows from Operating Activities</u>		(34,734)
		<u>Cash Flows from Investing Activities</u>		
47,107		Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	21,103	
10,099		Purchase of Short Term and Long Term Investments	22,913	
(3,499)		Proceeds from the Sale of Property, Plant, Equipment, Investment Property and Intangible Assets	(6,639)	
(11,226)		Proceeds from the Sale of Short Term and Long Term Investments	(13,046)	
	42,481	<u>Net Cash Flows from Investing Activities</u>		24,331
		<u>Cash Flows from Financing Activities</u>		
(10,002)		Cash receipts from Long Term Borrowing	1	
0		Cash Payments for the Reduction of the Outstanding Liabilities Relating to Finance Leases	424	
	(10,002)	<u>Net Cash Flows from Financing Activities</u>		425
	4,863	<u>Net (Increase)/Decrease In Cash and Cash Equivalents</u>		(9,978)
	11,938	Cash and cash equivalents at the beginning of the year		7,075
	7,075	Cash and cash equivalents at the end of the year		17,053

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 2021/22 the value of dwellings has increased by £42.874 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). 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 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

<u>2021/22</u>	Net charge to the General Fund & HRA under statutory funding provisions £000	Adjustments for Capital Purposes £000	Net change for Pensions Adjustments £000	Other Adjustments £000	Net costs in the Comprehensive Income and Expenditure Statement £000
Environment	5,207	6,025	894	0	12,126
Living Well	4,847	12,669	219	0	17,735
Homes for All	(13,492)	(33,273)	1,047	0	(45,718)
Vibrant Local Economy	3,881	11	96	0	3,988
Your Services, Your Voice	4,303	1,795	672	0	6,770
Cost of Services	4,746	(12,773)	2,928	0	(5,099)
Other income & expenditure	(31,593)	(2,997)	2,629	0	(31,961)
Other General Fund & HRA items	16,612	(12,389)	0	(4,223)	0
(Surplus)/deficit on the General Fund & HRA	(10,235)	(28,159)	5,557	(4,223)	(37,060)
Opening General Fund and HRA balance at 1 April 21	(72,348)				
Surplus on General Fund and HRA	(10,235)				
Loss on valuation (to Pooled Fund Adjustment Account)	924				
Other	0				
Closing General Fund and HRA balance at 31 March 22	(81,659)				
<u>Analysis of Reserve Balance</u>	General Fund £000	HRA £000	Total £000		
General Fund Balance	(10,039)		(10,039)		
Earmarked Reserves	(37,990)	(172)	(38,162)		
HRA balance		(16,659)	(16,659)		
Major Repairs Reserve		(16,799)	(16,799)		
Total	(48,029)	(33,630)	(81,659)		

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

RESTATED 2020/21	Net charge to the General Fund & HRA under statutory funding provisions	Adjustments for Capital Purposes	Net change for Pensions Adjustments	Other Adjustments	Net costs in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Environment	9,623	1,070	410	0	11,103
Living Well	3,763	(234)	107	0	3,636
Homes for All	(14,140)	(23,646)	586	0	(37,200)
Vibrant Local Economy	(770)	31	49	0	(690)
Your Services, Your Voice	7,672	1,138	776	0	9,586
Cost of Services	6,148	(21,641)	1,928	0	(13,565)
Other income & expenditure	(26,347)	(2,239)	2,046	0	(26,540)
Other General Fund & HRA items	(7,883)	(3,899)	0	11,782	0
(Surplus)/deficit on the General Fund & HRA	(28,082)	(27,779)	3,974	11,782	(40,105)
Opening General Fund and HRA balance at 1 April 20	(44,244)				
Surplus on General Fund and HRA	(28,082)				
Loss on valuation (to Pooled Fund Adjustment Account)	(23)				
Other	1				
Closing General Fund and HRA balance at 31 March 21	(72,348)				
<u>Analysis of Reserve Balance</u>	General Fund	HRA	Total		
	£000	£000	£000		
General Fund Balance	(14,569)		(14,569)		
Earmarked Reserves	(33,902)	(70)	(33,972)		
HRA balance		(15,596)	(15,596)		
Major Repairs Reserve		(8,211)	(8,211)		
Total	(48,471)	(23,877)	(72,348)		

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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

2020/21		2021/22
£000		£000
23,293	Employees	24,312
9,890	Premises	11,501
423	Transport	394
6,159	Supplies & services	7,203
9,155	Third party payments	8,556
24,138	Transfer Payments	22,312
(21,247)	Capital Charges	(12,959)
(1,224)	Support Services	(1,432)
(64,152)	External income	(64,986)
(13,565)	Cost Of Services	(5,099)

2020/21	<u>Analysis of External Income</u>	2021/22
£000		£000
(27,467)	Government Grants & Contributions	(22,336)
(29,139)	HRA Rent, Service Charges, & Other	(29,887)
(7,546)	Other Fees & Charges	(12,763)
<u>(64,152)</u>		<u>(64,986)</u>

3. RESTATEMENT OF THE PRIOR PERIOD NET COST OF SERVICES

The service analysis presentation in the Cost of Services is changed in this year's Comprehensive Income & Expenditure Statement and Expenditure and Funding Analysis (note 2) to reflect the basis on which financial performance has been internally reported to and monitored by the Cabinet in 2021/22. The internal financial reporting basis used in 2021/22 differs from the directorate basis reported in previous years so it is necessary to restate the 2020/21 Cost of Services comparators so that they are consistent with the new basis of internal reporting. The service analysis reported in the 2020/21 financial statements is set out in the table below:

	2020/21		
	Expenditure £000	Income £000	Net £000
Business	5,485	(5,742)	(257)
Environment	16,473	(5,906)	10,567
Health and Happiness	2,453	(287)	2,166
Housing Strategy & Homelessness	3,436	(240)	3,196
Delivering Quality Housing (HRA)	21,745	(29,154)	(7,409)
Operational Delivery	27,083	(22,062)	5,021
Organisational Management	6,900	(761)	6,139
Cost of service delivery	83,575	(64,152)	19,423
HRA Property Revaluation	(32,988)	0	(32,988)
Cost Of Services	50,587	(64,152)	(13,565)

4. RESTATEMENT OF THE PRIOR PERIOD BALANCE SHEET

The balance sheet as at 31 March 2021 has been amended to include an embedded lease for refuse vehicles identified in the contract for waste and recycling collection services that commenced on 1st February 2021. The balance sheet has been amended to include additional vehicle assets within Property Plant and Equipment £3,497 (see also Note 16) and an equivalent Finance Lease liability in Short Term Borrowing £424k and Long Term Borrowing £3,073k (for additional details see note 19 Finance Leases) .

5. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 29 the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Future funding for local government - there is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Asset reclassifications - the council has made judgements on whether assets are classified as Investment Property, Heritage Assets or Property, Plant and Equipment. These judgements are based on the main reason that the council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the council they are deemed to be Property, Plant and Equipment assets. If there is no subsidy and/or full market rent is being charged this would indicate that the asset is an Investment Property, if held principally to be preserved, in trust, for future generations because of their cultural, environmental or historical associations, this would indicate a Heritage Asset. The classification determines the valuation method to be used.
- Contractual arrangements - the council has made judgements on whether its contractual arrangements contain embedded leases (i.e. arrangements that are not legally leases but take the form of payments in return for the use of specific assets). In February 2021 the council signed a contract agreement with Biffa Waste Services Limited for the provision of waste and recycling collection services. The contract involves the exclusive use of a fleet of refuse collection vehicles with an initial value of approximately £3.5m, the council has determined that there is in substance a lease of those vehicles and has recognised them on the Balance Sheet.
- Since 2020/21 the council has received funds for distribution to local businesses as part of the Governments initiatives relating to the COVID-19 pandemic. For the schemes Local Restrictions Support Grant; Closed Business Support Grant; Restart Grant; and the Omicron Hospitality and Leisure Grant, the council is of the view that it is acting as an agent of the government in distributing the funds, because it is applying specified scheme rules and has no effective control over which businesses receive support and how much they are paid. As a result in 2021/22 £8.6m of receipts and payments have been treated as cash flows only and not included as income or expenditure in the Comprehensive Income and Expenditure Statement.

6. 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:

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	<p>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.</p>	<p>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 15 to the accounts.</p>
Arrears/Debt Impairment	<p>At 31 March 2022, the council had a balance of sundry debtors of £2.68 million. A review of debtors, profiled by the age of the debt, suggested that a loss allowance of 20.7% (£0.55 million) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, and an increase of 5% was attributed to each category of aged debt, an additional charge of 66k would need to be set aside as an allowance.</p>
Provision for Business Rates appeals	<p>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 2021/22 and earlier financial years, in their proportionate share. A provision has been recognised as the best estimate that businesses have been overcharged based on the Valuation Office ratings list of appeals, the analysis of previous appeals and other known relevant information.</p>	<p>The council's share of the total business rate appeal provision of £10.1 million amounted to £4million which has reduced the amount of income that is distributed from the Collection Fund to the council's General Fund. A 10% increase or decrease in the council's share of the provision would require an adjustment of £400k.</p>
Valuation of operational property	<p>The council's external valuer provided valuations as at 31 March 2022 for the whole portfolio. Asset valuations are based on market prices.</p>	<p>A reduction in estimated valuations would result in reductions to the revaluation reserve and/or a loss recorded in the Comprehensive Income and Expenditure statement (CIES). If the value of operational properties reduced by 10% this would result in a £9.9m total reduction to the revaluation reserve and/or loss to the CIES. The charge to the CIES would be reversed out to the Capital Adjustment Account (CAA) and would not affect the General Fund balance.</p> <p>An increase in estimated valuations would result in increases to the revaluation reserve and/ or reversals of previous negative revaluations in the CIES.</p>

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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 £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 £25.6m 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>

7. 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 2022, the figures in the financial statements and notes have, in all material respects, been adjusted to reflect the impact of this information.

8. GOING CONCERN

Underlying principle

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

A balanced 2021/22 budget was set in February 2021 with a 20% forecast income shortfall from the continuing impact of COVID 19 being offset by £3m of identified savings, of which staff savings £1.1m and other operational efficiencies £1.9m. The assumption that economic pressures would reduce the council's income by 20% was highly uncertain and subject to significant potential variance, any excess shortfalls would be funded from the Transitional Reserve.

The final outturn is £1.9m favourable to the February 2022 forecast and £4.5m favourable to the original budget, with reduced draws on earmarked reserve and transfers of surplus into the Major Investment Reserve, meaning earmarked reserves have been protected as far as possible and in some cases even replenished. With the uncertainty in relation to future funding local government projections indicating the potential for longer term deficits, the Transitional Reserve will be used to ensure that the council is able to maintain services and produce a balanced budget while it continues its programme of identifying and implementing cost savings as part of the Medium Term Financial Strategy. A balanced budget has been set for 2022/23 and the level of reserves are expected to be adequately maintained to provide a robust medium term financial strategy.

Cash position

The council had a cash and investment balance of £44.7m as at 31 March 2022. 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 2022/23 and the following financial period, and without the impact of the capital programme does not forecast the need to borrow for revenue purposes. Due to its capital programme, and prior year unfinanced capital expenditure, the council may need to increase its external borrowing within the current or following period. However, due to its forecast reserve position, a significant proportion of its capital financing requirement will remain covered by internal borrowing; this results in an opportunity cost which is lower than if the council were to externalise all of its capital borrowing need.

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

Conclusion

These accounts have been prepared on a going concern basis and a balanced budget was produced for 2022/23.

9. ACCOUNTING STANDARDS ISSUED BUT NOT ADOPTED

There are no changes in accounting requirements for 2022/23 that are anticipated to have a material impact on the council's financial performance or financial position.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

10. 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).

<u>2020/21</u>					<u>2021/22</u>					
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										
(3,603)	(372)	-	0	0	Pensions (transfers to/ from Pensions Reserve)	(4,790)	(768)	-	0	0
(11,782)	0	0	0	0	Council Tax and Business Rates (transfers to/ from the Collection Fund Adjustment Account)	4,223	0	0	0	0
1,517	22,327	0	0	(624)	Reversal of entries included in the Surplus or Deficit on Provision of Services in relation to Capital Adjustment Account	(13,096)	30,997	0	0	(8)
(23)	0	0	0	0	Fair value gains/losses of pooled investment funds	924	0	0	0	0
4	(4)	0	0	0	Other adjustments	11	(11)	0	0	0
(13,887)	21,951	0	0	(624)	Total Adjustments to Revenue Resources	(12,728)	30,218	0	0	(8)
Adjustments between Revenue & Capital Resources										
0	3,476	(3,476)	0	0	Transfer of non current sale proceeds from revenue to the Capital Receipts Reserve	180	8,458	(8,639)	0	0
0	8,199	0	(8,199)	0	Funding set aside to Major Repairs Reserve	0	8,588	0	(8,588)	0
431	0	0	0	0	Statutory provision for the Financing of Capital	876	0	0	0	0
321	0	0	0	0	Voluntary provision for the Financing of Capital	377	787	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
472	0	0	0	0	Capital Expenditure financed from revenue	335	9	(9)	0	0
461	11,675	(2,713)	(8,199)	0	Total Adjustments between Capital and Revenue Resources	1,005	17,842	(7,885)	(8,588)	0
Adjustments to Capital Resources										
0	0	2,979	0	0	Use of Capital Receipts Reserve to finance capital	0	0	833	0	0
0	0	(52)	0	0	Receipt of previously deferred capital receipts	0	0	0	0	0
0	0	2927	0	0	Total Adjustments to Capital Resources	0	0	833	0	0
(13,426)	33,626	214	(8,199)	(624)	Total Adjustments	(11,723)	48,060	(7,052)	(8,588)	(8)

11. GRANT INCOME

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

Credited to Services:

2020/21		2021/22
£000		£000
(10,622)	Rent Allowances	(10,160)
(9,721)	Rent Rebates	(8,837)
(5,877)	COVID-19 grants	(1,612)
(709)	Contributions	(1,201)
(613)	Other Grants	(526)
(27,542)	Total	(22,336)

Credited to Taxation and Non Specific Grant Income

£000		£000
	Non Domestic Rates Income and Expenditure	
(25,139)	Retained Business Rates	(25,652)
2,766	Levy Payment	2,321
21,248	Tariff Payment	20,429
10,965	Share of (surplus)/deficit	6,607
(492)	Allowances	(471)
(14,152)	S31 Grants	(8,740)
(11)	Other	0
(4,815)		(5,506)
	Capital Grants and Contributions	
(1,372)	Other Capital Grants and Contributions	(9,952)
(2,724)	Community Infrastructure Levy	(1,843)
(1,326)	Disabled Facilities Grant	(1,231)
(5,422)		(13,026)
	Non-Ringfenced Government Grants	
(4,580)	New Burdens Grant	(1,528)
(2,839)	New Homes Bonus	(1,963)
(46)	Revenue Support Grant	(49)
(1,659)	Other	(1,240)
(9,124)		(4,780)
(19,361)	Total	(23,312)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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:

31/3/21		31/3/22
£000		£000
	<u>Grants and Contributions in Advance</u>	-
(1,921)	Developers' Contributions - Social Housing	(4,951)
(552)	Developers' Contributions - Open Spaces	(465)
(2,568)	Developers' Contributions - West of Waterlooville	(2,564)
(438)	Open Spaces Commuted Payments	(386)
(779)	Other	(958)
(6,258)	Total	(9,324)

The receipt and payment of some COVID-19 grants during 2021/22 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.

COVID-19 Agency Grant Schemes

	<u>2020/21</u>			<u>2021/22</u>		
	<u>Income</u>	<u>Expenditure</u>	<u>Balance</u>	<u>Income</u>	<u>Expenditure</u>	<u>Balance</u>
	£000	£000	£000	£000	£000	£000
Restart Grants	0	0	0	(6,607)	6,607	0
Omicron Grants	0	0	0	(1,362)	1,362	0
Local Restrictions/ Closed Business Support Grants	(10,167)	10,167	0	(675)	675	0
Business Support Scheme	(27,690)	27,690	0	0	0	0
	(37,857)	37,857	0	(8,644)	8,644	0

12. 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.

2020/21 £000		2021/22 £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
19	Fees Payable to the External Auditor for the Certification of Grant Claims and Returns for the Year	22
0	Fees Payable in Respect of the Other Services Provided by the External Auditor During the Year	0
62	Total	65

¹The appointed external auditor is seeking approval from the fee setting body Public Sector Audit Appointments (PSAA) for fee variations of £33,318 relating to 2020/21. The additional fee requests are as a result of increased audit work to satisfy additional regulatory requirements subsequent to the setting of the original scale fee. The additional fees are not yet approved and are therefore not included in the above figures.

13. 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 2021/22. 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>2020/21</u>				<u>2021/22</u>		
Ongoing employees	Employees left in year	Total Employees	Remuneration Band	Ongoing employees	Employees left in year	Total Employees
18	0	18	£50,000-£54,999	15	1	16
9	0	9	£55,000-£59,999	14	1	15
3	0	3	£60,000-£64,999	4	0	4
3	0	3	£65,000-£69,999	2	0	2
5	0	5	£70,000-£74,999	2	0	2
2	0	2	£75,000-£79,999	5	0	5
0	0	0	£80,000-£84,999	0	0	0
1	0	1	£85,000-£89,999	0	0	0
1	0	1	£90,000-£94,999	1	0	1
0	0	0	£95,000-£99,999	1	0	1
1	0	1	£100,000-£104,999	0	0	0
0	0	0	£105,000-£109,999	1	0	1
0	1	1	£115,000-£119,999	0	0	0
0	0	0	£120,000-£124,999	0	0	0
1	0	1	£125,000-£129,999	1	0	1
44	1	45		46	2	48

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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 2021/22.

2021/22	Salary	Taxable expenses & benefits	Pension payments	Compensation for loss of office	Total
	£'000	£'000	£'000	£'000	£'000
Chief Executive ¹	129	1	23	0	153
Strategic Director: Place (Interim) ² Strategic Director ²	135	0	0	0	135
Strategic Director: Place ³	61	1	11	0	73
Strategic Director: Resources ⁴	93	1	17	0	111
Strategic Director: Services ⁵	104	1	19	0	124

¹The Chief Executive also received payments of £22,699 as Returning Officer in 2021/22; these are excluded above.

²The Strategic Director: Place (Interim) left this post 22nd August 2021, payments of £59,475 have been made to an Employment Agency for his services for this role. Payments of £75,863 have been made to an Employment Agency for Strategic Director: Regeneration role from 23rd August 2021.

³The Strategic Director: Place started in post 23rd August 2021.

⁴The Monitoring Officer is the Strategic Director: Resources.

⁵The S151 Officer is the Strategic Director: Services.

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	89	1	16	0	106
Strategic Director: Services ⁴	99	1	18	0	118
Strategic Director ⁵	50	5	193	65	313

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

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

³The 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.

⁴The Strategic Director: Services post was an Interim position until 1st July 2020.

⁵The Strategic Director left on 30th September 2020. Pension payments includes £183,634 early retirement costs.

14. TERMINATION BENEFITS AND EXIT PACKAGES

The council terminated the contracts of 1 employee, incurring liabilities (for compensation for loss of office; employer's pension contributions for enhanced benefits; and other costs) in 2021/22 of £39,767 (£587,271 in 2020/21).

2020/21				2021/22		
Compulsory Redundancy	Other Termination	Amount Paid (£)	Total Package	Compulsory Redundancy	Other Termination	Amount Paid (£)
15	5	149,179	£0 - £20,000	0	0	0
0	0	0	£20,001 - £40,000	0	1	39,767
1	0	51,243	£40,001 - £60,000	0	0	0
1	1	133,384	£60,001 - £80,000	0	0	0
0	1	253,465	£250,001 - £300,000	0	0	0
17	7	587,271		0	1	39,767

15. DEFINED BENEFIT PENSION SCHEMES

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

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

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

The constructive obligation on the Council's share of the Hampshire Pension Fund resulting from the McCloud judgement has been included in the figures in the 2021/22 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:

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2020/21 £000		2021/22 £000
	<u>Included in the Cost of Services</u>	
5,096	Current Service Cost	6,732
206	Past Service Cost	101
0	Settlement Cost	0
	<u>Included in Financing and Investment Income and Expenditure</u>	
1,488	Net Interest on the Net Defined Benefit Liability	1,611
	<u>Included in Other Comprehensive Income and Expenditure</u>	
(7,507)	Remeasurement of the Net Defined Benefit Liability	22,854
(717)	Total Included in Comprehensive Income and Expenditure	31,298
	<u>Included in the Movement in Reserves</u>	
(6,790)	Removal of Notional Charges Made for Retirement Benefits	(8,444)
2,815	Inclusion of Actual Employer's Contributions Payable	2,886
(3,975)	Total Included in the Movement in Reserves	(5,558)
	<u>Actual Employer's Contributions Charged Against Council Tax</u>	
2,440	Normal Funded Contributions	2,623
206	Lumps Sums for Early Retirements	101
169	Discretionary / Unfunded Added Years	162
2,815	Total Amount Charged to Council Tax	2,886

Assets and liabilities in relation to post-employment benefits

The movement in scheme liabilities was:

2020/21 Funded Liabilities £000	2020/21 Unfunded Liabilities £000		2021/22 Funded Liabilities £000	2021/22 Unfunded Liabilities £000
(181,654)	(2,263)	Opening Present Value of Liabilities	(221,888)	(2,268)
(5,096)	0	Current Service Cost	(6,732)	0
(4,136)	(50)	Interest Expense on Benefit Obligation	(4,615)	(46)
(969)	0	Contributions by Scheme Participants	(939)	0
(36,759)	(156)	Actuarial Gains / (Losses) - Financial Assumptions	13,900	49
0	0	Actuarial Gains / (Losses) - Demographic Assumptions	2,157	37
2,079	32	Actuarial Gains / (Losses) - Experience	(685)	(8)
4,853	169	Net Benefits Paid Out	5,240	162
(206)	0	Past Service Cost	(101)	0
0	0	Settlements	0	0
(221,888)	(2,268)	Closing Present Value of Liabilities	(213,663)	(2,074)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
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The movement in the fair value of the scheme assets was:

2020/21 £000		2021/22 £000
117,266	Opening Fair Value of Assets	146,023
2,698	Interest Income on Assets	3,050
969	Contributions by Scheme Participants	939
2,815	Contributions by the Employer	2,886
27,297	Remeasurement Gains / Losses on Assets	7,404
(5,022)	Net Benefits Paid Out	(5,402)
0	Settlement	0
146,023	Closing Fair Value of Assets	154,900

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 2021/22 was a gain of £10.4 million (£29.4 million gain in 2020/21).

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 2023 is £7.85 million (£7.8 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:

2020/21 £000		2021/22 £000
	<u>Principal Financial Assumptions</u>	
2.1%	Rate for Discounting Scheme Liabilities	2.7%
2.7%	CPI Inflation Rate	3.0%
2.7%	Pension Increases	3.0%
2.7%	Pension Accounts Revaluation Rate	3.0%
3.7%	Rate of General Increases in Salaries	4.0%
	<u>Mortality Assumptions</u>	
	Future lifetime from 65 for members aged 65 at 31 Mar	
23.1	Males	22.9
25.5	Females	25.4
	Future lifetime from 65 for members aged 45 at 31 Mar	
24.8	Males	24.7
27.3	Females	27.1

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

2020/21 £000				2021/22 £000		
Quoted	Unquoted	Total		Quoted	Unquoted	Total
49.4%	7.6%	57.0%	Equities	44.7%	11.0%	55.7%
0.8%	5.3%	6.1%	Property	0.9%	6.0%	6.9%
17.3%	0.0%	17.3%	Government Bonds	18.0%	0.0%	18.0%
0.0%	0.0%	0.0%	Corporate Bonds	0.0%	0.0%	0.0%
1.4%	0.0%	1.4%	Cash	0.9%	0.0%	0.9%
0.0%	0.0%	0.0%	Multi Asset Credit	9.2%	0.0%	9.2%
15.9%	2.3%	18.2%	Other	5.8%	3.5%	9.3%
84.8%	15.2%	100.0%		79.5%	20.5%	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 2022.

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 2022

	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	209,390	-2.0%	6,026	-3.5%
0.1% Decrease in Discount Rate	218,150	2.1%	6,470	3.6%
0.1% Increase in the Salary Increase Rate	214,090	0.2%	6,245	0.0%
0.1% Decrease in the Salary Increase Rate	213,236	-0.2%	6,245	0.0%
0.1% Increase in the Pensions Increase Rate	217,509	1.8%	6,470	3.6%
0.1% Decrease in the Pensions Increase Rate	209,817	-1.8%	6,026	-3.5%
1 year Increase in Post Retirement Mortality	206,398	-3.4%	6,001	-3.9%
1 year Decrease in Post Retirement Mortality	220,928	3.4%	6,495	4.0%

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

16. PROPERTY, PLANT AND EQUIPMENT (PPE)

Movements in 2021/22	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation</u>								
At 1 April 2021	450,434	61,031	15,855	8,426	1,073	0	72,066	608,885
Additions	6,809	528	322	502	0	0	12,827	20,988
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	0	11,139	0	0	0	2,557	0	13,696
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	34,557	(18,544)	0	0	0	(2,024)	0	13,989
Derecognition - Disposals	(2,877)	(264)	(9)	0	0	0	(2,189)	(5,339)
Reclassifications	23,533	45,154	124	1,736	0	6,793	(78,010)	(670)
At 31 March 2022	512,456	99,044	16,292	10,664	1,073	7,326	4,694	651,549
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2021	0	0	(9,817)	(3,461)	(174)	0	0	(13,452)
Depreciation Charge	(8,317)	(711)	(838)	(297)	(2)	0	0	(10,165)
Accumulated Depreciation Written-Out to the Gross Carrying Amount on Depreciation Written-Out to the Revaluation Reserve	0	705	0	0	0	0	0	705
Depreciation Written Out to the Surplus/Deficit on the Provision of Services	8,317	0	0	0	0	0	0	8,317
Derecognition - Disposals	0	6	9	0	0	0	0	15
At 31 March 2022	0	0	(10,646)	(3,758)	(176)	0	0	(14,580)
<u>Net Book Value</u>								
At 31 March 2022	512,456	99,044	5,646	6,906	897	7,326	4,694	636,969
At 31 March 2021	450,434	61,031	6,038	4,965	899	0	72,066	595,433

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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
<u>Cost or Valuation</u>	£000	£000	£000	£000	£000	£000	£000
At 1 April 2020	419,586	70,392	12,213	8,208	1,073	34,118	545,590
Additions RESTATED ¹	5,822	570	4,104	270	0	39,809	50,575
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	15,855	8,426	1,073	72,065	608,885
<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
Other Movements in Depreciation and Impairment	0	0	0	0	0	0	0
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	6,038	4,965	899	72,065	595,433
At 31 March 2020	419,586	70,392	2,307	4,982	901	34,118	532,286

¹: Prior Period Amendment to include additional Refuse Vehicles £3,497k (See also Note 4)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Depreciation and estimated useful lives

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

Boilers	12 years
Heating	30 – 40 years
Kitchens	19 years
Bathrooms	40 years
Roofs	50 years
Doors & windows	40 years
Electrical rewiring	30 years
Eaves & rainwater	40 years
Structure	67 years

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

Other Land and Buildings	5 – 60 years
Vehicles, Plant, Furniture and Equipment	4 – 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 2022, 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 2022 were £29,147,000 (similar commitments at 31 March 2021 were £5,551,000) made up as follows:-

	£000
HRA New Build (Winnall Flats)	14,091
HRA New Build (North Whiteley)	12,585
HRA - Major Works	1,144
HRA -Other	296
Disabled Facilities Grants	369
General Fund -Other	662
	<hr/>
	29,147

Revaluations and Impairments

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

During 2021/22, 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 31/01/2022
- PPE (with the exception of car parks and leisure centres) – valuation date 31/01/2022
- Car parks & leisure centres - valuation date 31/03/2022
- HRA dwellings and Garages - valuation date 31/01/2022

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 31/03/2022

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
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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 2021 and effective 31 January 2022) and the RICS Valuation – Global Standards 2017: UK National Supplement (issued November 2018 and effective from 14 January 2019), and in accordance with the specific sections in the IFRS based CIPFA Code of Practice on Local Authority Accounting (the Code).

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

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

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

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

	2021/22	2020/21	2019/20	2018/19	2017/18	Historic Cost	Total
	£000	£000	£000	£000	£000	£000	£000
Council Dwellings	512,456	0	0	0	0	0	512,456
Land & Buildings	99,044	0	0	0	0	0	99,044
Plant / Vehicles / Equipment	0	0	0	0	0	5,646	5,646
Infrastructure	0	0	0	0	0	6,906	6,906
Community	0	0	0	0	0	897	897
Surplus	0	0	0	0	0	7,326	7,326
Assets Under Construction	0	0	0	0	0	4,694	4,694
Total	611,500	0	0	0	0	25,469	636,969

17. HERITAGE ASSETS

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

Cost or Valuation	Art Collection	Civic Regalia	Archaeology	Total
	£000	£000	£000	£000
Balance as at 31 March 2020	850	1,500	450	2,800
Balance as at 31 March 2021	850	1,500	450	2,800
Revaluation	(100)	0	50	(50)
Balance as at 31 March 2022	750	1,500	500	2,750

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.

An oil painting of Lady Elizabeth Woodville pleading for her children before Edward IV was recently valued downwards to £400,000 (2020/21: £500,000) by the independent auction house (Andrew Smith & Son) as at 25th June 2021.

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 recently valued upwards to £500,000 (2020/21: £450,000) as at 18 March 2022 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:

- Anglo-Saxon hubcap type brooch and hooked tag
- Medieval Key and clasp
- Bronze sculpture of Andromeda
- Oil paintings
- Various coins
- Several local history paper archives for archaeology.

There have been no disposals during this period.

18. INVESTMENT PROPERTIES

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

2020/21		2021/22
£000		£000
	<u>Income and Expenditure in Relation to Investment Properties</u>	
(2,952)	Rental Income from Investment Property	(3,855)
504	Direct Operating Expenses of Investment Property	697
0	(Gain)/Loss on Disposal of Investment Property	0
<u>(2,276)</u>	Net (Gain)/Loss on Revaluation of Investment Property	<u>(2,250)</u>
<u>(4,724)</u>	Net (Income)/Expenditure on Investment Properties	<u>(5,408)</u>

The council's investment properties were revalued as part of the exercise undertaken by Wilks Head & Eve LLP (see note 16).

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2020/21 £000		2021/22 £000
61,459	Balance at the start of the year	66,810
0	Additions - Acquisitions	0
0	Additions - Enhancements	111
0	Disposals	0
2,276	Net Gains/(Losses) from Fair Value Adjustments	2,250
	<u>Transfers:</u>	
3,075	- (To)/From Property, Plant and Equipment	669
<u>66,810</u>	Balance at the end of the year	<u>69,840</u>

Investment Properties Fair Value Measurements

	Retail £000	Offices £000	Industrial £000	Residential / Garages £000	Other £000	Total £000
Level 2 Fair Value Measurements	29,274	9,852	4,174	25,624	916	69,840
Total	29,274	9,852	4,174	25,624	916	69,840

Valuation Techniques and Inputs

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

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

Unobservable Inputs

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

Sensitivity of Unobservable Inputs

n/a

The Council holds several assets (garages, parcels of land, and small industrial units) as investment properties where the highest and best use is greater than their current use. In total, the difference between their current value and their highest and best use value is £14.13m. Of this amount, £13.75m relates to garage sites which are being held as investment properties for their rental income and future development potential.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Capital Commitments for Investment Property Assets

As at 31 March 2022, the council had not entered into contracts for the acquisition of Investment Properties in 2022/23 and future years. The total commitment at 31 March 2022 was £nil (similar commitments at 31 March 2021 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:

2020/21		2021/22
£000		£000
3,793	Due within one year	3,417
9,955	Due later than one year and not later than five years	11,761
74,782	Due after five years	75,183
88,530	Total future minimum lease rentals receivable	90,360

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.

19. FINANCE LEASES

Council as lessee

The Council has identified an embedded lease within the waste and recycling collection services contract. This is where there are specific assets to be utilised for the duration of the contract and paid for as part of the contractual payments for the services provided. These assets are refuse vehicles. The lease element of the contract has been classified as a finance lease and the payments have been separated from the contractual payments and analysed between the capital repayment and the attributable finance costs.

The net book value of the assets, which are included within Property, Plant and Equipment, are as follows:

2020/21		2021/22
£000		£000
3,497	Vehicles Plant and Equipment	3,060

The Council is committed to make payments under the contract which can be analysed as follows:

2020/21		2021/22
£000		£000
	Finance Lease Liabilities (net present value of minimum lease payments)	
424	-Current	433
3,073	-Non Current	2,639
299	Finance Costs Payable in Future Years	228
<u>3,796</u>	Minimum Lease Payments	<u>3,300</u>

The liabilities are payable according to the following timescale:

Minimum Lease payments	Finance Lease Liability		Minimum Lease payments	Finance Lease Liability
2020/21	2020/21		2021/22	2021/22
£000	£000		£000	£000
495	424	Not later than one year	495	433
3,301	3,073	Later than one year but not later than five years	2,805	2,639
<u>3,796</u>	<u>3,497</u>	Total	<u>3,300</u>	<u>3,072</u>

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

20. 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 21 £000	<u>Short Term</u> 31 Mar 21 £000		<u>Long Term</u> 31 Mar 22 £000	<u>Short Term</u> 31 Mar 22 £000
		<u>Investments</u>		
2,038	8,267	Amortised Cost	0	20,143
5,539	1,000	Fair Value through Profit or Loss	6,478	1,000
		<u>Cash and Cash Equivalents</u>		
0	(2,405)	Amortised Cost	0	3,451
0	9,480	Fair Value through Profit or Loss	0	13,590
		<u>Debtors</u>		
167	3,371	Amortised Cost	182	5,421
7,744	19,713	Total Financial Assets	6,660	43,605
		<u>Borrowings</u>		
(166,722)	(71)	Amortised Cost	(161,722)	(5,071)
		<u>Other Liabilities</u>		
(3,073)	(424)	Finance Lease-Amortised Cost ¹	(2,639)	(433)
		<u>Creditors</u>		
0	(12,687)	Amortised Cost	0	(7,008)
(169,795)	(13,182)	Total Financial Liabilities	(164,361)	(12,512)

¹ RESTATEMENT Prior period balance amended by the inclusion of £3,497 Finance Lease liability (Note 4).

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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

2021/22	Financial Liabilities at Amortised Cost	Financial Assets: Amortised Cost	Financial Assets: Fair Value through profit or loss	Total
	£000	£000	£000	£000
Interest Expense	5,436	0	0	5,436
(Gain)/loss on valuation	0	0	(924)	(924)
Interest Income	0	(33)	(225)	(258)
Reversal of impairment losses	0	0	0	0
Net (Gain)/Loss for the Year	5,436	(33)	(1,149)	4,254
2020/21	£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

The council has no material soft loans.

Fair Value of Assets and Liabilities

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

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

For Financial Assets at Amortised Cost and Financial Liabilities at Amortised Cost, fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, 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 values of finance lease liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA rated corporate bond yield.
- The fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying amount given the low interest rate environment.
- The fair values of other long-term investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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

Balance Sheet	Fair Value		FV Level	Balance Sheet	Fair Value
31/03/21	31/03/21			31/03/22	31/03/22
£000	£000			£000	£000
		Financial assets held at fair value:			
10,480	10,480	Money market funds	1	18,090	18,090
5,351	5,351	Property funds	2	6,290	6,290
1,000	1,002	Bond funds	1	987	987
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:			
2,038	2,046	Corporate, covered and government bonds	1	0	0
0	0	Long-term investments with local authorities	2	0	0
<u>19,057</u>	<u>19,067</u>	Total		<u>25,555</u>	<u>25,555</u>
4,862		Assets for which fair value is not disclosed		19,119	
<u>23,919</u>		Total financial assets		<u>44,674</u>	
		<i>Recorded on balance sheet as:</i>			
7,577		Long-term investments		6,478	
9,267		Short-term investments		21,143	
<u>7,075</u>		Cash & cash equivalents		<u>17,053</u>	
<u>23,919</u>		Total financial assets		<u>44,674</u>	

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

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Balance Sheet	Fair value		FV Level	Balance Sheet	Fair value
31/03/21	31/03/21	Financial liabilities at amortised cost:		31/03/22	31/03/22
£000	£000			£000	£000
(166,793)	201,295	Long-term loans from PWLB	2	(166,793)	(178,027)
(3,497)		Liabilities for which fair value not disclosed*		(3,072)	
(170,290)		Total Financial Liabilities		(169,865)	
		<i>Recorded on balance sheet as:</i>			
(169,795)		Long-term borrowing*		(164,361)	
(495)		Short-term borrowing*		(5,504)	
(170,290)		Total		(169,865)	

*2020/21 Figures Restated to include Finance Lease

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

21. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

Credit Risk: Investments

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

31/3/21	Exposure Category	31/3/22
£000		£000
22,160	Treasury Investments	41,825
3,524	Trade Receivables	2,675
25,684	Total Credit Risk Exposure	44,500

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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

Asset Type	Credit Risk Management Practices	Estimation of Impairment Loss Allowance
Government gilts, bonds Loans to other authorities	Investments guaranteed by statute – no credit risk.	No allowance required.
Deposits with banks, building societies and other investments	Deposits are restricted by the council's Treasury Management Strategy to institutions with high credit ratings and will be recalled if these fall below investment grade A-. A limit of £7m of the total portfolio is placed on the amount of money that can be invested with a single counterparty. For unsecured investments in banks, building societies and companies, a smaller limit of £3.5m 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. 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.	12 month expected credit losses have been calculated by applying risk factors provided by the council's treasury management providers.

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

Long Term	Short Term	Credit Rating	Long Term	Short Term
31/3/21	31/3/21		31/3/22	31/3/22
£000	£000		£000	£000
2,038	3,677	AAA	0	4,060
0	0	AA-	0	13,465
0	250	A+	0	1,011
0	4,011	A	0	2,010
0	0	A-	0	0
0	10,480	AAA Money Market Funds	0	18,090
0	1,704	Unrated local authorities	0	3,189
5,351	1,002	Credit risk not applicable*	6,290	987
7,389	21,124	Total Investments	6,290	42,812

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

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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.

	31/03/2021		31/03/2022	
	Trade receivables £000	Loss Allowance £000	Trade receivables £000	Loss Allowance £000
Not past due	2,099	1	1,299	2
Past due < 3 months	548	32	599	35
Past due 3-12 months	440	199	342	108
Past due 12+ months	437	411	435	410
Total	3,524	643	2,675	555

Liquidity Risk

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

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

31/03/21		Time to maturity (years)	31/03/22	
Discounted (principal) £000	Undiscounted (principal plus interest) £000		Discounted (principal) £000	Undiscounted (principal plus interest) £000
-	(5,363)	Not over 1	(5,000)	(10,363)
(5,000)	(10,363)	Over 1 but not over 2	(5,000)	(10,235)
(15,000)	(30,294)	Over 2 but not over 5	(20,000)	(34,872)
(30,000)	(51,937)	Over 5 but not over 10	(35,000)	(56,002)
(40,000)	(69,888)	Over 10 but not over 20	(35,000)	(63,539)
(40,000)	(74,433)	Over 20 but not over 40	(56,722)	(89,751)
(36,722)	(39,602)	Over 40	(10,000)	(11,755)
(166,722)	(281,880)	Total	(166,722)	(276,517)

Market Risks: Interest Rate Risk

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

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

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	(380)
Decrease in fair value of investments held at FVPL	29
Impact on Surplus or Deficit on the Provision of Services	(351)
Decrease in fair value of investments held at FVOCI/ Available for Sale	0
Impact on Comprehensive Income and Expenditure	(351)

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 2022 would result in a £0.29m (2021: £0.26m) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

22. SHORT-TERM DEBTORS

31 Mar 21		31 Mar 22
£000		£000
1,913	Central Government Bodies	159
3,424	Other Local Authorities	3,914
4,735	Other Entities and Individuals	4,435
0	NHS Bodies	0
252	Council Tax	276
268	Housing Rents	280
3,208	Prepayments	7,640
<u>13,800</u>	Total	<u>16,704</u>

23. SHORT-TERM CREDITORS

31 Mar 21		31 Mar 22
£000		£000
(15,717)	Central Government Bodies	(23,372)
(915)	Other Local Authorities	(493)
(1,253)	Other	(2,876)
(12,149)	Trade Creditors	(6,371)
(1,571)	Amounts Received in Advance	(6,619)
<u>(31,605)</u>	Total	<u>(39,731)</u>

24. PROVISIONS

The 2021/22 provision consists of an amount for insurance (representing the excesses payable in respect of liabilities existing at the Balance Sheet date); and a provision for the council's share of appeals that have been lodged against NNDR (Business Rates) valuations. These liabilities were probable at the Balance Sheet date but the timing and amount was uncertain.

	Insurance	NNDR	Total
	£000	£000	£000
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 1 April 2021	(74)	(3,629)	(3,703)
Additional Provisions made in 2021/22	0	(797)	(797)
Amounts Used in 2021/22	0	383	383
Balance at 31 March 2022	(74)	(4,043)	(4,117)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

25. 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 2021/22.

	Balance at 1/4/2020	Net Transfers	Balance at 31/3/2021	Transfers Out	Transfers in	Balance at 31/3/2022
	£000	£000	£000	£000	£000	£000
General Fund						
Operational Reserves						
Major Investment Reserve	(7,616)	697	(6,919)	2,805	(4,916)	(9,030)
Other	(1,955)	208	(1,747)	270	(289)	(1,766)
Asset Reserves						
Car Parks Property	(2,427)	878	(1,549)	0	(350)	(1,899)
Property Reserve	(3,310)	(200)	(3,510)	0	(250)	(3,760)
Other	(532)	468	(64)	136	(280)	(208)
Restricted Reserves						
CIL General Fund	(8,928)	(1,974)	(10,902)	245	(1,587)	(12,244)
Covid 19 Discretionary grant	0	(2,021)	(2,021)	2,021	0	0
Other	(1,445)	(273)	(1,718)	145	(381)	(1,954)
Risk Reserves						
Business Rates Retention	(1,000)	(900)	(1,900)	0	0	(1,900)
Exceptional Inflation Pressures					(2,000)	(2,000)
Transitional Reserve	(1,037)	(2,396)	(3,433)	343	0	(3,090)
Other	(139)	0	(139)	0	0	(139)
Total General Fund	(28,389)	(5,513)	(33,902)	5,965	(10,053)	(37,990)
HRA Insurance	(70)	0	(70)	70	0	0
HRA Sinking Fund	0	0	0	0	(172)	(172)
Total Earmarked Reserves	(28,459)	(5,513)	(33,972)	6,035	(10,225)	(38,162)

26. 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.

2020/21 RESTATE			2021/22	
£000	£000		£000	£000
	204,012	Opening Capital Financing Requirement		249,805
		<u>Capital Expenditure</u>		
50,575		Property, Plant and Equipment	20,988	
0		Investment Properties	111	
29		Intangible Assets	4	
1,466		Revenue Expenditure Funded from Capital Under Statute	1,149	
0		Acquisition of Share Capital	0	
	52,070			22,252
		<u>Sources of finance</u>		
(2,979)		Capital Receipts	(833)	
(2,074)		Government Grants and other contributions	(10,032)	
0		HRA Major Repairs Reserve	0	
0		HRA Revenue	0	
(472)		GF Reserves	(335)	
	(5,525)			(11,200)
	46,545	Unfinanced capital expenditure in year		11,052
	(431)	Statutory provision for the financing of capital investment		(876)
	(321)	Voluntary provision for the financing of capital investment		(1,164)
	249,805	Closing Capital Financing Requirement		258,817
		<u>Explanation for Movement in year</u>		
	45,793	Increase/(decrease) in underlying need to borrow		9,012

27. UNUSABLE RESERVES

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

31/3/21 £000		31/3/22 £000
(28,038)	Revaluation Reserve	(41,980)
(353)	Pooled Investment Funds Adjustment Account	(1,277)
(387,537)	Capital Adjustment Account	(409,046)
78,133	Pensions Reserve	60,837
(36)	Deferred Capital Receipts Reserve	(35)
11,462	Collection Fund Adjustment Account	7,239
(326,369)	Total Unusable Reserves	(384,262)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

27.1. 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.

2020/21		2021/22
£000		£000
(34,923)	Balance at 1 April	(28,038)
(967)	Upward Revaluation of Assets	(15,672)
5,721	Downward Revaluation of Assets and Impairment Losses not Charged to the Surplus/Deficit on the Provision of Services	1,322
<u>4,754</u>	Surplus or Deficit on Revaluation of Non-Current Assets not Posted to the Surplus or Deficit on the Provision of Services	<u>(14,350)</u>
292	Difference between Fair Value Depreciation and Historical Cost Depreciation	261
<u>1,839</u>	Accumulated Gains on Assets Disposed of or Transferred Between Funds	<u>147</u>
<u>2,131</u>	Amount Written Off to the Capital Adjustment Account	<u>408</u>
(28,038)	Balance at 31 March	(41,980)

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.

27.2. Pensions Reserve

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

2020/21		2021/22
66,651	Balance at 1 April	78,133
7,507	Actuarial Gains or Losses on Pensions Assets and Liabilities	(22,854)
6,790	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)	8,444
<u>(2,815)</u>	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year (Note 22)	<u>(2,886)</u>
78,133	Balance at 31 March	60,837

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

27.3. Capital Adjustment Account

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

2020/21		2021/22
£000		£000
(357,983)	Balance at 1 April	(387,537)
	<u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:</u>	
9,780	Charges for Depreciation and Impairment of Non-Current Assets	10,165
(32,365)	Revaluation (Gains)/Losses on Property, Plant and Equipment	(22,305)
65	Amortisation of Intangible Assets	57
1,466	Revenue Expenditure Funded from Capital Under Statute	1,149
2,184	Amounts of Non Current Assets Written-Off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	5,324
<u>(18,870)</u>		<u>(5,610)</u>
(2,131)	Adjusting Amounts Written-Out of the Revaluation Reserve	(410)
<u>(21,001)</u>	Net Written Out Amount of the Cost of Non-Current Assets Consumed in the Year	<u>(6,020)</u>
	<u>Capital Financing Applied in the Year:</u>	
(2,979)	Use of the Capital Receipts Reserve to Finance New Capital Expenditure	(833)
0	Use of the Major Repairs Reserve to Finance New Capital Expenditure	0
(22)	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	(280)
(2,052)	Capital Grants and Contributions Credited to the Comprehensive Income and Expenditure Statement that have been Applied to Capital Financing	(9,751)
(431)	Statutory Provision for the Financing of Capital Investment	(876)
(321)	Voluntary Provision for the Financing of Capital Investment	(1,164)
(472)	Capital Expenditure Charged Against the General Fund and HRA Balances	(335)
<u>(6,277)</u>		<u>(13,239)</u>
<u>(2,276)</u>	Movements in the Market Value of Investment Properties Debited or Credited to the Comprehensive Income and Expenditure Statement	<u>(2,250)</u>
<u>(387,537)</u>	Balance at 31 March	<u>(409,046)</u>

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

27.4. 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.

2020/21 £000		2021/22 £000
(320)	Balance at 1 April	11,462
	Amount by which Collection Fund income recognised within the Comprehensive Income and Expenditure Statement is different to income calculated in accordance with statutory requirements:	
23	Council Tax	(63)
11,759	Business Rates	(4,160)
<u>11,462</u>	Balance at 31 March	<u>7,239</u>

28. 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 11.

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 2021/22 totalled £392,282 (£385,562 in 2020/21). The Mayor and Deputy Mayor also received allowances for their additional mayoral duties - these totalled £4,610 in 2021/22 (£4,555 in 2020/21). A detailed breakdown of amounts paid to individual councillors and co-opted members can be found on the council's website www.winchester.gov.uk.

The council provides material financial assistance to a number of organisations (mainly arts or voluntary community bodies) although it does not exercise any form of control over these organisations. Councillor L Thompson is a director of the Hampshire Cultural Trust to which the council paid quarterly grants totalling £297,424 in 2021/22. Councillor A Clear is a director of the Winchester Excavations Committee to which a grant of £5,000 was paid in 2021/22. No other members declared a material related party interest with the council. Written declarations of interest are recorded in the Register of Members' Interests, which is open to public inspection on the Council's website. Declarations made at meetings are recorded in the minutes of that meeting.

Officers

Chief Officers have the ability to influence the council. During 2021/22 there were no material transactions between the council and chief officers.

29. ACCOUNTING POLICIES

29.1 General Principles

The Financial Statements summarise the council's transactions for the 2021/22 financial year and its position at 31 March 2022. 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 2021/22, 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.

29.2 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.

29.3 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

29.4 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.

29.5 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.

29.6 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 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

- 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.

29.7 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.

29.8 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.

29.9 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

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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.

29.10 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.

29.11 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.

29.12 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.

29.13 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.

29.14 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.

29.15 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.

29.16 Value Added Tax (VAT)

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

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE FOR YEAR ENDED 31 MARCH 2022

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

2020/21		2021/22
£000	Note	£000
	<u>Income</u>	
(26,698)	Dwelling Rents	(27,339)
(381)	Non-Dwelling Rents	(326)
(2,076)	Charges for Services and Facilities	(2,222)
(29,155)	Total Income	(29,887)
	<u>Expenditure</u>	
5,137	Repairs and Maintenance	5,953
7,756	Supervision and Management	9,026
517	Rents, Rates, Taxes and Other Charges	447
8,190	Depreciation and Impairment of Non-Current Assets	8,582
(32,988)	Revaluation (Gains) or Losses on Property, Plant and Equipment	(42,854)
10	Amortisation of Intangible Assets	6
125	Revenue Expenditure Funded by Capital Under Statute	30
11	Debt Management Costs	7
(11,242)	Total Expenditure	(18,803)
(40,397)	Net (Income) or Expenditure of HRA Services as included in the whole Council Comprehensive Income and Expenditure Statement	(48,690)
102	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	
37		19
(40,258)	Net (Income) or Expenditure of HRA Services	(48,569)
(1,636)	Net Gain on Sale of HRA Non-Current Assets	(3,169)
	Changes in Fair Valuations on Investment	
473	Properties	(321)
5,182	External Interest Payable	5,363
0	Capital Grants and Contributions	(2,529)
(36,239)	(Surplus)/Deficit for the year on HRA Services	(49,225)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE
FOR THE YEAR ENDED 31 MARCH 2022

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

2020/21		2021/22
£000	£000	£000 £000
	(36,239) (Surplus)/Deficit for the year on the Housing Revenue Account	(49,225)
	<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	(11)
(4)		
	Reversal of Items Relating to Retirement Benefits and Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	H1 (768)
(372)		
	Reversal of Revaluation Gains or (Losses) on Property, Plant and Equipment and Movements in the Market Value of Investment Properties	43,176
32,515		
	Net Gain on Sale of Non-Current Assets	3,169
1,636		
	Capital Expenditure Funded from the HRA	H4 9
0		
	Reversal of Revenue Expenditure Funded by Capital Under Statute	H4 (30)
(125)		
	Reversal of Capital Grants and Contributions	H4 1,764
0		
	Contribution from the Capital Receipts Reserve towards Administrative costs of Non-Current Asset Disposals	(35)
(23)		
	Charges for Depreciation and Impairment of Non-Current Assets	H5 (8,582)
(8,190)		
	Amortisation of Intangible Assets	H5 (6)
(10)		
	Transfer to Major Repairs Reserve	H2 8,588
8,199		
	33,626	47,274
	(2,613) Net increase in HRA Balance before transfers to or from Reserves	(1,951)
	0 Transfer to Capital Adjustment Account	787
	0 Transfer to Earmarked Reserves	101
	(2,613) Increase in HRA Balance	(1,063)
	(12,983) Housing Revenue Account Surplus Brought Forward	(15,596)
	(15,596) Housing Revenue Account Surplus Carried Forward	(16,659)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2022

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.

2020/21 £000		2021/22 £000
(8,199)	HRA Depreciation	(8,588)
(8,199)	Net Charge to HRA	(8,588)
0	HRA Capital Financed	0
(8,199)	Movement in Year	(8,588)
(12)	Balance Brought Forward at 1 April	(8,211)
(8,211)	Balance Carried Forward at 31 March	(16,799)

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:

31/3/21		31/3/22
859	Bungalows	860
1,901	Flats & Maisonettes	1,946
2,303	Houses	2,306
39	Shared ownership	59
5,102		5,171

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

31/3/21 £000		31/3/22 £000
	<u>Operational Assets</u>	
450,434	Dwellings	512,456
1,407	Other Land and Buildings	976
8	Vehicles Plant Furniture and Equipment	0
3,833	Infrastructure	3,926
14	Community Assets	14
26,231	Assets Under Construction	4,273
11	Intangibles	5
481,938		521,650
	<u>Non-Operational Assets</u>	
2,293	Investment Properties	2,614
484,231	Total value	524,264

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2022

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 2021/22 was 33% (2020/21 - 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 £512 million at 31 March 2022 (£450 million at 31 March 2021) and the vacant possession value was £1.473 million (£1,305 million at 31 March 2021).

H4. CAPITAL EXPENDITURE AND RECEIPTS

2020/21		2021/22
£000	£000	£000
162,859	Opening Capital Financing Requirement	178,177
	<u>Capital Expenditure</u>	
5,822	Dwellings	6,809
148	Infrastructure	51
14,317	Assets Under Construction	4,036
125	Revenue Expenditure Funded from Capital Under Statute	30
20,412	Expenditure in year	10,926
	<u>Financed by</u>	
(2,019)	Capital Receipts	(547)
0	Major Repairs Reserve	0
0	Contributions from Revenue	0
0	Grants and Contributions	(1,764)
(2,019)		(2,311)
18,393	Unfinanced Capital Expenditure in Year	8,615
0	Voluntary Financing of Capital Investment	(787)
(3,075)	Transfer of assets to the General Fund	0
178,177	Closing Capital Financing Requirement	186,005
	<u>Capital Receipts</u>	
	Operational Assets	
(2,390)	Dwellings	(8,493)
0	Other	0
(2,390)	Total	(8,493)

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
NOTES TO THE HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2022

H5. DEPRECIATION AND IMPAIRMENT

2020/21		2021/22
£000		£000
	<u>Depreciation</u>	
7,941	Dwellings	8,317
20	Other Land and Buildings	29
8	Vehicles, Plant, Furniture and Equipment	8
221	Infrastructure	229
<u>8,190</u>	Total Depreciation	<u>8,583</u>
	<u>Amortisation</u>	
<u>10</u>	Intangibles	<u>6</u>
<u>10</u>	Total Amortisation	<u>6</u>
	<u>Revaluation Below Historic Cost</u>	
(32,907)	Dwellings	(42,873)
<u>(81)</u>	Other Land and Buildings	<u>19</u>
<u>(32,988)</u>	Total	<u>(42,854)</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 2021/22, by £42.874m, decreasing the overall reduction to the 2007/08 historic cost as set in April 2007. Any future upward valuation will reverse the charges to the CIES and, when the historic cost values are reached and downward valuations reversed, a revaluation reserve will be created.

H6. RENT ARREARS

31/3/21		31/3/22
£000		£000
796	Rent Arrears	846
<u>(528)</u>	Provision for Bad Debts	<u>(566)</u>
<u>268</u>	Anticipated Collectable Arrears	<u>280</u>

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2022

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.

2020/21				2021/22		
Business Rates £000	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000
<u>Income</u>						
0	(89,295)	(89,295)	Council Tax Receivable	0	(96,204)	(96,204)
0	(594)	(594)	Transfer for S13A(1c) Relief	0	(3)	(3)
(36,670)	0	(36,670)	Business Rates Receivable	(49,359)	0	(49,359)
(36,670)	(89,889)	(126,559)		(49,359)	(96,207)	(145,566)
<u>Expenditure</u>						
Precepts and Shares						
31,424	0	31,424	Central Government	32,066	0	32,066
5,656	64,263	69,919	Hampshire County Council	5,772	68,617	74,389
25,139	11,539	36,678	General Fund (WCC)	25,652	12,047	37,699
628	3,450	4,078	Fire and Rescue Authority	641	3,579	4,220
0	10,565	10,565	Police Authority	0	11,507	11,507
<u>Distribution of Previous Year (Deficit)/ Surplus</u>						
1,340	0	1,340	Central Government	(13,118)	0	(13,118)
241	(103)	138	Hampshire County Council	(2,361)	(374)	(2,735)
1,072	(19)	1,053	General Fund (WCC)	(10,494)	(67)	(10,561)
27	(6)	21	Fire and Rescue Authority	(262)	(20)	(282)
0	(17)	(17)	Police Authority	0	(61)	(61)
<u>Charges to Collection Fund</u>						
264	0	264	Less Write-Off of Uncollectable Amounts	0	0	0
540	376	916	Allowance for Impairment	130	498	628
(361)	0	(361)	Provision for Appeals	1,035	0	1,035
203	0	203	Cost of Collection	207	0	207
301	0	301	Transitional Protection Payment	109	0	109
289	0	289	Renewable Energy cost	264	0	264
66,763	90,048	156,811		39,641	95,726	135,367
30,093	159	30,252	(Surplus) / Deficit Arising During the Year	(9,718)	(481)	(10,199)
(1,632)	184	(1,448)	Opening Fund Balance at 1 April	28,461	343	28,804
28,461	343	28,804	Closing Fund Balance at 31 March	18,743	(138)	18,605

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2022

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 £1,884.83) is then multiplied by the proportion specified for the particular band to give an individual amount due. For 2021/22, 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	1,997.52	6/9	1,331.68
B	5,914.35	7/9	4,600.05
C	11,187.63	8/9	9,944.56
D	5,638.56	1	5,638.56
E	8,255.93	11/9	10,090.58
F	6,447.89	13/9	9,313.62
G	5,304.01	15/9	8,840.01
H	668.33	18/9	1,336.67
Ministry of Defence			378.04
	45,415.97		51,474.74
Less adjustment for collection rates			(664.27)
			50,810.47

C2. NON-DOMESTIC RATES (NDR)

For 2021/22, the standard Non Domestic Rate multiplier was 51.2p (51.2p in 2020/21) and the small business multiplier was 49.9p (49.9p in 2020/21). The total estimated non-domestic rateable value in the district as at 31 March 2022 was 158.1 million (£156.6 million as at 31 March 2021).

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

2020/21			2021/22		
Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
£000	£000	£000	£000	£000	£000
11,384	45	11,429	7,497	(16)	7,481
17,077	298	17,375	11,246	(122)	11,124
<u>28,461</u>	<u>343</u>	<u>28,804</u>	<u>18,743</u>	<u>(138)</u>	<u>18,605</u>

City Council share -
Collection Fund Adjustment Account

Preceptors' share - Included within Creditors

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
INDEPENDENT AUDITOR'S REPORT

WINCHESTER CITY COUNCIL STATEMENT OF ACCOUNTS 2021/22
INDEPENDENT AUDITOR'S REPORT

ANNUAL GOVERNANCE STATEMENT 2021/22

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 governance statement explains how Winchester City Council has complied throughout 2021/21 with the council's adopted code and also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the review of its system of internal control in accordance with best practice.
- 1.5 The council undertook a review of its constitution which took into account the recommendation of the Independent Report on Silver Hill and of the Local Government Association Peer Review in February 2017. .
- 1.6 The updated constitution was adopted by Council on 19 March 2019 and became effective from the start of the 2019/20 municipal year. A further review is planned to ensure the changes that were made are fit for purpose.

2. The Purpose of the Governance Framework

- 2.1 The purpose of the governance framework is to ensure that the council directs and controls its activities in a way that meets standards of good governance and is accountable to the community. It does this by putting in place an organisational culture and values which drive a responsible approach to the management of public resources, supported by appropriate systems and processes, and ensuring that these work effectively. It works with the council's Performance Management Framework to ensure that the council has in place strategic objectives reflecting the needs of the community and is monitoring the achievement of these objectives through delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Winchester City Council's policies, aims and objectives to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Winchester City Council for the financial year ended 31 March 2022 and remains in place up to the date of approval of the Statement of Accounts.

3. The Principles of Good Governance

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

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

Principle 2 – Ensuring openness and comprehensive stakeholder engagement

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

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

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

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

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

4. Methodology for preparing the Annual Governance Statement

4.1 This governance statement has been prepared using a process similar to that used in previous years, including;

- Service Leads completed a statement of assurance providing details as to the extent and quality of internal control arrangements operating within their teams during the previous year. Furthermore, they were also asked to declare any weaknesses in the governance arrangements in their service areas, including overdue and significant internal audit actions.
- An internal control checklist is provided to Service Leads to support the completion of their statement of assurance. The checklist requires the manager to self-assess the arrangements in their team against a number of criteria including risk and performance management, financial control and staffing.
- Review of the Annual Internal Audit and Opinion 2021/22 report and quarterly internal audit progress reports.
- The council's Audit and Governance Committee considers the draft governance statement at its meeting in early summer and before approving it determines whether it accurately reflects the council's internal control environment.
- The approved governance statement is signed off by the Chief Executive and Leader of the council.

5. The Governance Framework

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

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

5.2 The council's constitution explains existing policy making and delegation procedures and the matters which must be dealt with by Full Council. It documents the role and responsibilities of Cabinet, each committee and members and officers. The council has approved a protocol governing relationships between members and officers as part of its constitution and has adopted codes of conduct for both officers and members which facilitate the promotion, communication and embedding of proper standards of behaviour. All officers have job descriptions and there are clearly defined schemes of delegation, all of which are reviewed from time to time.

**WINCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT**

- 5.3 The council's constitution incorporates clear guidelines to ensure that business is dealt with in an open manner except in circumstances when issues should be kept confidential. Meetings are open to the public except where personal or confidential matters are being discussed. All cabinet /committee agendas, minutes and cabinet member decisions are published promptly on the council's website. In addition, senior officers of the council can make decisions under delegated authority. The over-arching policy of the council is decided by the Full Council.
- 5.4 The Scrutiny Committee and Audit and Governance Committee hold members of the cabinet to account for delivery of the council's policy framework within the agreed budget, and protocols are in place for any departure from this to be properly examined.
- 5.5 The council engages with its communities through a number of channels, including community planning, consultation events, surveys and campaigns relating to specific initiatives.
- 5.6 The Council Plan 2020-25, adopted in January 2020, is supplemented by more detailed information on the key projects and programmes of work that the authority will be delivering during the year – with actions to achieve priority outcomes set out in 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 members of the cabinet. The Performance Panel reviews the quarterly performance reports on behalf of Scrutiny Committee, 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. Members of cabinet also monitor progress in delivery.
- 5.8 The council has arrangements in place to regularly monitor financial performance, service performance, the progress of key corporate projects and risk management and to oversee the implementation of recommendations from internal audit reports.
- 5.9 The council publishes annually a financial report (incorporating the Statement of Accounts) within the statutory timescales. The Annual Financial Report incorporates the full requirements of best practice guidance in relation to corporate governance, risk management and internal control.
- 5.10 The council is subject to independent audit by Ernst and Young and receives an annual audit letter reporting on findings. The council supplements this work with the Southern Internal Audit Partnership and ad hoc external peer reviews. The Audit and Governance Committee undertakes the core functions as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*.
- 5.11 The council has set out the arrangements for managing risk in its Risk Management Policy (approved by Cabinet 8 March 2022, report CAB3338 refers) which also includes a Risk Appetite Statement and is reviewed annually.
- 6. Responding to the COVID-19 pandemic**
- 6.1 The council continued to respond to the outbreak of the COVID-19 pandemic during 2021/22, quickly adapting to the changes in restrictions as they were issued by the government.
- 6.2 A clear command and control structure was maintained throughout the year having been first established at the start of the pandemic in March 2019 and continued to lead the council's response to the COVID-19 pandemic. The various council command groups held regular meetings and action points from these meetings were recorded, assigned to relevant officers, and monitored through to completion
- 6.3 The council's Business Continuity and Crisis Management Plans, in place since 2017, were reviewed again in the summer of 2021 to include new council services identified as critical. Managers responsible for the services defined as business critical review on a quarterly basis the content of the plans and update as required the contact details of staff named in the plans to ensure they remain current and fit for purpose.
- 6.4 Regular meetings have continued to be held between the council and key suppliers and contractors. These key suppliers and contractors provide the council with updates on their staffing resources to aid in identifying any

**WINCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT**

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.

- 6.5 The council has continued to work on a business as usual basis with no significant business interruptions during the period.
- 6.6 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.
- 6.7 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.
- 7.3 The council has appointed one of the Strategic Directors as the Section 151 officer with the statutory responsibility for the proper administration of the council's financial affairs. CIPFA/SOLACE advises that the Section 151 officer should report directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. The Strategic Director 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 Section 151 Officer and Monitoring Officer and are required to demonstrate how the subject matter links to the Council Plan and highlight resource implications. Report authors are also asked to draw out risk, equality, , environmental, management and legal considerations as required. Similar procedures are in place for the scrutiny and regulatory committees.
- 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 effectiveness is undertaken by:

The Council	collectively responsible for the governance of the council and Full Council is responsible for agreeing the Constitution, policy framework and budget. Manages risk in making operational and governance decisions together with proposing and implementing the policy framework, budget and key strategies.
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The Cabinet	makes key decisions as defined, formulate the annual budget in accordance with the budget and policy framework, implement the policy framework and receive regular monitoring reports on revenue and capital expenditure and performance.
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Audit and Governance Committee	approves the annual audit plan; monitors the internal control environment through receipt of an annual internal audit reports and opinion and periodic progress reports; approves the annual governance statement; and keeps an overview of arrangements for risk management. It also approves this governance statement and the Statement of Accounts.
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**WINCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT**

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

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

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

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

A small number of reviews were deferred in 2021/22 due to workload pressures on teams as a result of the pandemic. It has been agreed that all deferred programmes must be completed in 2022/23 to ensure that the Southern Internal Audit Partnership has sufficient assurance to prepare its Annual Report.

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:

- **Records Retention and Disposal** – ensuring that the Records Retention and Disposal Policy and Schedule are refreshed and embedded into the organisation so that records are stored in accordance with the agreed schedule.
- **Programme and Project Management** – ensuring consistency in the approach and methodology across the council for managing and delivering successful programmes and projects.
- **Disabled Facilities Grants** – ensuring the operational procedures and policy meet statutory requirements and roles and responsibilities clearly defined.

8.2 An action plan is attached to this Statement and details the actions to be undertaken during the next 12 months that will address these issues. Each action is assigned to a senior officer who has responsibility for delivering the relevant actions.

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 resident's, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the effective delivery of good quality services that meet the needs of the users. It is fundamental to demonstrating that public money is well spent. Without good governance, the council would find it difficult to operate services successfully.

**WINCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT**

- 9.2 The internal auditor's opinion for 2021/22 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 effect of the COVID-19 pandemic outbreak began in March 2020 and has not had a significant impact on the key governance issues that have arisen during the 2020/21 period. .
- 9.4 The pandemic has inevitably had an impact on staff capacity and a number of staff have been actively supporting the council's response during the year.

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 M. Tod
Leader of the Council
Winchester City Council

Dated:

Dated

**WINCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT**

Annual Governance Statement 2021/22 – Action Plan

No.	Issue	Actions	Lead Officer	Target Date	Method of Assurance
1	Records Retention and Disposal – ensuring that the Records Retention and Disposal Policy and Schedule are refreshed and embedded into the organisation so that records are stored in accordance with the agreed schedule.	Review and update Retention and Disposal Policy and Schedule, endorsed by ELB and agreed roll-out plan	Senior Policy and Programme Manager	31 July 2022	Updated Policy document adopted. Roll-out plan agreed
		Map and align retention schedule to content/ indexing and values in business systems	Senior Policy and Programme Manager/ Corporate Heads of Service	31 October 2022	Document prepared and approved that sets out how the schedule will be applied to council systems and document type
		Retention schedule implementation and application across business systems	Senior Policy and Programme Manager/ Head of IT	31 March 2023	System reports showing that the retention and disposal schedule is being successfully applied and records not being kept longer than required
2.	Programme and Project Management – ensuring consistency in the approach and methodology across the council for managing and delivering successful programmes and projects	Agree a corporate project management approach and methodology that defines the existing framework	Senior Policy and Programme Manager	July 2022	Corporate Project Methodology document considered and adopted

**WINCHESTER CITY COUNCIL
ANNUAL GOVERNANCE STATEMENT**

No.	Issue	Actions	Lead Officer	Target Date	Method of Assurance
		Publish guidance for all project managers to that explains the methodology to support the successful management and delivery of projects	Senior Policy and Programme Manager	August 2022	Guidance document published that explains the methodology
		Arrange and hold training events to embed the methodology throughout the council	Senior Policy and Programme Manager	December 2022	Successful completion of training events
3.	Disabled Facilities Grants – ensuring the operational procedures and policy meet statutory requirements and roles and responsibilities clearly defined	List of approved contractors updated in consultation with Hampshire County Council	Private Sector Housing Senior Officer	31 July 2022	Updated contractors list
		Review and update Disabled Facilities Grants Policy and operational procedures	Private Sector Housing Senior Officer	31 September 2022	Revised Policy adopted
		Embed updated policy into the operational procedures for managing disabled facility grants	Private Sector Housing Senior Officer	31 October 2022	Training/ workshop sessions held with Public Sector Housing Team

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.

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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.

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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.

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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.

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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.

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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.

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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.

	2021/22
	£000
Chargeable Costs	528
Chargeable Income	<u>(483)</u>
Net (surplus) or deficit	45
Building Control Earmarked Reserve (deficit brought forward)	<u>136</u>
Deficit carried forward	<u>181</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:

Richard Botham
Strategic Director, 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:

	2021/22
	£000
Income from charges under regulation 8 (answering queries)	(354)

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:

Richard Botham
Strategic Director , Section 151 Officer



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