



# Annual Accounts

Westminster City Council

2015/16



City of Westminster

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# 1

# Councillor Preface

# Councillor Preface

By Tim Mitchell

## INTRODUCTION TO THE 2015/16 STATEMENT OF ACCOUNTS BY COUNCILLOR TIM MITCHELL, CABINET MEMBER FOR FINANCE AND CORPORATE SERVICES

Westminster City Council continues to achieve excellence in its performance and remains very actively engaged in its “*City for All*” programme which is now in its second year with a vision for a city of choice, aspiration and heritage. The programme invites everyone to play their part in and benefit from Westminster’s success. This success includes the Council achieving a satisfaction rating in 2015/16 of a tremendous 84% and in particular we have reduced the number of long term unemployed and increased the number of homes being delivered. All against the background of our severe financial challenges.

Westminster is an iconic place and renowned for creative forward thinking and the Council continues to do everything it can to make sure that residents and front-line services come first. In doing this we have maintained our commitment to what is most important to people: clean streets, high-quality services, help for those who need it most, making it easy for people to do business with us and creating opportunities for all. We also remain focussed on

supporting our residents by maintaining our delivery of low Council Tax – Westminster’s Band D Council Tax remains the lowest in the country.

These commitments are made and these successes are achieved despite the Council having saved £200m from its budget over the past 5 years, with in excess of a further £100m to find by 2018/19.

At the forefront of the work of the Council and involved in all aspects of its extensive range of activities and initiatives is financial management of the highest standard. This has resulted in the Council’s accounts for 2015/16 being prepared, audited and published at the quality and pace that is demonstrated here. These accounts were handed over to our auditors on the 9th April 2016. Providing residents and other stakeholders with the confidence that the public money we are responsible for has been properly accounted for remains very important to us. We aim to raise standards of financial reporting and to ensure that the public is informed as soon as possible on how the funds we have received have been spent. The financial standing of the Council despite the challenges that we face remains very secure and robustly financially managed.

Going forward, achieving the saving targets that face us and delivery of the revenue and capital budgets while continuing to raise financial



standards in all we do, will require the Council to continue to radically transform the way we do business. We have seen the benefits of our recent Council wide restructure, and the many commercial approaches we are taking to delivering year on year to achieve our balanced budget.

I would like to take this opportunity to thank all of our staff who have worked throughout the year to enable the Council to balance our budget and also to close the accounts so promptly and to a further improved high standard. This continued innovation in our financial management enables us to continue to go forward with confidence and deliver the quality of services that residents, visitors and businesses have every right to expect.

### **Tim Mitchell**

Cabinet Member for  
Finance & Corporate Services

# 2

## Written Statements and City Treasurer's Narrative Report



# City Treasurer's Narrative Report

## By Steven Mair

### 1. AN INTRODUCTION TO WESTMINSTER

The City of Westminster is an iconic place with a unique heritage and is an incredibly vibrant environment to live, work, invest in and visit. Whilst in many respects it is an affluent area, this can mask the challenges that the Council faces in respect of a transient population, significant inequalities in wealth and outcomes and a high demand for services.

The Council is one of 33 London boroughs and has a number of unique characteristics, the scale of which makes Westminster stand out across the country.

At the heart of the nation's capital, and easily accessible for people who are seeking a new life both domestically and from abroad, Westminster is home to a diverse set of communities:

- Our resident population is heavily weighted towards younger adults, with 23% of our resident population aged between 25 and 34 years old;
- We experience the highest level of international migration of any place in England. Of our residents, 43% are from Black, Asian, Arabic or other minority ethnic groups;
- Nearly half of the households are occupied by single people, the highest proportion in London;
- We have the third highest proportion in the country of pensioner households that are occupied by lone pensioners;

The scale of Westminster is illustrated in the graphic overleaf.



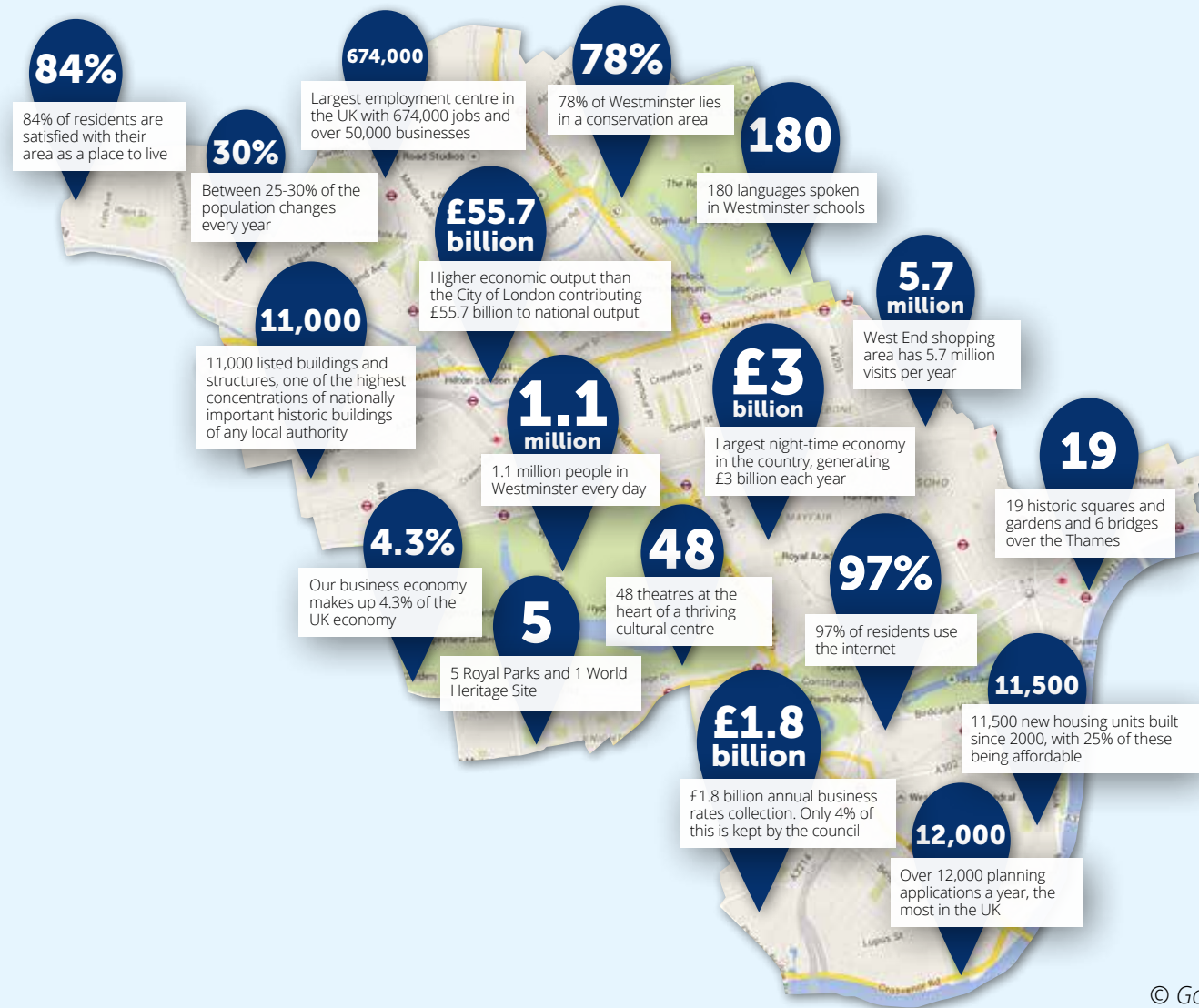
**Steven Mair**

City Treasurer, Section 151 Officer  
Westminster City Council

# City Treasurer's Narrative Report

By Steven Mair (continued)

## WESTMINSTER IN NUMBERS



Live data:  
© Google, 2015.



## City Treasurer's Narrative Report

By Steven Mair (continued)

### 2. CITY TREASURER'S STATEMENT – STEVEN MAIR

The Finance Department set a vision in 2014/15 to become 'Best in Class' by continuously striving to improve on past performance and deliver pioneering services that will add value to our stakeholders.

The first major achievement in this journey was the successful embedding of a new transformational structure following a rigorous and far reaching re-organisation. The Council's aim is to deliver leading edge financial management, with professionally qualified staff (plus a structured development programme to 'grow our own'), commercial in our approach with a strong customer focus and continuous improvement at the heart of what we do. Our staff are collaborative in style, high achievers and want to be part of a dynamic organisation.

During 2015/16 the Department achieved a number of successes towards its vision of being 'Best in Class'. This year saw the service restructure reach completion with the recruitment of an ambitious, highly skilled and aspirational workforce. The team has been shortlisted for the Westminster Team of the Year Awards and the 2016 Municipal Journal workforce transformation award. It has developed rigorous quality assurance processes, financial standards, long term planning, business case development and a range of other professional improvements.

Further, the annual accounts for 2015/16 were completed and handed over for external audit on the 9th April 2016 i.e. within 6 working days. This unprecedented achievement is a 7 day improvement on last year's performance and effectively almost 3 months in advance of the statutory deadline. By delivering accounts in such a time frame, the Council is able to confidently report to all of its stakeholders at the earliest opportunity. This then enables the resources of the Department to be directed towards the financial challenges that face the Council for the foreseeable future, to focus on front line service support, identifying budget options, financial modelling and commercial advice.

Looking forward to 2016/17 and beyond the Finance Department will continue its journey towards the realisation of its vision. By way of example the Department is planning to deliver the following major projects and improvements:

- A 10 year integrated Medium Term Plan providing a sound base for long term financial planning;
- A direct contribution to the delivery of the Council's Medium Term Plan through the achievement of major savings;
- Greater focus on cash collection aiming to reduce arrears by a net £10m per annum from 2015/16;
- Enhanced financial reporting with increased rigour and pace in monthly reporting.

## City Treasurer's Narrative Report

By Steven Mair (continued)

### 3. COUNCIL'S PERFORMANCE

#### *City for All*

This year marked the 50th anniversary of the creation of the City of Westminster as we know it today – a unique city that plays host to the country's government, the monarchy, and major international events. In March 2015 the Council launched *City for All*, to make Westminster an unrivalled city of aspiration, choice and heritage. A city where the connections amongst residents, businesses and visitors get stronger as everyone plays their part in, and benefits from the city's continued success.

The *City for All* is a 3 year plan and the financial year 2015/16 marked the completion of year 1. Illustrations of how the Council has performed against *City for All* are shown alongside.

#### ASPIRATION

We will enable all our communities to share in the economic prosperity of the city.

#### How we performed

- 800 long-term unemployed residents were supported into work
- 100+ apprenticeships were created in Westminster
- £500m investment programme to support growth and prosperity in the West End
- Nearly 5,000 people took part in the 2015 Westminster Mile

#### CHOICE

We will create opportunities for residents, businesses and visitors to make responsible choices for themselves, their families and their neighbourhood.

- Ranked the best place in the UK for providing life chances for young people and reducing child poverty
- First Childrens Service to be rated as outstanding by OFSTED under the new tougher standards regime
- Over 10,000 older residents were supported to stay in their own homes for longer

#### HERITAGE

We will protect and enhance Westminster's unique heritage so that every neighbourhood remains a great place to live work and visit both now and in the future.

- Launched a 10 year Greener City Action Plan
- 16% reduction in litter dropped
- 500,000 people attended the biggest West End LIVE event to date
- A new basements policy, helping to protect our residents from the disruption building work can cause

## City Treasurer's Narrative Report

By Steven Mair (continued)

### ASPIRATION

#### How we performed (continued)

- Planning consent agreed for the new University Technical College
- The best GCSE result in Inner London 67% A\* – C pass or equivalent compared to UK average is 53%
- 750 drivers given advice at the roadside to tackle pollution
- Nearly 20,000 new companies registered, with more new start-ups than anywhere else in London
- Prepared a 5 year capital programme of over £2bn

### CHOICE

- Over 90% of Adult Social Care clients now have control over their support through a personal budget
- 4,000 time credits were earned by volunteers to spend on events, trips and rewards

### HERITAGE

- 75 City Inspectors now on the street

## City Treasurer's Narrative Report

By Steven Mair (continued)

### ASPIRATION

#### What's next?

- Tackling long-term unemployment
- Supporting businesses to do more for their local community and in return building a relationship between business and community
- Creating 200 new homes and helping the most vulnerable

### CHOICE

- Investing in our leisure facilities including a £26m sports and leisure centre at the Moberley site
- Expanding our Open Forum initiative with up to 20 face-to-face meetings and transforming services so they are available online
- Rolling out a new Community Independence Service to support residents to avoid unnecessary hospital admissions and broaden the time credits scheme to reward retired people in supporting others

### HERITAGE

- Delivering a world class setting for the country's most celebrated events – hosting the world's largest free annual theatre event with 500,000 attending West End Live and the other special events Westminster play host to every year
- Publishing a new Code of Construction Practice to minimise the impact of construction
- Protecting our heritage by managing places and spaces that can be enjoyed now and in the future

### Resident Satisfaction

Recent surveys confirmed that residents were very satisfied with the quality of services delivered by the Council:

- 76% of residents say the Council provides very good value for money; 84% resident satisfaction with the Council, the national average was 67%;
- 88% of resident are satisfied with the refuse collection service;
- 93% of residents are satisfied with the area they live in;
- Concerns about vandalism, teenagers hanging around on streets, drunkenness, drug dealing and drug use in public places are all at their lowest level since the City Survey began in 2003.

## City Treasurer's Narrative Report

By Steven Mair (continued)

### 4. FINANCIAL PERFORMANCE

#### Economic climate

Since 2010 Westminster City Council has faced significant financial challenges due to reductions in funding from central government along with cost pressures within services and greater volatility in financing. This process is on-going, will last until at least 2019/20 and will be continuously reviewed as the Council develops a stronger understanding of the financial challenges it faces. In November 2015 the Autumn Statement set out the strategic direction for public expenditure. This outlined a number of significant changes to the local government funding regime which will have a significant impact on the Council's finances over time. These included:

- Providing local authorities with the power to levy a 2% increase on Council Tax to fund social care. For Westminster, this equates to an additional £0.964m of revenue;

By the end of the Parliament local government will retain 100% of business rate revenues to fund local services, in addition the Uniform Business Rate will be abolished and any local area will be able to cut business rates as at their discretion. The earliest these reforms are likely to be implemented is 2020;

- Greater flexibility for local authorities to use capital receipts to fund the revenue costs of business transformation projects;
- The government announced real-terms public health savings of 3.9% over the next 5 years and the Autumn Statement indicated that social care funds of £1.5bn would be made available by 2019/20 (beginning from 2017/18) for local government, to be included in an improved Better Care Fund; and,

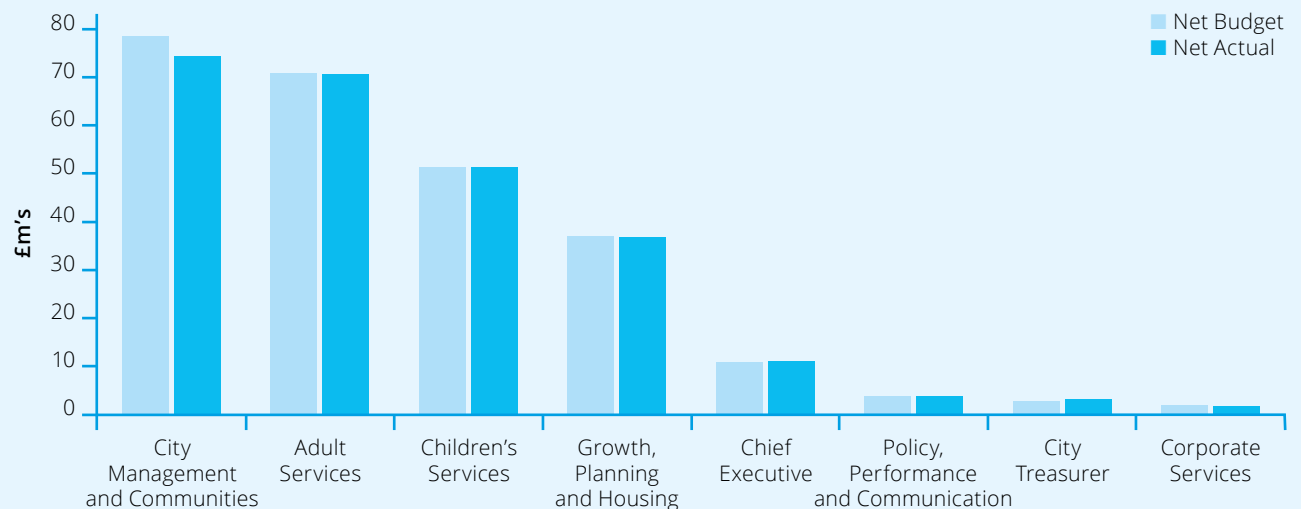
- A National Funding Formula for Schools will be introduced in 2017/18.

#### Financial Management

##### Revenue

The financial standing of the Council is very robust, with sound and improving financial management practices. The outturn for the Council is a contribution to general reserves of £5.540m.

#### 2014/15 Services Outturn summary



## City Treasurer's Narrative Report

By Steven Mair (continued)

### Capital

The table shows the net capital position by service area against the approved 2015/16 Capital programme.

Service Area	Expenditure Budget	Income Budget	Expenditure Actual	Income Actual	Expenditure Variance	Income Variance	Net Variance
	£m	£m	£m	£m	£m	£m	£m
Adult Services	0.09	(0.17)	0.26	(0.15)	0.17	0.02	0.19
Childrens Services	6.12	(5.57)	7.52	(7.22)	1.40	(1.65)	(0.25)
Growth, Planning and Housing	52.48	(31.75)	28.87	(14.74)	(23.61)	17.01	(6.6)
City Management and Communities	34.53	(17.39)	32.07	(19.42)	(2.46)	(2.03)	(4.49)
Corporate Services	1.48	–	0.71	–	(0.77)	–	(0.77)
<b>Total</b>	<b>94.70</b>	<b>(54.88)</b>	<b>69.43</b>	<b>(41.53)</b>	<b>(25.27)</b>	<b>13.35</b>	<b>(11.92)</b>

### Five Year Capital Programme

The Council is embarking on an ambitious five year capital programme of £2.08bn. This will help Westminster to maintain its status as a key global centre for business, retail, entertainment and tourism. Some examples of our major schemes are:

- Leisure Estate Review £611m**  
 Leisure Estate review will result in significant investment, provide residents of Westminster with modern leisure facilities, help to tackle obesity and encourage healthier lifestyles. This is a key component in offering choice to residents about the type of lifestyle they lead.
- Huguenot House £119m**  
 The Council will be looking at options for the redevelopment of the site. This includes the option of a potential mixed use office and residential site. This will enhance rental income stream, increase employment, new housing and improve public realm.
- Dudley House £95m**  
 A mixed development as part of the regeneration of the Paddington Basin area to increase provision of affordable housing and provide additional secondary school places.
- City Hall Refurbishment £88m**  
 City Hall is in need of significant investment to enable it to keep functioning and to generate additional rental income. The building requires significant mechanical and electrical plant replacement and upgrades.

## City Treasurer's Narrative Report

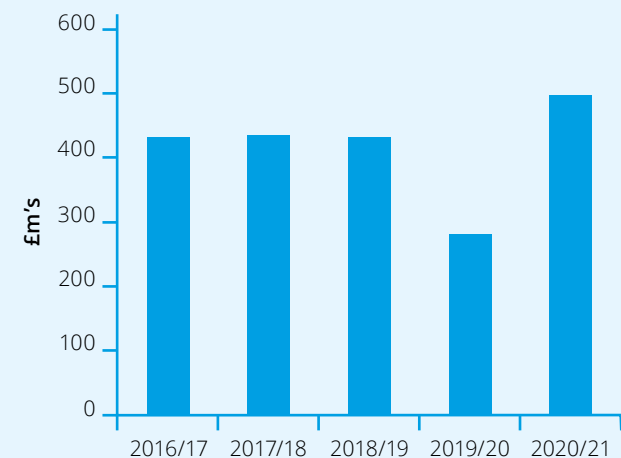
### By Steven Mair (continued)

#### Capital Expenditure and Funding

The Council's 5 year capital programme and its funding can be summarised as follows:

Capital Expenditure and Funding	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£m	£m	£m	£m	£m	£m
Adult Services	2	1	2	26	26	56
Children's Services	9	12	2	-	-	23
Growth, Planning and Housing	286	304	318	199	172	1,279
City Management and Communities	39	34	16	16	11	115
Corporate Services	2	1	3	1	1	8
Policy, Performance and Communications	9	2	-	-	-	12
City Treasurer	6	6	6	6	206	229
Housing Revenue Account (HRA)	81	76	87	35	81	360
<b>TOTAL EXPENDITURE</b>	<b>432</b>	<b>435</b>	<b>433</b>	<b>282</b>	<b>497</b>	<b>2,080</b>
Grants	(105)	(70)	(69)	(8)	(10)	(262)
Capital Receipts	(150)	(49)	(86)	(348)	(409)	(1,041)
Revenue Reserves	(33)	(47)	(31)	(27)	(27)	(165)
Borrowing	(144)	(270)	(247)	101	(51)	(611)
<b>TOTAL FUNDING</b>	<b>432</b>	<b>435</b>	<b>433</b>	<b>282</b>	<b>497</b>	<b>2,080</b>

#### 5 Year Capital Programme

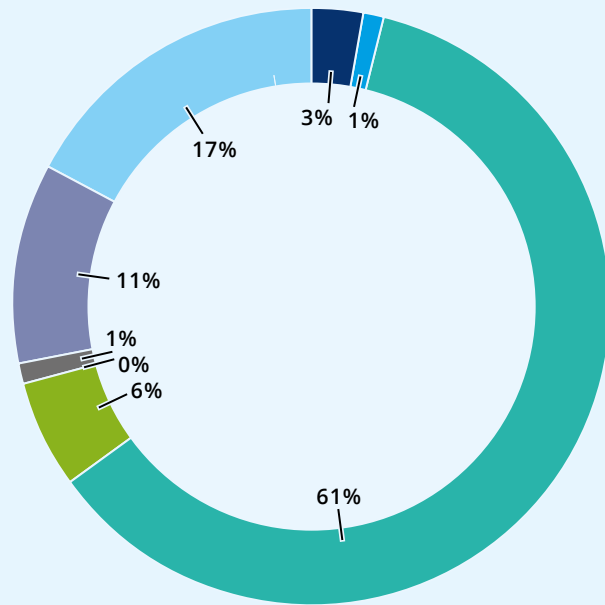


## City Treasurer’s Narrative Report

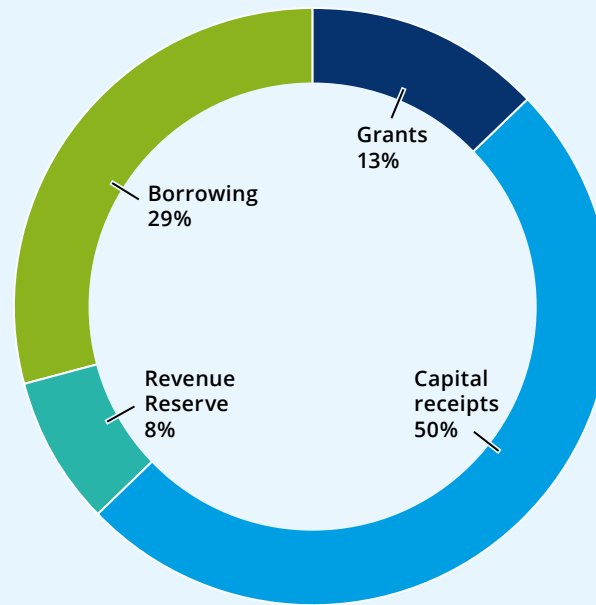
By Steven Mair (continued)

Capital receipts are the largest proportion of funding in the programme, accounting for over half of the funding in the programme. This is largely from the sale of residential units that will be built as part of a number of development schemes.

### Capital Expenditure



### Capital Funding



### Balance Sheet

Despite the challenges, the Council maintains a strong balance sheet:

	At 31 March 2015	At 31 March 2016
	£m	£m
Non-current assets	2,450	2,461
Net current assets – debtors, stock and cash less short term creditors and liabilities	367	504
Long term liabilities and provisions	(1,039)	(1,066)
<b>Net assets</b>	<b>1,778</b>	<b>1,898</b>
Represented by: Useable reserves	510	653
Represented by: Unusable reserves	1,267	1,246

### Key

- Adult Services
- Children’s services
- Growth, Planning and Housing
- City Management & Communities
- Corporate Services
- Policy Performance and Communications
- City Treasurer
- Housing Revenue Account (HRA)



## City Treasurer's Narrative Report

### By Steven Mair (continued)

#### *Financial Challenges in 2016/17*

For 2016/17, the Council had to meet a total savings requirement of over £40m due to, among other matters, reduced government funding, capital financing costs, inflation (contractual and employee), pension deficit contribution and the national insurance changes.

#### *Outlook*

The Council's medium term modelling has been updated to reflect the provisional four-year Funding Settlement announced in December 2015. This also takes into account inflation (both pay and contract), superannuation, increasing capital financing pressures and national insurance changes as well as allowances for specific and general risks. The current estimated overall funding gap is of a similar magnitude in 2017/18 and greater still in 2018/19. While the provisional four year settlement also covers 2019/20 the overall savings target has not yet been formally quantified because pressures and new burdens are not sufficiently clear to issue a formal forecast of reductions that will need to be made.

#### *Housing Revenue Account*

The Housing Revenue Accounts (HRA) is a ring fenced landlords' accounts for the running of the Council's housing stock. Day to day management of the housing stock and the long term responsibility for maintenance and investment in the stock has been outsourced to City West Homes (CWH), the Council's arms-length management organisation. CWH is wholly owned by the Council.

During 2015/16, the HRA reported an operating surplus of £1.380m, but a deficit after taking account of funding of the capital programme of £17.535m. This was funded from general reserves and leaves HRA general reserves at £31.606m at year end.

#### *Service Delivery*

The main changes that took place last year which had a significant impact on service delivery are:

Main Changes	Description
<b>Outsourcing back office services</b>	A contract was entered into, which commenced from 16 March 2015 for British Telecom to provide the Council with a range of financial and HR services.
<b>IT infrastructure</b>	IT and website developments have continued to make significant changes to the way members of the public access Council services, and telephone contact has seen a further 25% reduction since the start of the year. Similar changes are also affecting the use of library services with more and more customers downloading ebooks, renewing books online and accessing information remotely.

## City Treasurer's Narrative Report

By Steven Mair (continued)

### Contingencies

The Council's most significant provisions relate to Business Rates valuation appeals. Following Business Rates localisation, introduced in 2013, the Council has to set aside a provision for any future successful ratepayer appeals against rateable valuations. Westminster has by far the highest non domestic tax base in the country, in terms of the value of commercial properties and hence a high degree of exposure in this regard. The Council currently has 10,700 rating appeals outstanding.

<b>Business Rates rating appeals provision</b>	£297m at 31 March 2015	£393m at 31 March 2016
<b>Business Rates write-off</b>	£12.6m in 2014/15	£12.2m in 2015/16

### Treasury Management

#### Cashflow

	31 March 2015	31 March 2016
	£m	£m
Cash and other cash equivalents	253	118
Short term investments	345	515
<b>Total</b>	<b>598</b>	<b>633</b>

Total cash and equivalents at 31 March 2016 is £118m. The main factors that would affect cash in the future are:

- Acquisition and disposals relating to the capital programme;
- The value of reserve balances;
- Appeals provisions;
- Grants and contributions unapplied.

### Pension Liabilities

The Council has net pension liabilities of £588m in the Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund. In addition, the Council's pension fund has to be revalued every three years to set future contribution rates. The last valuation was in 2013 which reported a funding level of 74%. The Council has a deficit recovery plan in place to make additional contributions into the Pension Fund over the next 25 years in line with the Pension Funding Strategy Statement.

## 5. ENVIRONMENTAL

Westminster's environment is a vital ingredient in the ambitions for the city and for the quality of life expected by residents, workers and visitors. Better air quality improves health and sustainable transport systems connect people and jobs.

The ambitious 10 year Greener City Action Plan was launched in October 2015 to build on what has already been achieved, review the City Council's existing environmental policy, and plans further steps needed to protect the future.

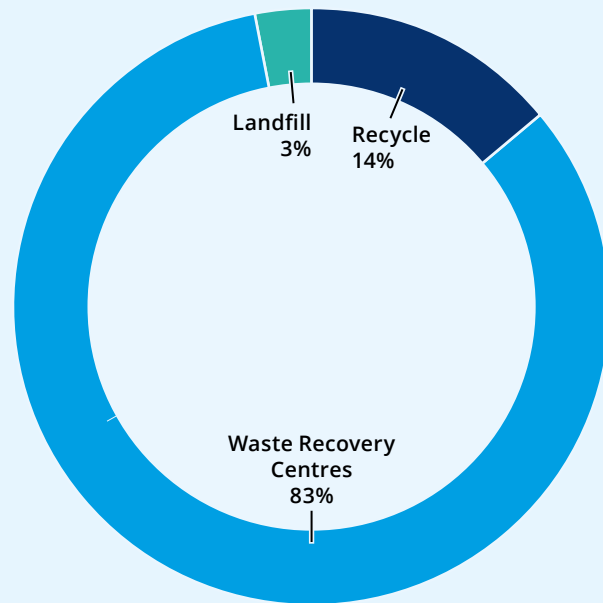
### Waste collection

Over the last 14 years, the amount of waste collected by the Council has reduced from over 250,000 tonnes to over 180,000 tonnes. This is primarily the result of commercial skip services, the economy, packaging reduction and loss of commercial waste market share. The Council prioritises reducing the amount of waste produced, before looking to reuse, recycle and recover energy from waste.

## City Treasurer's Narrative Report

By Steven Mair (continued)

14% of our municipal waste is recycled, with the rest going to energy from waste recovery centres, where 83% of our waste is burnt generating electricity for local use, and 3% is landfilled.



### Air Quality

The Council has led the way on addressing air quality, we were the first local authority to develop and adopt an Air Quality Action Plan in 2001; installed the first public electric vehicle recharging points; and lobbied for an emission zone for London.

Air quality data from the last decade shows a decrease in particulate matter (PM10) levels, and Westminster now achieves the EU standard for this pollutant. However, for nitrogen dioxide (NO<sub>2</sub>), EU standards are exceeded in Westminster. In Oxford Street levels are three times the annual target and 80 times the hourly target. The Council continues to develop transportation and planning policies and deliver projects that will help improve local air quality, including actions such as enforcing against unnecessary vehicle idling, installing electric vehicle infrastructure and cycling routes. The Council has also planted living walls in school playgrounds to help reduce pollution. We continue to push for better legislation to address air quality issues.

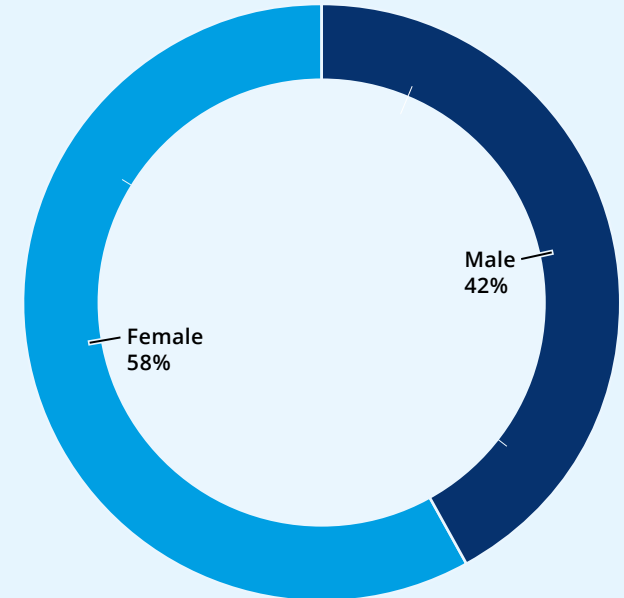
## 6. PEOPLE

The Council employs 2,079 people in full time and part time contracts. The Council's workforce generally reflects the diversity of the residents within Westminster.

Below is the make-up of our people within the Council.

### By gender

Gender Breakdown of non-school workforce

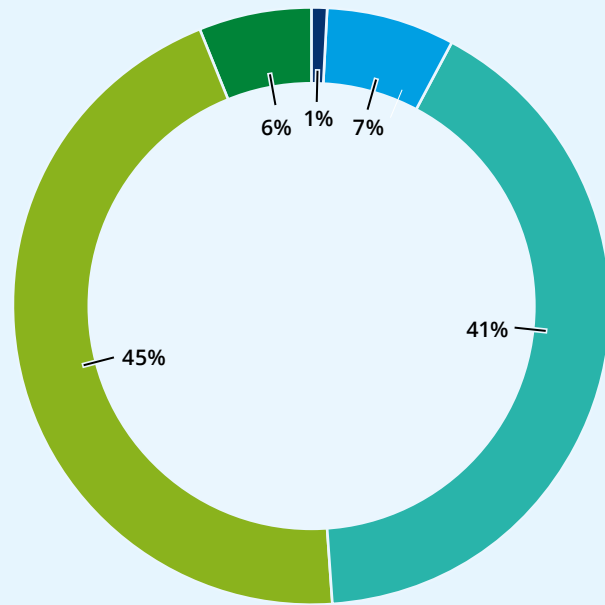


# City Treasurer's Narrative Report

By Steven Mair (continued)

## By age

Workforce Breakdown by Age %

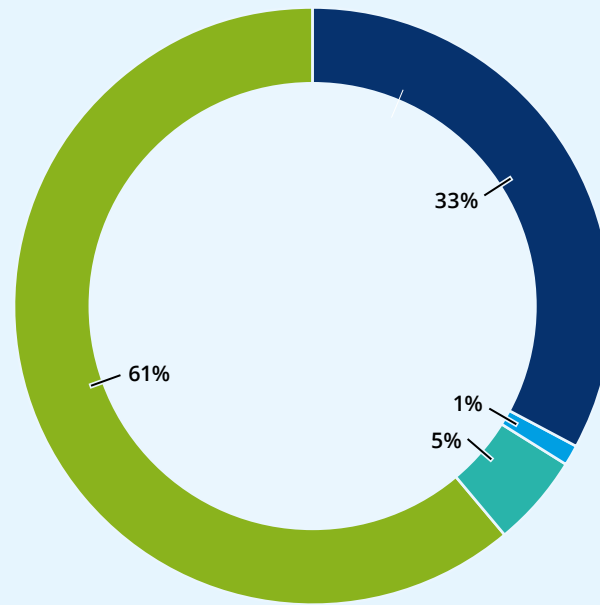


### Key

- 24 and under
- 25-29
- 30-44
- 45-59
- 60+

## By ethnicity

Ethnicity Breakdown of Workforce

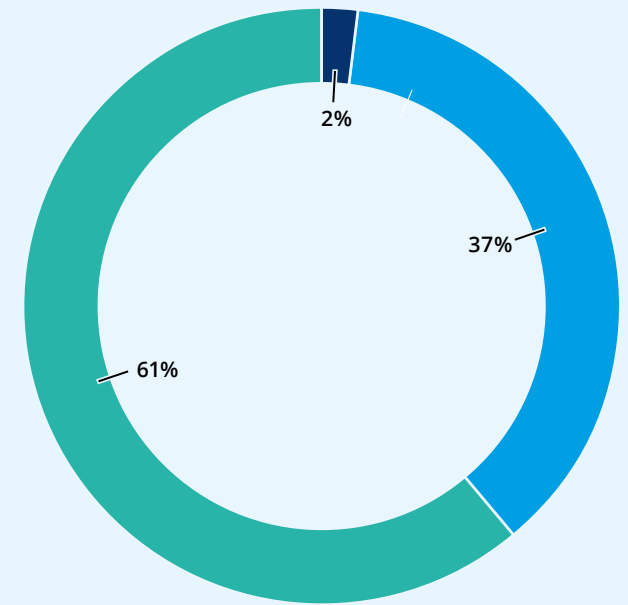


### Key

- BME
- Refused
- Unknown
- White

## By disability

Declared Disability Breakdown of Workforce



### Key

- Yes
- No
- Unknown

## City Treasurer's Narrative Report

By Steven Mair (continued)

### 7. PRINCIPAL RISKS AND UNCERTAINTIES

A risk management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. The risk management process was audited in December 2015, and satisfied all assurance requirements.

Below are our top risks from the Council's comprehensive risk register.

Risk	Impact	Mitigation
Reductions in overall affordable housing across the City.	Increase in the numbers of households in Temporary Accommodation (TA), reduction in local low income labour to support the City.	Increasing Affordable Housing delivery through Council led projects.
Change in welfare policy.	Increase in homelessness costs and volumes.	Lobbying Central Government, increase TA properties, working with other bodies and change service delivery.
Protecting young people from harm.	Potential harm to children.	Enforced controls, enhanced training, lessons learnt from reviews and enhance checks.
Rise in number of looked after children – new risks from increasing numbers of unaccompanied asylum seeking children.	Increased demand for placements, which in turn increases pressure on budgets.	Controls of practice and tight monitoring of trends, launch of Focus on Practice.
Extra demands created by new legislation in particular the Care Act.	Increased demand for adult and children care services.	Further focus on integration with health services, focus on preventative and re-ablement services.
Extra demands caused by demographic pressures.	Increased demand for adult social care services.	Financial planning and service review proposals.
Further reductions in government funding, which restricts revenue spending.	Impact on the Council's ability to run full services and may mean that some services are changed or reduced	Collaborative working with partners and subsidiaries.
Interest rate increases, which restricts borrowing for capital purposes.	Impact will be on the Council's ability to deliver the 5 year capital programme in full.	Proactive management of the Council's budget and cash.

## City Treasurer's Narrative Report

### By Steven Mair (continued)

#### Explanation of accounting statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2016. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which in turn is underpinned by International Financial Reporting Standards;

A Glossary of key terms can be found at the end of this publication.

The **Core Statements** are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area – this is a standard analysis provided by CIPFA so that local authority accounts and spending can be compared. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:

- services and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning and registration; and,
- discretionary expenditure focussed on local priorities and needs.

The **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "useable", which can be invested in capital projects or service improvements, and "unuseable" which must be set aside for specific purposes.

The **Balance Sheet** is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.

The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

The **Supplementary Financial Statements** are:

The **Annual Governance Statement** which sets out the governance structures of the Council and its key internal controls.

The **Housing Revenue Account** this separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.

The **Collection Fund** summarises the collection of Council tax and business rates, and the redistribution of some of that money to the Greater London Authority (GLA) and central government.

The **Pension Fund Account** reports the contributions received, payments to pensioners and the value of net assets invested in the Local Government Pension Scheme on behalf of Council employees.

The **Notes** to these financial statements provide more detail about the Council's accounting policies and individual transactions.

# Independent Auditor's Report

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF WESTMINSTER COUNCIL

We have audited the financial statements of City of Westminster (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the City Treasurer and auditor

As explained more fully in the Statement of the City Treasurer's Responsibilities, the City Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and

International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by City Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Independent Auditor's Report (continued)

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of City of Westminster as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

### Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report is consistent with the financial statements.

### Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

## CONCLUSION ON THE AUTHORITY'S ARRANGEMENTS FOR SECURING VALUE FOR MONEY THROUGH ECONOMIC, EFFICIENT AND EFFECTIVE USE OF ITS RESOURCES

### Respective responsibilities of the Authority and auditor

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



## Independent Auditor's Report (continued)

### **Scope of the review of the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code of Audit Practice"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects, City of Westminster has put in place proper arrangements for securing value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

### **Certificate**

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for City of Westminster for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

*Paul Dossett*

**Paul Dossett**  
for and on behalf of Grant Thornton UK LLP,  
Appointed Auditor

Grant Thornton House,  
Melton Street, Euston Square,  
LONDON, NW1 2EP  
15 July 2016

# Independent Auditor's Report – Pension Fund

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF WESTMINSTER COUNCIL

We have audited the pension fund financial statements of City of Westminster (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the City Treasurer and auditor**

As explained more fully in the Statement of the City Treasurer's Responsibilities, the City Treasurer is responsible for the preparation of the Authority's Statement of Accounts, which include the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Independent Auditor's Report – Pension Fund (continued)

### Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the City Treasurer; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on the pension fund financial statements

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and of the amount and disposition at that date of the fund's assets and liabilities; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

### Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts is consistent with the pension fund financial statements.

*Elizabeth Olive*

**Elizabeth Olive**  
for and on behalf of Grant Thornton UK LLP,  
Appointed Auditor

Grant Thornton House  
Melton Street, Euston Square  
LONDON, NW1 2EP  
15 July 2016

# 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 line with statute this is the Section 151 Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and,
- Approve the Statement of Accounts.

## THE SECTION 151 OFFICER'S RESPONSIBILITIES

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts and of its Pension Fund Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code'), are required respectively to present fairly the financial position of the Council and of the Pension Fund at the accounting date and the income and expenditure for the year then ended.

In preparing these Statements of Accounts, the Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently except where policy changes have been noted in these accounts;
- Made judgments and estimates that were reasonable and prudent; and,
- Complied with the Code

The Section 151 Officer has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities



**Steven Mair**

City Treasurer, Section 151 Officer.  
Date: 14 July 2016

## APPROVAL OF STATEMENT OF ACCOUNTS

The Statement of Accounts was approved by the Westminster City Council Audit and Performance Committee.



**Councillor Jonathan Glanz**

Chairman of the Audit and  
Performance Committee  
Date: 14 July 2016

# Annual Governance Statement

This statement is our Annual Governance Statement for 2015/16 and builds upon those of previous years. It summarises key governance mechanisms and records the significant governance issues that need to be addressed over the coming year. The full Code of Corporate Governance can be found on the Council's website and forms part of the Council's Constitution: <http://committees.westminster.gov.uk/ecCatDisplay.aspx?bcr=1&sch=doc&cat=13175&path=0>

Westminster City Council (WCC) 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. In support of this a governance framework has been in place at the Council for the year ended 31 March 2016 and up to the date of approval of the Statement of Accounts.

This statement also enables the Council to meet its requirements under the Accounts and Audit Regulations 2015, which requires that the Council prepares an annual governance statement.

## THE GOVERNANCE FRAMEWORK

Corporate governance refers to the process by which organisations are directed, controlled and held to account. Major elements of this framework are to monitor the achievement of strategic objectives, manage the Council's finances and provide a framework for public engagement. The governance framework the Council operates ensures that it is fully compliant with these requirements.

The Council must and does consider high-level strategic plans. The Council is now in Year 2 of *City for All* ([westminster.gov.uk/city-all](http://westminster.gov.uk/city-all)) which is the Council's three year strategic plan to support a city that is confident, tolerant and where everybody is able to share in the benefits of economic success. It invites everyone to play their part, creating a City of Aspiration, Choice and Heritage. The values and behaviours of the Council (Productive, Ambitious, Collaborative and Enterprising) underpin the Council's way of working that will deliver *City for All*.

The level of Council Tax for each Financial Year is set through a stringent process of budget setting and review. The annual Revenue and Capital budgets are prepared by officers in conjunction with Cabinet, consulted upon, reflected in the Forward Plan and then considered and approved by the Full Council at the Budget Council meeting in March each year. The Council also produces a three year Treasury Management Strategy within which it manages the Council's cashflows, lending and borrowing activities and the mitigation of the risks associated with these activities. This is also considered and approved by the Full Council in March each year.

Members of the public are welcome to ask public questions about Council business and policy at Council meetings as well as to inspect the accounts being audited.

In support of the framework the system of internal control is very important 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.

## Annual Governance Statement (continued)

### The Constitution

The conduct of the Council is defined by formal procedures and rules, which are set out in the Council's Constitution.

All Councillors meet together at Full Council meetings which are normally open to the public. Six took place in this financial year.

As well as delivering statutorily-defined services to its residents, the Council also appoints a Returning Officer who is responsible for the administration of elections, referendums and other ballots within the City Council's area. No legal challenges have been received in respect of the Returning Officer's performance of his duties.

### Key Statutory Officers

**The Head of Paid Service** (in WCC this is the Chief Executive) is responsible for all of the staff of the Council and for leading an effective corporate management team of Executive Directors who focus on both strategic cross-departmental issues and operational delivery of the departmental accountabilities. The Chief Executive's team of

senior officers propose policy options and advise as necessary on possible action to elected Councillors, who take the key decisions. The Chief Executive has overall responsibility for implementing Council priorities, for managerial leadership, for policy advice and for the efficient and effective operation of the Council.

**The City Treasurer** is appointed as Chief Finance Officer (CFO) under Section 151 of the Local Government Act 1972. The CFO helps to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest. The CFO is actively involved in, and brings influence to bear on, all material business decisions to ensure immediate and longer term financial implications are considered, that opportunities and risks are fully taken into account, and that there is alignment with the organisation's financial strategy. Furthermore, the CFO leads on delivery by the whole organisation of excellent financial management so that public money is safeguarded at all times and used appropriately.

The Council is required to appoint a **Monitoring Officer** and at WCC this is the Director of Law. The Monitoring Officer's functions include maintaining the Constitution, and overseeing compliance with the law and supporting the Standards Committee in the promotion of high standards of Member Conduct. The Standards Committee will report its review of the Members Code of Conduct in July 2016. Whilst there have been five complaints about Member Conduct, involving seven members, in none of these cases was it considered necessary to conduct an investigation. The Director of Law is appointed as the Monitoring Officer and she has delegated authority to institute, conduct and where appropriate defend and settle criminal or civil legal proceedings and claims concerning the Council's responsibilities and interests, to take action to protect the interests of the Council and to give legal effect to any decision or action properly taken by the Council or a Committee or person on behalf of the Council.

## Annual Governance Statement (continued)

### Annual Governance Review

The following diagram outlines the Council's governance framework around three streams of core activity – corporate governance, management team and delivering services:



## Annual Governance Statement (continued)

To support the Governance review, each service is required to complete a Management Assurance Statement in relation to systems of internal control and governance arrangements. These are signed off by an Executive Director or equivalent. The management assurance statements demonstrated that services had an effective internal control environment with controls embedded across key areas including decision making, service planning and delivery, performance management, partnership governance and financial management.

These statements along with the other aspects of governance outlined in this report have enabled the Council to conclude that it has an effective governance framework including systems of internal control.

### Partnership Governance

Good governance arrangements in respect of partnerships and other group working have been put in place.

The Council shares a number of services with the London Borough of Hammersmith and Fulham (LBHF) and the Royal Borough of Kensington and Chelsea (RBKC), also known as the Tri-borough partnership. Each Council retains its own sovereignty and staff who work within the shared service arrangement do so through an agreement under

section 113 of the Local Government Act 1972 whereby they are seconded to work on behalf of the other two Councils as well as continuing to work for their own employing authority.

Since each Council retains its own sovereignty, the governance arrangements for WCC remain basically the same for all services. Decisions which are to be made at Member level are made by the full Cabinet or by individual Cabinet Members (if they are executive decisions) or by the appropriate committee if they are non-executive decisions. Decisions taken by officers under delegated powers are taken in accordance with WCC's scheme of officer delegations: if the relevant officer is employed by another Tri-borough authority, he or she is empowered to take a decision on behalf of WCC by virtue of his or her secondment under section 113 of the Local Government Act (1972). A number of Tri-borough advisory boards have been set up to make recommendations with regard to procurement of goods and services. These boards do not have decision-making powers and make recommendations to the relevant decision-makers in each of the three Councils.

In 2015/16, following the transfer of Information Technology and Customer Services segments previously delivered via the strategic partnership

contract with Serco to Agilisys and British Telecom (BT) in the winter of 2014/15, the final transactional Finance, Procurement, HR and Payroll segments went live on the 16th March 2015 with the Council's Managed Services provider BT. Service delivery and contract compliance is monitored through service area project boards and the operations board. The Managed Services Programme (MSP) has been implemented across all three boroughs, and a Chief Executive-led Strategic Framework Board has been set up which meets bi-weekly to manage the programme implementation, development and the overall contract.

The Council has an arm's length management organisation, CityWest Homes (CWH), a wholly-owned subsidiary limited by guarantee, to manage its housing stock and deliver some housing responsibilities. CWH has a formal governance structure and operates its own risk management strategy and is subject to internal and external inspection and audit, in compliance with the Companies Act (2006).

Westco Trading Limited is wholly owned by the Council and is governed by a board of directors comprising senior Council officers and an Elected Member. Accounts are independently prepared, approved by the Board of Directors and lodged annually with Companies House.



## Annual Governance Statement (continued)

Westminster Community Homes (WCH) is a registered Industrial and Provident society and was originally set up by the Council to develop its Community Build Programme and Temporary to Settled Homes Scheme. It is governed by a board of directors comprising representatives from the Council, CWH and residents and is chaired by an independent nominee.

### **Audit and Performance Committee**

The Audit and Performance Committee receives reports that deal with issues of good governance as well as those in need of improvement. During 2015/16 the Committee met in May 2015, July 2015, September 2015, November 2015, December 2015 and February 2016. The Committee considers standing agenda items as well as specific items at particular times of the year, in part driven by the annual accounts preparation and finalisation and any matters that require further reporting. During the year the Committee reviewed:

- internal audit and counter fraud activity, reports, implementation of recommendations;
- internal annual audit plan;
- external audit annual letter;
- external annual certification of claims and returns;
- external annual audit plan;

- annual statement of accounts;
- contracts and performance;
- risk, operational and financial performance;
- corporate complaints; implications of the Local Audit and Accountability Act;
- staffing issues;
- maintaining high ethical standards; and,
- implementation of the MSP.

### **Scrutiny Committees**

The Westminster Scrutiny Commission is the overarching body which is responsible for the management and co-ordination of the Council's Policy and Scrutiny function. The Members are Chairmen of the respective committees, alongside an opposition representative. There are four Scrutiny Committees, each focusing on a specific service area remit. Scrutiny Committees can:

- review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- make reports and/or recommendations to the Full Council and/or the Executive Management Team (EMT) in connection with the discharge of any functions;

- consider any matter within its remit affecting the area or its inhabitants; and
- exercise the right to call-in for reconsideration decisions made, but not yet implemented, by EMT.

### ***Scrutiny Committee reviews and annual work programmes***

Each year, in June, Scrutiny Committees identify and agree an annual programme of work, to ensure they prioritise the most important topics and issues within their remit. The work programme is reviewed at each meeting and can be added to at any time. Councillors and Council Officers participate in these Committees. Members of the local community and/or subject matter experts can also be invited to participate in meetings.

The Committees can establish time-limited working groups (usually made up of three to four Councillors from that Committee's membership) to take forward detailed reviews of specific matters. These working groups consider evidence and views from a wide range of stakeholders, professionals and experts across a range of services and report back with recommendations intended to resolve those matters and/or improve the way the Council operates.

## Annual Governance Statement (continued)

### **Risk Management Strategy**

It is recognised that risk management is an integral part of good governance. The Council's Risk Management Strategy Statement sets out the intended approach to risk management to be implemented by services. All Councillors and Officers are responsible for ensuring that risk implications are considered in the decisions they take.

The successful delivery of the Council's Risk Management Strategy depends on its ability to manage risk, rather than eliminate it altogether.

The five-step process to identifying and managing risk is illustrated below:

### **Risk review process**

The aim is to ensure that:

- risk management becomes a natural component of Council's management and change processes;
- risks are identified, understood and managed to an acceptable level; and,
- opportunities are seized.

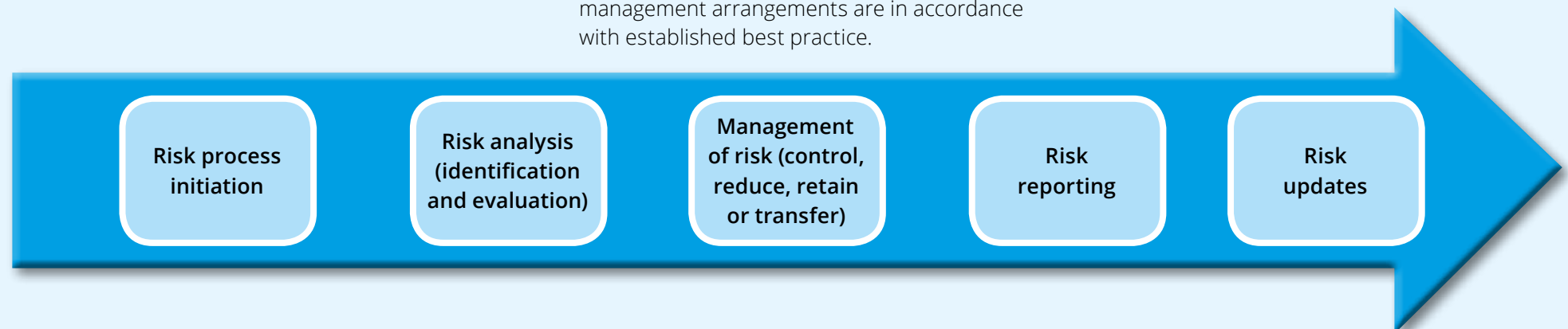
This Council is committed to:

- raise awareness of the benefits of effective risk management;
- adopt and embed a risk aware culture; and,
- establish and maintain a consistent and integrated framework that anticipates and meets the changing needs of the Councils over time and in doing so ensures that risk management arrangements are in accordance with established best practice.

An external corporate risk audit carried out by Mazars in October 2015 identified no significant issues with the Council's risk management process.

### **Managing the risk of Fraud**

The financial resources available to the Council need to be maximised, in order to help achieve the corporate strategies as far as possible. One aspect to assisting with maximising resources is to reduce the opportunity for fraud and misappropriation. The Council will not tolerate fraud or corruption by its Councillors, employees, suppliers, contractors or service users and will take all necessary steps to investigate any allegation of fraud or corruption and pursue sanctions available in each case, including removal from office, dismissal and/or prosecution.



## Annual Governance Statement (continued)

The Anti-Fraud, Bribery and Corruption Strategy summarises the Council's position, building on the content of a number of corporate policy statements incorporated in the Council's Constitution, namely:

- Members Code of Conduct;
- Officers Code of Conduct;
- Whistleblowing Policy;
- Financial Regulations; and,
- Procurement Code.

A fraud response plan is available to all Council officers and staff, which provides guidance on what actions they need to take in the event of becoming aware, or suspicious of, a fraud or an act of corruption being committed against the Council, either internally or externally by individuals or organisations.

### *Significant Cases 2015/16*

- In a "landmark" case Westminster City Council prosecuted a tenant for unlawful subletting but also prosecuted the subtenant for conspiracy to defraud. The subtenant had conspired with the tenant and made false statements to disguise the fact the property was being sub-let. WCC continue to pursue both defendants, under the Proceeds of Crime Act, for a criminal benefit totalling £115,000.
- A multi-agency operation co-ordinated by City Council's fraud team, revealed a letting agent who was unlawfully sub-letting properties where housing benefit was being paid. Following the initial arrest the subsequent financial investigations revealed fraud totalling £169,000, and the subject's assets were frozen forthwith. In January 2016 the defendant pleaded guilty to all charges and was sentenced to two years imprisonment. Under the Proceeds of Crime Act the offender was ordered to repay the debt within three months or face an additional default sentence of two and a half years.

### *Anti-bribery and corruption*

All members of staff have a responsibility to declare any offer of a gift, hospitality, benefit or service, even if the offer is not accepted. Each member of staff is responsible for recording their offers, both accepted and rejected. When an offer is received, employees need to record this in the Gifts and Hospitality register for approval.

### **Managing Finances**

The Council is able to confirm that it complies with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Section 151 Officer is a qualified and suitably experienced accountant who is responsible for the proper administration of the Council's financial affairs, and for ensuring the lawfulness and financial prudence of financial transactions.

The City Treasurer is a regular attendee at the Executive Management Team meeting with responsibility for leading and advising on the strategic financial decisions impacting on the Council's delivery of its objectives; ensuring continuing effective financial controls, risk management and leadership and management of the City Treasurer's Department.

## Annual Governance Statement (continued)

### INTERNAL AUDIT AND EXTERNAL AUDIT ASSURANCE

The Council receives a substantial amount of assurance from the work that is undertaken by its Internal Audit Service and its external auditors (Grant Thornton UK LLP).

The role of internal audit is to provide independent assurance that the Council's risk management, governance and internal control processes are operating effectively.

The role of external audit is to review the financial statements, obtain evidence that they are materially correct and provide an opinion as to whether these represent a true and fair view of the financial position of the Council. In addition, external audit also provide a value for money opinion assessing whether proper arrangements are in place for securing financial resilience and challenging how the Council secures economy, efficiency and effectiveness.

### INTERNAL AUDIT

The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards which have been developed specifically for the Public Sector by CIPFA. Compliance with these standards is externally assessed on a cyclical basis. During 2015/16 a self-assessment of compliance was undertaken and no significant areas of non-compliance were found.

One of the assurance statements the Council receives is the annual opinion of the Head of Internal Audit in respect of the financial control framework. The opinion of the Head of Internal Audit in respect of audit work completed in 2015/16 is that the Council's internal control systems in the areas audited were adequate with the exception of a few systems where improvements were recommended.

Those audits which received limited or no assurance opinions, whilst non material in terms of the Council's overall Risk Management, Governance and internal control framework, are set out below:

- Managed Services Programme: High Level Controls and Data Migration;
- IT Third Party Remote Access and Multi-User Logins;

- Adoption and Fostering;
- Disclosure and Barring Service;
- Management of Tenant Management Organisations;
- Contracts Register
- Housing Repairs;
- Three schools (St George's Hanover Square Primary, St James' & St John's Primary and St Vincent de Paul Primary) received limited assurance opinions and recommendations were made to strengthen the design and application of their internal control frameworks.

### EXTERNAL AUDIT

The Council's external auditor in 2014/15, KPMG, issued an unqualified value for money conclusion for the financial year 2014/15 on 18 May 2015. This means that they are satisfied that the Council had proper arrangements for securing financial resilience and for challenging how it secures economy, efficiency and effectiveness.

The Audit Commission's guidance requires the external auditor to report by exception on any other significant additional matter which has come to their attention and which they consider to be relevant to the proper arrangements to

## Annual Governance Statement (continued)

secure economy, efficiency and effectiveness in the Council's use of resources. Such a matter was identified by them in relation to weaknesses in the Council's arrangements for managing risks, and maintaining a sound system of internal control in respect of procurement.

This matter emerged from their work considering the objections relating to the Council's accounts for the financial years 2008/09 to 2011/12. These weaknesses included non-compliance with the proper procedures required by the Council's Procurement Code and internal financial regulations, in particular the processes for contract letting, contract variations and for formalising contract documentation. These matters were identified in 2013/14, and while KPMG noted the improvements made in this area, they reported that there was further work required in the specific areas of contract extensions and weaknesses in the contract register. The Council is continuing to refine processes and procedures to address these matters.

### **Audit Opinion**

KPMG issued an unqualified opinion on the Council's 2014/15 financial statements on 18 May 2015. This means that they believe the 2014/15 financial statements give a true and fair view of the

financial position of the Council and of its expenditure and income for that year. The financial statements also include those of the Pension Fund. The Council worked to an accelerated closedown timetable, completing the financial statements 6 weeks ahead of the previous year.

KPMG's audit of the financial statements found seven significant adjustments, all of which the Council adjusted. The audit raised recommendations around improving procedures to track the recording and accounting for capital grants, and analysis of existing grant balances. The Council has addressed these recommendations in 2015/16.

### **Financial Statements Audit and Certificate 2013/14**

At the start of 2014/15 the Council had two objections outstanding. During the year both of these objections were decided upon by KPMG LLP enabling the authority's accounts for the years 2008/09, 2009/10, 2010/11 and 2011/12 to be certified. In January 2016 a new objection was accepted by the authority's new external auditor, Grant Thornton UK LLP. This new objection relates to the provision of car parking enforcement on housing estates managed by City West Homes and covers the years 2012/13, 2013/14 and 2014/15. The auditor has received representations from the Council on the matter and sought to ascertain

comments from the objector on those representations. This period has now expired and thus it is expected the auditor will be in a position to decide upon the objection by the end of April 2016 and subsequently certify the Council's accounts back to 2012/13. Until this happens, citizens can raise further objections relating to any year from 2012/13 to 2014/15.

### **Annual Governance Statement**

KPMG reviewed the Annual Governance Statement and concluded that it was sound, consistent with the principles of the CIPFA/SOLACE Framework and correlated with their understanding of the governance arrangements of the Council.

### **Pension Fund Audit**

There were no significant issues arising from KPMG's audit of the Pension Fund.

### **Whole of Government Accounts**

KPMG reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts by HM Treasury. The auditors reported that the Council's pack was consistent with the Council's audited financial statements.

## Annual Governance Statement (continued)

### SIGNIFICANT GOVERNANCE ISSUES

Matters reported in the 2014/15 Annual Governance Statement, with the exception of those related to the MSP, have been addressed during 2015/16 with no residual issues. During 2015/16 internal audit expressed limited assurance over particular and individual systems of internal controls which resulted in a number of systems improvements that further strengthened financial and operational controls. Whilst generally satisfied with the effectiveness of corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance arrangements the following issues, as highlighted in this year's Annual Governance Statement, have been identified for improvement.

#### Managed Services

The MSP was set up to introduce an external managed service delivering HR and finance processes. The programme overran its original delivery date of 1 April 2014 and went live on 16 March 2015 with a further programme of staged implementation originally extending to 30 April 2015 that has continued to be extended since. Overall, the programme work plans were reviewed by MSP post go-live and this established key deliverables with new baseline due dates. These plans and the target date for 'Business as

Usual', now being referred to as 'Steady State', have necessarily slipped and a more recent review of plans has re-set due dates which now stretch through to March 2016 with some projected beyond then.

During the first nine months of Managed Services being operational, an internal audit was started on the high level controls within the system. Progress on this audit was slow and, due to difficulties in meeting with appropriate staff at BT to undertake all aspects of this review, a number of areas could not be reviewed and a limited assurance opinion was given on the adequacy of the high level controls. It was apparent from this audit that in some of the areas reviewed significant changes had been made since implementation.

In addition to the High Level Controls review, a review of the bank reconciliations process has been undertaken which is being discussed with the Finance Leads for the three Councils and an audit of the established interfaces with Managed Services is currently being undertaken with a report due to be issued by the beginning of April 2016.

The main audits due to be undertaken in 2015/16 on various aspects of the Managed Service could not be undertaken for a number of reasons including a lack of appropriate auditor access and because of delays in implementing some aspects of the system.

In order to undertake an effective internal audit whereby reliance can be placed on the testing undertaken, there needs to be independent assurance that the system is operating in a stable environment with changes properly controlled and tested prior to being implemented. Apart from the high level controls review, which indicated that there were a number of areas where assurance on controls could not be given, Internal Audit have not independently reviewed the system controls and have therefore not undertaken any substantive testing during 2015/16 in the key areas of HR, Payroll and Finance.

In order to obtain assurance on the accuracy of the information being processed through the Managed Services environment and feeding into the Council's financial management system, the Council's Finance Team has undertaken a very significant amount of transaction testing in a number of the key financial areas for the year to date. Internal Audit have reviewed this testing and it has been confirmed as thorough and focused on the key areas of risk. Corrective action is being undertaken by both Council staff and by the Managed Service provider and mitigating actions have been taken by the Council to minimise the impact of any errors identified on the Council's financial management information.

## Annual Governance Statement (continued)

However, although the Council has been proactive in identifying errors and weaknesses to the Managed Services provider, it should be noted that until robust controls and systems are embedded, the potential for further related or unrelated errors, cannot be ruled out.

### IT Services

Reviews within two areas of the Council's IT environment identified a number of weaknesses which need to be addressed to ensure that the Council provides a secure and robust service:

#### *Third Party Remote Access*

A third party is an individual or organisation that is not part of one of the shared services who may require access to the Council's systems. Access to the Council's systems should only be permitted through a mechanism where appropriate controls are in place, changes are undertaken in accordance with agreed change management procedures and where there is a robust accountability framework in place. Improvements in the processes operated by the Council have been recommended and accepted and are due to be implemented during 2016.

#### *Multi-User Logins*

When the Tri-borough infrastructure was introduced in 2012, a number of dual logins were created to enable users to work across two or more boroughs

until a permanent solution was in place. This work is now complete and most users are expected to work using the login and equipment provided by their employing borough. There are a small number of exceptions to this where a technical solution is not available at the present time. There is a risk that some of these accounts are not being managed appropriately and severe control weaknesses persist as a result. Furthermore accounts may not be terminated appropriately following the officer leaving or their position changing.

The Chief Information Officer has confirmed that action is being taken to improve controls in this area including account reviews, communications to users and monitoring of account set ups to minimise the risk of multiple logins being established.

### Procurement – Contracts Register (capitalEsourcing)

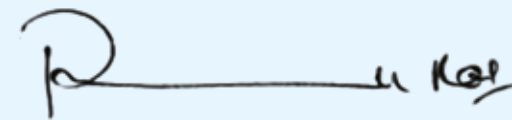
The Council uses a solution called *capitalEsourcing* for all procurements with an estimated value exceeding £10,000. The solution promotes a standardised and structured method of managing procurement exercises, acts as a repository and central record for all contracts and helps to ensure that a complete audit trail is maintained, including a record of governance processes and communications with suppliers. The system's reporting tools also

assist the Council to meet the obligations of the Local Government Transparency Code (2015), and can be useful when responding to requests under the Freedom of Information Act (2000).

A review of the accuracy of the information held on the system identified that the system was not always being updated on a regular basis which resulted in key information being omitted or out of date.

The Chief Procurement Officer has provided support and training to Council staff on using and maintaining the capitalEsourcing system and follow up reviews have indicated improved levels of compliance. Procurement including the use of capitalEsourcing will be further reviewed during 2016/17.

Signed:



Leader of the Council:



Chief Executive on behalf of the Council

# 3

# Core Financial Statements





# Comprehensive Income and Expenditure Statement

2014/15				2015/16		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
25,032	(23,993)	1,038	Central services to the public	7,455	(12,750)	(5,295)
20,138	(7,017)	13,112	Cultural and related services	21,872	(7,751)	14,121
79,130	(27,753)	51,377	Environmental and regulatory services	86,112	(29,009)	57,103
20,750	(11,283)	9,467	Planning services	19,842	(10,645)	9,196
213,834	(119,335)	94,499	Education and children services (Ed)	194,191	(122,619)	71,572
104,784	(84,626)	20,158	Highways and transport services	98,049	(84,357)	13,691
117,951	(92,597)	25,354	Local authority housing (HRA)	90,893	(98,993)	(8,100)
(143,300)	-	(143,300)	Local Authority Housing (HRA) – Impairments	-	-	-
327,505	(275,704)	51,801	Other housing services	339,359	(290,179)	49,181
117,695	(30,592)	87,103	Adult social care	121,751	(43,683)	78,068
33,477	(27,968)	5,509	Public Health	35,106	(32,921)	2,185
10,349	(2,911)	7,438	Corporate and democratic core	8,327	(6,486)	1,841
-	-	-	Non distributed costs	-	-	-
<b>927,344</b>	<b>(703,778)</b>	<b>223,566</b>	<b>Cost of services</b>	<b>1,022,956</b>	<b>(739,393)</b>	<b>283,563</b>

## Comprehensive Income and Expenditure Statement (continued)

2014/15			2015/16				
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
-	-	487	Other operating expenditure	Note 7	-	-	(55,745)
-	-	(25,440)	Financing and investment income and expenditure	Note 8	-	-	5,653
-	-	(367,380)	Taxation and non-specific grant Income	Note 9	-	-	(290,230)
-	-	<b>(168,767)</b>	<b>(Surplus)/Deficit on Provision of Services</b>	Note 10	-	-	<b>(56,761)</b>
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services							
-	-	8,581	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets		-	-	3,414
-	-	108,949	Remeasurement of the net defined benefit liability (assets)		-	-	(65,958)
-	-	<b>(51,237)</b>			-	-	<b>(119,305)</b>
Items that will be reclassified to the (surplus)/deficit on the Provision of Services							
-	-	(14,847)	(Surplus)/Deficit on revaluation of financial assets (Available for sale)		-	-	(1,627)
-	-	<b>(66,084)</b>	<b>Comprehensive Income and Expenditure (Surplus)/Deficit</b>		-	-	<b>(120,932)</b>

## Movement in Reserves Statement

The statement shows the movement in year on reserve balances held by the authority. Usable reserves may be used to fund expenditure or reduce local taxation. Unusable reserves are other reserve balances and together with usable reserves collectively represent total reserve balances held by the Council. The deficit on provision of services represents the true economic cost of providing the Council's services, a detailed analysis of these costs is presented within the Council's Comprehensive Income and Expenditure Statement.

The Comprehensive Income and Expenditure Statement figures are different from the statutory amounts required to be charged to the General Fund and HRA Accounts for Council Tax and Dwelling Rent setting purposes. The net increase/decrease before transfers to Earmarked Reserves shows the statutory balance prior to any discretionary transfers taken to other specific reserve balances held by Council.

## Movement in Reserves Statement (continued)

2014/15	Revenue Reserves						Capital Reserves		Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	DSO Surpluses Account	Schools Reserves	Capital Receipts Reserve	Capital Grants Unapplied			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
<b>Balance at 31 March 2014</b>	<b>35,295</b>	<b>121,532</b>	<b>93,234</b>	<b>-</b>	<b>804</b>	<b>5,937</b>	<b>21,576</b>	<b>108,378</b>	<b>386,756</b>	<b>1,324,601</b>	<b>1,711,357</b>
Movement in reserves during 2015/16											
Surplus/(Deficit) on provision of services (accounting basis)	19,640	-	149,127	-	-	-	-	-	168,767	-	168,767
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	(102,683)	(102,683)
<b>Total Comprehensive Income and Expenditure</b>	<b>19,640</b>	<b>-</b>	<b>149,127</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>168,767</b>	<b>(102,683)</b>	<b>66,084</b>
Adjustments between accounting basis and funding basis under regulations	52,937	-	(180,681)	-	-	-	10,627	72,253	(44,864)	44,865	-
<b>Net increase/(decrease) before Transfers to Earmarked Reserves</b>	<b>72,577</b>	<b>-</b>	<b>(31,554)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,627</b>	<b>72,253</b>	<b>123,903</b>	<b>(57,818)</b>	<b>66,085</b>
Transfers to/(from) Earmarked Reserves	(71,837)	72,408	(11,730)	11,730	(804)	233	-	-	-	-	-
<b>Increase/(Decrease) In Year</b>	<b>740</b>	<b>72,408</b>	<b>(43,284)</b>	<b>11,730</b>	<b>(804)</b>	<b>233</b>	<b>10,627</b>	<b>72,253</b>	<b>123,903</b>	<b>(57,818)</b>	<b>66,085</b>
<b>Balance at 31 March 2015</b>	<b>36,035</b>	<b>193,940</b>	<b>49,950</b>	<b>11,730</b>	<b>-</b>	<b>6,170</b>	<b>32,203</b>	<b>180,631</b>	<b>510,659</b>	<b>1,266,783</b>	<b>1,777,442</b>

## Movement in Reserves Statement (continued)

2015/16	Revenue Reserves						Capital Reserves		Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	DSO Surpluses Account	Schools Reserves	Capital Receipts Reserve	Capital Grants Unapplied			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
<b>Balance at 31 March 2015</b>	<b>36,035</b>	<b>193,940</b>	<b>49,950</b>	<b>11,730</b>	<b>-</b>	<b>6,170</b>	<b>32,203</b>	<b>180,631</b>	<b>510,659</b>	<b>1,266,783</b>	<b>1,777,442</b>
Movement in reserves during 2015/16											
Surplus/(Deficit) on provision of services (accounting basis)	29,343	-	27,419	-	-	-	-	-	56,761	-	56,761
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	64,171	64,171
<b>Total Comprehensive Income and Expenditure</b>	<b>29,343</b>	<b>-</b>	<b>27,419</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,762</b>	<b>64,171</b>	<b>120,933</b>
Adjustments between accounting basis and funding basis under regulations	28,546	-	(44,332)	-	-	-	57,876	43,147	85,237	(85,237)	-
<b>Net increase/(decrease) before Transfers to Earmarked Reserves</b>	<b>57,889</b>	<b>-</b>	<b>(16,913)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,876</b>	<b>43,147</b>	<b>141,999</b>	<b>(21,066)</b>	<b>120,933</b>
Transfers to/(from) Earmarked Reserves	(52,349)	52,916	(1,432)	1,432	-	(567)	-	-	-	-	-
<b>Increase/(Decrease) In Year</b>	<b>5,540</b>	<b>52,916</b>	<b>(18,345)</b>	<b>1,432</b>	<b>-</b>	<b>(567)</b>	<b>57,876</b>	<b>43,147</b>	<b>141,999</b>	<b>(21,066)</b>	<b>120,933</b>
<b>Balance at 31 March 2016</b>	<b>41,575</b>	<b>246,856</b>	<b>31,606</b>	<b>13,162</b>	<b>-</b>	<b>5,603</b>	<b>90,079</b>	<b>223,778</b>	<b>652,658</b>	<b>1,245,717</b>	<b>1,898,375</b>

\* Further breakdown of the Unusable Reserves is presented in *Note 33* and Earmarked Reserves are detailed in *Note 20*.

# Balance Sheet

The Balance Sheet shows the values of assets and liabilities held by the Council. The net assets of the Council are matched by the reserves held by the Council. The reserves are presented within two categories, usable reserves and unusable reserves. Usable reserves may be used to provide services subject to statutory limitations on their use and the need to maintain prudent level of reserves for financial stability. Unusable reserves cannot be used to fund Council services.

31 March 2015		Note	31 March 2016
£'000			£'000
<b>ASSETS</b>			
<b>Non-current</b>			
1,937,025	Property, plant and equipment	Note 21c	1,952,377
42,746	Heritage assets	Note 22	42,746
402,880	Investment property	Note 23	405,269
2,394	Intangible assets		1,830
40,773	Long-term investments	Note 24	45,916
24,573	Long-term debtors	Note 29	12,394
<b>2,450,391</b>	<b>Total long term assets</b>		<b>2,460,532</b>
<b>Current</b>			
344,685	Short-term investments	Note 24	514,833
316	Inventories		235
122,302	Short-term debtors	Note 29	137,666
252,942	Cash and other cash equivalents	Note 30	117,580
1,950	Assets held for sale		2,250
<b>722,195</b>	<b>Current assets</b>		<b>772,564</b>

## Balance Sheet (continued)

31 March 2015		Note	31 March 2016
£'000			£'000
<b>LIABILITIES</b>			
33,902	Short-term borrowing	Note 24	2,109
266,481	Short-term creditors	Note 31	259,931
55,391	Revenue receipts in advance	Note 18	6,151
<b>355,774</b>	<b>Current Liabilities</b>		<b>268,191</b>
221	Long-term creditors	Note 31	202
120,725	Provisions	Note 32	153,936
251,520	Long-term borrowing	Note 24	251,465
641,746	Other long-term liabilities		605,540
25,157	Capital receipts in advance	Note 18	55,388
<b>1,039,369</b>	<b>Long-term liabilities</b>		<b>1,066,531</b>
<b>1,777,443</b>	<b>Net assets</b>		<b>1,898,374</b>
510,658	<b>Total Usable Reserves</b>		652,657
1,266,785	<b>Total Unusable Reserves</b>	Note 33	1,245,717
<b>1,777,443</b>	<b>Total Reserves</b>		<b>1,898,374</b>

# Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council 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.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing by the Council).

2014/15		Note	2015/16
£'000			£'000
168,767	Net surplus/(deficit) on the provision of services		56,761
2,320	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	Note 35	132,657
(137,711)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	Note 35	(167,026)
<b>33,376</b>	<b>Net Cash Flows from Operating Activities</b>		<b>22,392</b>
54,791	<b>Net Cash Flows from Investing Activities</b>	Note 36	(133,213)
6,461	<b>Net Cash Flows from Financing Activities</b>	Note 37	(24,542)
<b>94,628</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(135,363)</b>
158,314	Cash and cash equivalents at the beginning of the reporting period		252,942
<b>252,942</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>117,579</b>







# 4

# Notes to the Accounts

# Note 1 Accounting Policies

## GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the CIPFA Service Reporting Code of Practice (SeRCOP) for Local Authorities 2015/16, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis.

## ACCRUALS 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 written down and a charge made to revenue for the income that might not be collected.

## CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable on notice of not more than 24 hours demand without material penalty. Cash equivalents are highly liquid investments that mature in no more than three days or less and that are readily convertible to known amounts of cash with low risk of change in value.

In the Balance Sheet, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management strategy.

## Note 1 Accounting Policies (continued)

### CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following charges to record the cost of holding non-current 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 the losses can be written off;
- Amortisation of intangible fixed assets attributable to the service.

### COLLECTION FUND

The Collection Fund Statement is an agent's statement which reflects the statutory obligation in accordance with section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to maintain a separate Collection Fund. The Collection Fund shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates. There is no requirement for a separate

Collection Fund Balance Sheet since the assets and liabilities arising from collecting non-domestic rates and council tax belong to the bodies (i.e. major preceptors, the billing authority and the government).

### ACCOUNTING FOR COUNCIL TAX

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out from the Collection Fund to the major preceptors.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. Revenue related to council tax shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from Council Tax payers belongs proportionately to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

### NATIONAL NON-DOMESTIC RATES (NNDR)

The NNDR income for the year credited to the Collection Fund is the accrued income for the year. Regulations determine when it should be released from the Collection Fund and paid out to major preceptors and the Government. The amount credited to the General Fund under statute is the Council's estimated share of NNDR for the year from the National Non Domestic Rates (NNDR) 1 return.

The NNDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year from the NNDR 3 return. Revenue relating to non-domestic rates shall be measured at the full amount receivable (net of any impairment losses), as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

### EMPLOYEE BENEFITS

#### Benefits Payable during Employment

An accrual is made to represent the cost of holiday entitlement earned but not taken at each year end, to meet Code and IAS requirements.

## Note 1 Accounting Policies (continued)

### 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 in exchange for those benefits. 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, these costs are charged on an accruals basis to the respective service line in the Comprehensive Income and Expenditure Statement.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

### Post-Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.
- The Local Government Pension Scheme, administered by Westminster City Council and the London Pension Fund Authority.
- The NHS Pension Scheme, administered by NHS Pensions.

All of the above schemes provide defined benefits to members e.g. retirement lump sums and pensions, earned as employees working for the Council, or for related parties.

However, the arrangements for the Teachers' scheme and NHS Scheme mean that liabilities for these benefits cannot ordinarily be identified for the Council. These schemes are therefore accounted for as if they were defined contributions schemes and no liability for future payments of benefits is recognised in the Balance Sheet. Within the Comprehensive Income and Expenditure Statement the Children's and Education Services, and Public Health lines respectively are charged with the employer's contributions payable to Teachers' Pensions and NHS Pensions in the year.

### The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

The liabilities of the Westminster City Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis. The basis of calculation is 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 measured on an actuarial basis discounted to present value, using the projected unit method. The discount rate to be used is determined in reference to market yields at balance sheet date of high quality corporate bonds.

The assets of Westminster City Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price;
- Unquoted securities – professional estimate;
- Unitised securities – current bid price;
- Property – market value.

## Note 1 Accounting Policies (continued)

The change in the net pension liability of the Council is analysed into six components:

- 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 – credited or 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 (asset), i.e. net interest expense for the Council. The change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurement of the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- 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. These changes are debited to the Pensions Reserve as Other Income and Expenditure.
- Contributions paid to the City of Westminster 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 balance 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, this means that 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 earned by employees.

### Discretionary Benefits

The Council provides discretionary post-employment benefits which arise from additional service and are awarded on a discretionary basis. These benefits are unfunded with costs met directly from the Council’s revenue account.

### EVENTS AFTER THE REPORTING PERIOD

Events after the balance sheet date are those events, both favourable and unfavourable, which occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period. In this instance, the Statement of Accounts is adjusted to reflect such events.

## Note 1 Accounting Policies (continued)

- Those that are indicative of conditions that arose after the reporting period. In this instance, the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date when the Statement of Accounts is authorised for issue are not reflected in the Statement of Accounts.

### EXCEPTIONAL ITEMS

When items of income and expenditure are material, their nature and amount is 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.

### FINANCIAL INSTRUMENTS

#### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. These are initially measured at fair value and are carried at their amortised cost. The fair value of loans are valued at carrying value because it is

not possible to derive a fair market value for the types of loans currently held by the Council. As annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument, the effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the Council's borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

#### Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

The valuation applied to fixed term cash deposits is their carrying value, as these assets cannot be sold and hence there is no market valuation.

#### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for that particular instrument. For most of the loans which the Council has made, the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement in the year is the amount which the loan agreement identified as receivable.

In addition, the Council has made a number of loans to voluntary organisations at less than market rates which are referred to as soft loans. The difference between the market rate and the rate at which the soft loan is given is recognised as an expense through the Comprehensive Income

## Note 1 Accounting Policies (continued)

and Expenditure Statement. This movement is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a past event and there is a likelihood that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

### Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on

the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis;
- Equity shares with no quoted market prices – net worth of the companies.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

## GOVERNMENT GRANTS AND 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:



## Note 1 Accounting Policies (continued)

- 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.

### HERITAGE ASSETS

The Council's Heritage Assets comprise: statues and monuments, civic regalia and works of art. Statues and monuments are reported in the Balance Sheet at a current insurance valuation (based on market values); a specialist valuation exercise is carried out for regalia and works of art which was conducted during the year 2013/14. Acquisitions are recognised at cost. As Heritage Assets are deemed to have indeterminate lives and high residual value, the Council does not deem it appropriate to charge depreciation for these assets.

Operational heritage assets (i.e. those that in addition to being held for their heritage characteristics are also used for other activities or provide other services) are accounted for as operational assets and valued in the same way as other assets of that type.

### INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase e.g. research expenditure cannot be capitalised.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired, with any recognised losses posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted 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.

## Note 1 Accounting Policies (continued)

### INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities during the financial year 2015/16, therefore it has no requirement to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as available for sale assets and carried at fair value.

During 2015/16 the Council reviewed the materiality and nature of its relationship with its interests in companies and other entities. This exercise confirmed its interests were not material, and is the basis for the accounting policy whereby the entities were consolidated into the accounts based on a calculation of their net worth.

### INVENTORIES

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

### INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rental income or for capital appreciation.

The definition does not apply if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Investment Properties are not depreciated but are revalued 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. The same treatment is applied to gains and losses on disposal.

Rental income received in relation to investment properties is credited to the Financing and Investment Income line and results in a gain for the General Fund Balance. However, 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.

### JOINTLY CONTROLLED OPERATIONS

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the joint ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet only its share of the jointly controlled assets and related liabilities. On its Comprehensive Income and Expenditure Statement it recognises only those expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

### LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all of the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

## Note 1 Accounting Policies (continued)

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### The Council as Lessee

#### *Finance Leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and,
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to use Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with MRP policy. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### The Council as Lessor

#### *Finance Leases*

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and,
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

## Note 1 Accounting Policies (continued)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### *Operating Leases*

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### MINIMUM REVENUE PROVISION

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance.

The cash collected by the Council from NNDR payers belongs proportionally to all the major preceptors and Government. The difference between the amounts collected on behalf of the other major preceptors, Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

### OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP) for Local Authorities 2015/16. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the provision of post-employment unfunded benefits awarded on a discretionary basis and impairment losses chargeable on Assets Held for Sale.

## Note 1 Accounting Policies (continued)

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

### PRIOR PERIOD ADJUSTMENTS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are only accounted for prospectively i.e. in the current and future years which are affected by the changes, they do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices, or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change in accounting policy is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances for the current year and comparative amounts for the prior period as if the new policy had always been applied.

Where material errors are discovered in prior period figures they are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### SERVICE CONCESSIONS

Service concessions are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. As the Council is deemed to regulate or control the services that are provided under these schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets related to these contracts and recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the contractor is analysed into the following elements:

Fair value of any services received during the year:

- Payment towards liability – applied to write down the Balance Sheet liability to the contractor (the profile of write-downs is calculated using the same principles as for a finance lease).
- Finance cost – an interest charge of the effective rate of interest on the outstanding Balance Sheet liability.

### 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 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.

## Note 1 Accounting Policies (continued)

### Measurement

Assets are initially measured at cost, comprising:

- The purchase price; and,
- 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 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 fair 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.

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).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

When decreases in value are identified, they are accounted for as follows:

- 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);
- When there is not a balance within 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 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.

## Note 1 Accounting Policies (continued)

Where impairment losses are identified, they are accounted for as follows:

- 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 in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for the 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:

- Buildings – straight-line allocation over the useful life of the property as estimated by a qualified valuer;
- HRA dwellings are depreciated based upon component accounting basis. In the year of disposal a full year's depreciation is charged to the accounts and nothing in the year of acquisition;
- Vehicles, plant 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 over 10–15 years.

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.

### Componentisation

The Code requires that each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Within the Council's asset portfolio there are a number of asset classes where componentisation will not be considered, including;

- Equipment – as this is considered immaterial
- Infrastructure – the adoption of the Code of Practice on Transport Infrastructure Assets in 2016/17 will require the separate valuation and depreciation of the components of the newly created Highways Network Asset
- Asset classes which are not depreciated – such as land, investment property, Heritage Assets, Community Assets, Surplus Assets and Assets Held for Sale.

The remaining assets which are contained within the operational portfolio are often of a specialised nature such as schools and leisure centres. The Council requires the Valuers to provide component information for each asset which is then reviewed to assess if inclusion of different components will have a material impact on depreciation.

## Note 1 Accounting Policies (continued)

### 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 previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or is decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government (up to a maximum ceiling). The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the underlying need to borrow.

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.

## PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

### Provisions

Provisions are made where an event has taken place whereby the Council has 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. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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.



## Note 1 Accounting Policies (continued)

When payments are eventually made, they are charged to the Comprehensive Income and Expenditure Statement and the relevant provision released from the Balance Sheet. Estimated settlements are reviewed at the end of each financial year, where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made); the provision is then reversed and credited back to the relevant service.

For example, the insurance provision sets aside amounts required in order to meet potential claims that may be met by the Council within the agreed excess limits with the insurers. Where some or all of the payment required to settle a provision is expected to be recovered from a third party this will only be recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation, whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but

either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

### Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

## RESERVES

The Council sets aside specific amounts as 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 to score against 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 charge against Council Tax for the expenditure.

The category of unusable reserves includes those reserves which are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in the relevant notes.

## 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 reverses out the amounts charged so that there is no impact on the level of council tax.

## Note 1 Accounting Policies (continued)

### VALUE ADDED TAX

The Comprehensive Income and Expenditure Account excludes amounts relating to VAT and will be included as an expense only if it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income within the Council's Income and Expenditure account.

### FAIR VALUE

The Council measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as equity share holdings, 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 those market participants were acting 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 appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- 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.

### SCHOOLS

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

## Note 2 Accounting standards issued but not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period. If the changes had been implemented in 2015/16, based on current estimates the value of infrastructure assets would increase from £350m to circa £3.5bn with an equivalent ten-fold increase in depreciation.

In addition there are a number of minor amendments to International Financial Reporting Standards, but these are not expected to have any material impact on the accounts.

## Note 3 Critical judgements in applying accounting policies

In applying the accounting policies laid out in *Note 1*, the Council has had to make certain critical judgments about complex transactions or those involving uncertainty about future events. In the accounts these are as follows:

- The Council anticipates that the pressures on public expenditure will continue to be severe. These pressures will be mitigated by further service area and corporate savings, and a limited use of reserves. An assessment of the ongoing pressures and means of mitigation has been made by way of the Council's Medium Term Financial Planning process which has assessed the period to 31 March 2019. As a consequence, the Council is of the view that the level of uncertainty is not significant enough in terms of its anticipated impact to warrant an impairment of assets due to reduced levels of service provision, or a need to close facilities. Moreover, property prices within Westminster are such that any operational properties deemed surplus to requirements are unlikely to be disposed of for less than their current fair value.
- In 2014/15 in order to comply with appropriate accounting standards the Council undertook a review of school's assets. As a result the Council recognises school assets for Community schools on its balance sheet. The Council does not recognise assets relating to Academies, Voluntary Aided (VA), Voluntary Controlled (VC) or Free schools as it is of the opinion that these assets are not controlled by the Council. In the case of the VA and VC schools, these were deemed to be owned by the relevant dioceses after consultation and review. School assets are recognised as a disposal from the Council's balance sheet on the date on which a school converts to Academy status, not on the date of any related announcement, nor is any impairment recognised by the Council prior to conversion.
- The Council operates joint working arrangements with neighbouring local authorities: the London Borough of Hammersmith and Fulham and the Royal Borough of Kensington and Chelsea. These arrangements are referred to as "tri-borough working". The Council believes that it is not necessary to impair any non-current assets in light of these tri-borough working arrangements and any current proposals for changes to the way the services are to be delivered by the Council.
- The Council has a number of interests in other entities which fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. However the Council's interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. In order to ensure compliance with the Code, a range of narrative disclosures have been made in other sections of the accounts (See Note 38 for further information). The movement in net worth of these entities is reflected within Note 24 and the balance sheet.

## Note 4 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Consequence if actual results differ from assumptions
<b>Property, Plant &amp; Equipment</b>	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets and investment properties.</p> <p>The Council's external valuers provided valuations as at 31 March 2016 for all of the Council's investment portfolio and circa 20% of its operational portfolio. The remaining balance of operational properties was also reviewed to ensure values were reflective of current appropriate values. Investment properties were valued in line with new requirements as outlined in the Fair Value section below.</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's investment properties were to reduce by say 10%, this would result in a circa £40 million charge to the Comprehensive Income and Expenditure Statement.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>Depreciation charges for operational buildings will change in direct relation to changes in estimated fair value. The net book value of non-current assets subject to potential revaluation is over £2 billion.</p>

## Note 4 Assumptions made about the future and other major sources of estimation uncertainty (continued)

Item	Uncertainties	Consequence if actual results differ from assumptions
<p><b>Pensions Liability</b></p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgments 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 investments.</p> <p>The Council has engaged Barnett Waddingham as its consulting actuary to provide expert advice about the assumptions to be applied.</p>	<p>The effect of changes in these estimates on the net pension liability of the Council are reviewed on an ongoing basis by the Pension Fund Committee. Variations in the key assumptions will have the following impact on the net liability:</p> <ul style="list-style-type: none"> <li>• a 0.1% increase in the discount rate will reduce the net pension liability by £20.5m;</li> <li>• a 0.1% increase in the assumed level of pension increases will increase the net pension liability by £19.2m;</li> <li>• an increase of one year in longevity will increase the net pension liability by £36.7m.</li> </ul>

## Note 4 Assumptions made about the future and other major sources of estimation uncertainty (continued)

Item	Uncertainties	Consequence if actual results differ from assumptions
<b>Business Rates (NNDR) – safety net</b>	<p>2015/16 is the third year of the Business Rates Retention Scheme, whereby Westminster City council retains 30% of the NNDR income it collects (£543m out of £1.8bn), but is subject to a £462m tariff. Following the 2010 Revaluation of business hereditaments, when average Rateable Values across the City rose by 62%, we have seen unprecedented levels of appeals – the success of which are negatively impacting on the yield, especially with the majority (75%) (when determined) being back dated to 2010. As at the end of February 2015, 10,700 appeals remain outstanding with the Valuation Office, with around 250 new appeals being received each month. A provision has been made for the estimated successes of future appeals for losses for the period to the end of March 2016. A safety Net system protects the Council from losses below baseline Funding Levels of £6m.</p>	<p>The Council's overall financial losses are protected by the Safety Net with any variance to our assumptions affecting the scale of the provision but being offset by a movement in the Safety Net entitlement (which is accrued for at year end). Sensitivity modelling on our assumptions suggests that a 10% swing in the success rate of appeals would alter the overall figure by £37m. Using the 2015/16 success and reduction rates in our modelling rather than an average of prior years would result in a net change in the provision of £5m.</p>

## Note 4 Assumptions made about the future and other major sources of estimation uncertainty (continued)

Item	Uncertainties	Consequence if actual results differ from assumptions
<p><b>Fair Value estimations</b></p>	<p>When the fair values of Investment Properties, Surplus Assets and Assets Held for Sale cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using the following valuation techniques:</p> <ol style="list-style-type: none"> <li>1. For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date;</li> <li>2. For level 3 inputs, valuations based on; <ul style="list-style-type: none"> <li>– Most recent valuations adjusted to current valuation by the use of indexation and impairment review.</li> </ul> </li> </ol> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgment is required in establishing fair values. These judgments typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of The Council's assets and liabilities.</p>	<p>The Council uses combination of indexation techniques, beacon valuations and discounted cash flow (DCF) models to measure the fair value of its Investment Properties, Surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area repairs backlogs, beacon classifications and others.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.</p>



#### Note 4 Assumptions made about the future and other major sources of estimation uncertainty (continued)

Item	Uncertainties	Consequence if actual results differ from assumptions
<b>Fair Value estimations</b>	<p>Where Level 1 inputs are not available, the authority employs RICS qualified valuers (Lambert Smith Hampton) to identify the most appropriate valuation techniques to determine fair value.</p> <p>All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.</p> <p>Information about the valuation techniques and inputs used in determining the fair value of these assets is set out in Notes 21 and 24</p>	

#### Note 4 Assumptions made about the future and other major sources of estimation uncertainty (continued)

Item	Uncertainties	Consequence if actual results differ from assumptions
<b>Provision for doubtful debts</b>	<p>As at 31 March 2016, the Council had an outstanding balance of short term debtors totalling £130m. A review of the major areas of debt has led to an updated provision against doubtful debts of £78m. It is not certain that this provision would be sufficient as the Council cannot assess with certainty which debts will be collected or not.</p>	<p>An understatement of doubtful debts would lead to a future adjustment and an impairment to be reflected. The provisions held are based on policies adapted to the nature of the debt and service area, past experience and success rates experienced in collection. If collection rates were to deteriorate by 5% then the Council would need to review its policies on the calculation of its doubtful debt provisions.</p>

## Note 5 Material items of income and expense

For the purposes of this note the Council considers material items to be those greater than £12.0m.

The Council has two material items of expenditure which relate to service contracts in 2015/16:

- £38.6m (2014/15 £37.5m) to Veolia ES (UK) plc for waste collection, street cleansing and ancillary services, and
- £28.0m (2014/15 £30.2m) to FM Conway Limited for highways maintenance and transportation related services and works.

The Council pays an annual management fee to an external third party, CityWest Homes to manage the Council's social housing stock. This amounts to £23.2m for 2015/16 (and £22.5m in 2014/15).

During the year the Council received a capital receipt of £33.0m. This related to a building on Farm Street in Mayfair which had previously been used as a street cleaning depot with residential accommodation above.

## Note 6 Events after the reporting period

On the 23rd June the EU referendum took place to establish if the United Kingdom would remain part of the EU. The vote saw a decision returned to leave the EU. As this took place after the 31 March 2016 there was no impact on the figures contained within the Council's accounts. However as with all councils, this decision has the potential to significantly impact on future basis of assumptions and estimates and the Council will need to ensure this is considered in future years.

Since the approved annual governance statement, there has been an update with regards to outstanding objections. All outstanding objections for the years 2012/13, 2013/14 and 2014/15 have now been withdrawn and the accounts for those years certified by Grant Thornton UK LLP.



# 4.1

## Notes supporting the Comprehensive Income and Expenditure Statement

## Note 7 Other operating expenditure

Other operating Expenditure reported includes all levies payable, total payments made to the Government Housing Receipts Pool in line with statutory arrangements for certain property sales within the Housing Revenue Account and gains/losses generated from in year disposals of non-current assets.

2014/15		2015/16
£'000		£'000
2,859	Levies	2,805
2,598	Payments to the Government Housing Capital Receipts Pool	2,969
(4,970)	(Gains)/losses on the disposal of non-current assets	(61,519)
<b>487</b>	<b>Total</b>	<b>(55,745)</b>

## Note 8 Financing and investment income and expenditure

2014/15		2015/16
£'000		£'000
13,130	Interest payable and similar charges	14,071
21,328	Net interest on the net defined benefit liability (asset)	20,438
(4,561)	Interest receivable and similar income	(4,271)
(54,927)	Income and expenditure in relation to investment properties and changes in their fair value	(24,175)
(410)	Other investment income	(410)
<b>(25,440)</b>	<b>Total</b>	<b>5,653</b>

## Note 9 Taxation and non-specific grant income

This note consolidates all non-specific grants and contributions receivable that cannot be identified to any particular service expenditure and therefore cannot be credited to the gross income amount relevant to an individual service area. All capital grants and contributions are credited to non-specific grant income even if service specific. The note also identifies the Council's proportion of council tax and business rates used to fund in year service activities.

2014/15		2015/16
£'000		£'000
(45,786)	Council tax income	(46,656)
(8,569)	Non domestic rating income and expenditure	(22,980)
(182,350)	Non-ringfenced government grants	(139,769)
(58,424)	Capital grants and contributions applied	(37,424)
(72,251)	Capital grants and contributions received without conditions	(43,401)
<b>(367,380)</b>	<b>Total</b>	<b>(290,230)</b>

## Note 10 Amounts reported for resource allocation decisions

2015/16	Adult Services	Children Services	Growth, Planning and Housing	City Management and Communities	Chief Executive	Policy, Performance and Communication	City Treasurer	Corporate and Commercial Services	Corporate Items	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(41,967)	(9,264)	(79,601)	(118,763)	(3,303)	(3,212)	(5,536)	(3,769)	(592,629)	(858,045)
Government grants	(33,087)	(96,974)	(232,424)	(511)	-	(1,119)	(5,780)	-	(70,090)	(439,985)
<b>Total Income</b>	<b>(75,054)</b>	<b>(106,238)</b>	<b>(312,025)</b>	<b>(119,274)</b>	<b>(3,303)</b>	<b>(4,331)</b>	<b>(11,316)</b>	<b>(3,769)</b>	<b>(662,719)</b>	<b>(1,298,029)</b>
Employee expenses	18,654	78,267	18,594	28,899	3,576	7,647	7,684	12,374	2,526	178,220
Other operating expenses	120,342	68,948	325,572	107,777	2,261	5,673	14,626	10,502	485,666	1,141,398
Support Service Recharges In	(600)	(379)	(17,012)	-	(3,862)	(8,503)	(11,855)	(22,363)	-	(64,574)
Support Service Recharges Out	7,025	7,269	12,798	15,897	12,253	3,421	3,797	2,115	-	64,574
<b>Total operating expenses</b>	<b>145,421</b>	<b>154,105</b>	<b>339,952</b>	<b>152,573</b>	<b>14,228</b>	<b>8,238</b>	<b>14,282</b>	<b>2,627</b>	<b>488,192</b>	<b>1,319,618</b>
<b>Net Cost of Services</b>	<b>70,367</b>	<b>47,867</b>	<b>27,927</b>	<b>33,299</b>	<b>10,925</b>	<b>3,906</b>	<b>2,966</b>	<b>(1,142)</b>	<b>(174,527)</b>	<b>21,589</b>
Council Funding – RSG, Levies and Council Tax	-	-	-	-	-	-	-	-	(113,889)	(113,889)
Depreciation and Other Corporate Charges	455	3,450	9,327	41,115	25	7	(81)	2,893	29,568	86,759
<b>Net (Surplus)/Deficit</b>	<b>70,822</b>	<b>51,317</b>	<b>37,254</b>	<b>74,414</b>	<b>10,950</b>	<b>3,914</b>	<b>2,885</b>	<b>1,751</b>	<b>(258,848)</b>	<b>(5,540)</b>

## Note 10 Amounts reported for resource allocation decisions (continued)

### Reconciliation to Surplus or deficit on Provision of Services

	2015/16
	£'000
Net (Surplus)/Deficit in the above Directorate Analysis	(5,540)
Adjustment of items reported to Management but held separately on the Income and Expenditure Statement	(52,349)
Inclusion of items not reported to Management to be Included in Income and Expenditure Statement	28,544
HRA not reported in service management accounts	(27,416)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>(56,761)</b>

### 2015/16 Reconciliation to Subjective Analysis

	Service Analysis	Adjustment to Service Analysis	Items Not In Analysis	HRA Not in Analysis	Net Cost of Services (Total)
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(858,045)	-	-	-	(858,045)
Interest and investment income	-	-	-	-	-
Revenue Support Grant	(70,039)	-	-	-	(70,039)
Income from council tax	(46,656)	-	62,275	-	15,619
Government grants and contributions	(439,985)	-	(80,825)	(23,368)	(544,178)
<b>Total Income</b>	<b>(1,414,724)</b>	<b>-</b>	<b>(18,550)</b>	<b>(23,368)</b>	<b>(1,456,642)</b>



## Note 10 Amounts reported for resource allocation decisions (continued)

2015/16 Reconciliation to Subjective Analysis	Service Analysis	Adjustment to Service Analysis	Items Not In Analysis	HRA Not in Analysis	Net Cost of Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Employee expenses	178,220	–	(471)	–	177,750	177,750
Other service expenses	1,141,398	–	9,057	(17,659)	1,132,796	1,132,796
Depreciation, amortisation and impairment	77,787	–	72,171	23,369	173,327	173,327
Interest Payments	8,972	–	–	–	8,972	8,972
Precepts and Levies	2806	–	–	–	2,806	2,806
Contribution to Earmarked/ HRA Reserves	–	(52,349)	–	16,916	(35,433)	(35,433)
Adjustment involving the Financial Instruments Adjustment Account	–	–	(222)	(672)	(895)	(895)
Reversal of items relating to retirement benefits	–	–	–	–	–	–
Employer's pensions contributions and direct payments to pensioners payable in the year	–	–	29,752	–	29,752	29,752
Statutory provision for the financing of capital investment	–	–	(3,589)	–	(3,589)	(3,589)
Gain or Loss on Revaluation of Assets	–	–	(16,816)	–	(16,816)	(16,816)
Gain or Loss on Disposal of Assets	–	–	(42,787)	(26,000)	(68,788)	(68,788)
<b>Total operating expenses</b>	<b>1,409,183</b>	<b>(52,349)</b>	<b>47,094</b>	<b>(4,047)</b>	<b>1,399,881</b>	<b>1,399,881</b>
<b>Surplus/deficit on the provision of services</b>	<b>(5,540)</b>	<b>(52,349)</b>	<b>28,544</b>	<b>(27,416)</b>	<b>(56,761)</b>	<b>(56,761)</b>

## Note 10 Amounts reported for resource allocation decisions (continued)

2014/15	Adult Services	Children Services	Growth, Planning and Housing	City Management and Communities	Corporate and Commercial Services	Policy, Performance and Communication	Chief of Staff	City Treasurer	Corporate Items	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(10,295)	(8,011)	(71,466)	(109,151)	(3,077)	(4,257)	(199)	(8,160)	(514,955)	(729,571)
Government grants	(59,807)	(97,125)	(230,181)	(4,483)	(1,066)	(1,802)	(486)	(7,462)	(98,235)	(500,646)
<b>Total Income</b>	<b>(70,101)</b>	<b>(105,137)</b>	<b>(301,647)</b>	<b>(113,634)</b>	<b>(4,142)</b>	<b>(6,059)</b>	<b>(684)</b>	<b>(15,622)</b>	<b>(613,190)</b>	<b>(1,230,217)</b>
Employee expenses	25,995	77,819	14,550	34,689	11,602	9,056	918	11,323	249	186,201
Other operating expenses	124,751	67,679	318,805	89,307	14,408	4,370	986	17,134	539,235	1,176,674
Support Service Recharges In	8,357	7,062	13,169	29,872	3,982	3,582	12,492	5,152	-	83,667
Support Service Recharges Out	(708)	-	(16,533)	(11,360)	(31,958)	(7,341)	(901)	(14,865)	-	(83,666)
<b>Total operating expenses</b>	<b>158,395</b>	<b>152,559</b>	<b>329,991</b>	<b>142,509</b>	<b>(1,967)</b>	<b>9,666</b>	<b>13,495</b>	<b>18,745</b>	<b>539,484</b>	<b>1,362,876</b>
<b>Net Cost of Services</b>	<b>88,294</b>	<b>47,422</b>	<b>28,343</b>	<b>28,874</b>	<b>(6,109)</b>	<b>3,607</b>	<b>12,811</b>	<b>3,123</b>	<b>(73,706)</b>	<b>132,659</b>
Council Funding – RSG, Levies and Council Tax	-	-	-	-	-	-	-	-	(142,648)	(142,648)
Depreciation and Other Corporate Charges	-	3,926	11,249	41,830	2,934	-	-	25	(50,714)	9,249
<b>Net (Surplus)/Deficit</b>	<b>88,294</b>	<b>51,348</b>	<b>39,593</b>	<b>70,704</b>	<b>(3,176)</b>	<b>3,607</b>	<b>12,811</b>	<b>3,147</b>	<b>(267,068)</b>	<b>(740)</b>

## Note 10 Amounts reported for resource allocation decisions (continued)

Reconciliation to Surplus or deficit on Provision of Services	2014/15
	£'000
Net (Surplus)/Deficit in the above Directorate Analysis	(740)
Adjustment of items reported to Management but held separately on the Income and Expenditure Statement	(71,837)
Inclusion of items not reported to Management to be Included in Income and Expenditure Statement	52,937
HRA not reported in service management accounts	(149,126)
<b>Surplus or Deficit on Provision of Services</b>	<b>(168,767)</b>

2014/15 Reconciliation to Subjective Analysis	Service Analysis	Adjustment to Service Analysis	Items Not In Analysis	HRA Not in Analysis	Net Cost of Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(729,571)	-	-	-	(729,571)	(729,571)
Interest and investment income	-	-	-	-	-	-
Revenue Support Grant	(96,283)	-	-	-	(96,283)	(96,283)
Income from council tax	(45,786)	-	52,676	-	6,890	6,890
Government grants and contributions	(500,646)	-	(118,420)	(16,782)	(635,848)	(635,848)
<b>Total Income</b>	<b>(1,372,286)</b>	<b>-</b>	<b>(65,744)</b>	<b>(16,782)</b>	<b>(1,454,812)</b>	<b>(1,454,812)</b>

## Note 10 Amounts reported for resource allocation decisions (continued)

Reconciliation to Subjective Analysis	Service Analysis	Adjustment to Service Analysis	Items Not In Analysis	HRA Not in Analysis	Net Cost of Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Employee expenses	186,201	–	–	–	186,201	186,201
Other service expenses	1,176,675	–	45,929	(33,218)	1,189,386	1,189,386
Depreciation, amortisation and impairment	9,249	–	59,526	(126,323)	(57,548)	(57,548)
Interest Payments	(3,438)	–	–	–	(3,438)	(3,438)
Precepts and Levies	2,859	–	–	–	2,859	2,859
Contribution to Earmarked/ HRA Reserves	–	(71,837)	–	31,554	(40,283)	(40,283)
Adjustment involving the Financial Instruments Adjustment Account	–	–	(1,016)	(108)	(1,124)	(1,124)
Reversal of items relating to retirement benefits	–	–	–	–	–	–
Employer's pensions contributions and direct payments to pensioners payable in the year	–	–	24,363	–	24,363	24,363
Statutory provision for the financing of capital investment	–	–	(6,441)	(9,976)	(16,417)	(16,417)
Gain or Loss on Revaluation of Assets	–	–	(8,507)	16,431	7,924	7,924
Gain or Loss on Disposal of Assets	–	–	4,827	(10,704)	(5,877)	(5,877)
<b>Total operating expenses</b>	<b>1,371,546</b>	<b>(71,837)</b>	<b>118,681</b>	<b>(132,344)</b>	<b>1,286,046</b>	<b>1,286,046</b>
<b>(Surplus)/deficit on the provision of services</b>	<b>(740)</b>	<b>(71,837)</b>	<b>52,937</b>	<b>(149,126)</b>	<b>(168,767)</b>	<b>(168,767)</b>

## Note 11 Trading Operations

The Council has established various trading units where the service is required to operate in a commercial environment by generating income from other parts of the Council, other organisations or the public to offset expenditure incurred or, in certain instances, operate within an approved level of subsidy.

The Council has decided to remove the disclosures for Learning Disabilities: Older and Disabled People (Westmead and Carlton Dene Residential Services); and Older and Disabled People (Sheltered Wardens) as these services are only provided where users meet certain criteria and income is only generated where users' income is above a certain threshold.

There have been three additional disclosures for this financial year: trade refuse, school meals and cemeteries, which have been identified as trading operations.

Trading operations are incorporated within the Comprehensive Income and expenditure Statement.

Restated 2014/15				2015/16		
Turnover	Expenditure	(Surplus) / Deficit		Turnover	Expenditure	(Surplus) / Deficit
£'000	£'000	£'000		£'000	£'000	£'000
(2,008)	2,630	622	Street Markets – income from street trading lettings in five markets and over 170 isolated pitches city-wide	(2,532)	2,942	410
(868)	1,396	528	Building Control – service providing assistance to those carrying out building work wwtto ensure they comply with building regulations	(616)	1,377	761
(211)	786	575	Cemeteries	(269)	723	454
(3,523)	3,365	(158)	School Meals	(3,631)	3,603	(28)
(14,594)	14,628	34	Trade Refuse	(16,458)	15,807	(651)
<b>(21,204)</b>	<b>22,805</b>	<b>1,601</b>	<b>Net deficit on trading operations</b>	<b>(23,506)</b>	<b>24,452</b>	<b>946</b>

## Note 12 Agency Services

2014/15	2014/15	2015/16	2015/16
£'000	£'000	£'000	£'000
<b>Transport for London</b>			
(2,844)	Contributions	(3,847)	
2,844	Expenditure	3,847	
	– (Surplus)/ Deficit		–
<b>Inner West London Coroner's District</b>			
(1,085)	Contributions	(1,252)	
1,085	Expenditure	1,252	
	– (Surplus)/ Deficit		–
<b>Collection of Mayoral CIL</b>			
(7,698)	Contributions	(6,670)	
	(308) Proportion retained by WCC (see note)		(278)
<b>Thames Water</b>			
(4,241)	Contributions	(4,280)	
3,278	Expenditure	3,221	
	(962) (Surplus)/ Deficit		(1,059)
	<b>(1,270) Net Surplus</b>		<b>(1,337)</b>

### Transport for London

Transport for London reimburses the Council for works undertaken on the highway which aim to promote sustainable transport and improve the public realm including traffic management schemes. Contributions totalling £3.847m have been received this year including allocations to Bond Street, Baker Street and various cycle programmes.

### Inner West London Coroner's District

The Inner West London Coroner's District was set up by statute following the abolition of the GLC and provides services to four local authorities (Kensington and Chelsea, Merton, Wandsworth and Westminster). Payments of £1.252m have been made and contributions totalling £0.929m have been received from the other three local authorities. The balance of £0.323m is Westminster's contribution towards the cost of the service.

## Note 12 Agency Services (continued)

### Collection of Mayoral CIL

The Community Infrastructure Levy (CIL) is a planning charge, introduced by the Planning Act 2008, as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. The Levy was ratified on 29 February 2012 and applies to developments agreed after 1 April 2012. The CIL is charged on most developments in Central London at the following rate:

- Zone 1 boroughs – £50 per square metre: Camden, City of London, City of Westminster, Hammersmith and Fulham, Islington, Kensington and Chelsea, Richmond-upon-Thames, Wandsworth.

The collection of the CIL is delegated to the relevant planning authority in each administrative area and the planning authority is able to retain 4% of the levy to cover the costs of administration and collection. Contributions of £6.9m have been received this year and £6.7m has been paid over to the charging authority (Transport for London). The balance of £0.3m has been retained by Westminster to cover administrative expenses.

### Thames Water

The Council charges its Housing tenants for water rates on behalf of Thames Water. The amount repayable to Thames Water is reduced by a commission, void rate, arrears and bad debt provision, all at fixed percentages based on the total water charge. Payments of £3.2m have been made to Thames Water and the commission element is £1.1m.

## Note 13 Pooled Budgets

The Council has entered into a Pooled Budget arrangement with West London Clinical Commissioning Group and Central London Clinical Commissioning Group for the provision of Adult Social Care services covering Mental Health, Learning Disabilities, Older People, Physical Disabilities, Carers services, and Safeguarding Adults to meet the needs of people living in the Westminster City Council area.

The services being provided by the Authority or the Trust is dependent on the mix required by clients. The Authority and the Trust have an agreement in place for funding these services that runs annually, with the partners contributing funds to the agreed budget equal to 56% and 44% of the budget respectively.

### Pooled Budget for Adult Mental Health Services

An annual agreement between Westminster City Council, West London Clinical Commissioning Group and Central London Clinical Commissioning Group is in place for the 2015/16 financial year. The arrangement is made in accordance with Section

75 of the National Health Service Act 2006 and any surplus or deficit generated will be the responsibility of the respective partner to whom it is attributable to. The pooled budget is hosted by Westminster City Council on behalf of the other two partners in line with the agreement

2014/15		2015/16
£'000		£'000
<b>Funding provided to the pooled budget:</b>		
6,924	Westminster City Council	6,642
3,984	Central London Clinical Commissioning Group – previously NHS Westminster	3,796
1,124	West London Clinical Commissioning Group	1,071
<b>12,032</b>		<b>11,509</b>
<b>Expenditure met from the pooled budget:</b>		
6,807	Westminster City Council	6,494
3,916	Central London Clinical Commissioning Group – previously NHS Westminster	3,708
1,104	Central and North West NHS Mental Health Trust	1,046
<b>11,827</b>		<b>11,248</b>
205	Net surplus/(deficit) arising on the pooled budget during the year	261
<b>115</b>	<b>Westminster City Council share of the net surplus/(deficit) arising on the pooled budget</b>	<b>147</b>



## Note 13 Pooled Budgets (continued)

### Pooled Budget for residual Westminster Adults Services.

An annual agreement between Westminster City Council, West London Clinical Commissioning Group and Central London Clinical Commissioning Group is in place for the 2015/16 financial year. The purpose of the agreement is to jointly commission adult social care services. The arrangement is made in accordance with Section 75 of the National Health Service Act 2006 and any surplus or deficit generated will be the responsibility of the respective partner to whom it is attributable. The Pooled Budget is hosted by Westminster City Council on behalf of the other two partners in line with the agreement.

2014/15		2015/16
£000		£000
	Funding provided to the pooled budget:	
13,236	Westminster City Council	13,273
8,459	Central London Clinical Commissioning Group – previously NHS Westminster	8,056
2,386	West London Clinical Commissioning Group	2,272
<b>24,081</b>		<b>23,601</b>
	Expenditure met from the pooled budget:	
12,394	Westminster City Council	13,225
8,156	Central London Clinical Commissioning Group – previously NHS Westminster	7,838
2,301	West London Clinical Commissioning Group	2,211
<b>22,851</b>		<b>23,274</b>
1,230	Net surplus/(deficit) arising on the pooled budget during the year	327
<b>958</b>	<b>Westminster City Council share of the net surplus/(deficit) arising on the pooled budget</b>	<b>48</b>

## Note 14 Members' Allowances

The Council paid allowances to its members in 2015/16 of £0.928m (2014/15 – £0.932m).

## Note 15 Officers' Remuneration including Termination Benefits

The remuneration of senior employees, defined as those who are members of the Executive Management Team, those holding statutorily disposable posts, or those whose remuneration is £150,000 or more per year, was as set out below:

2015/16	Notes	Salary, Fees and Allowances	Deferred Pay	Private Health Insurance / Benefits in Kind	Pension Contributions	Expenses	Compensation for Loss of Office	Total
		£	£	£	£	£	£	£
Chief Executive – C Parker		203,387	35,820	–	–	186	–	<b>239,393</b>
Executive Director City Management and Communities – L Penny	A	12,880	–	–	2,689	–	–	<b>15,569</b>
Executive Director City Management and Communities – S Love		137,557	15,104	–	34,502	6,765	–	<b>193,928</b>
Executive Director of Growth, Planning and Housing – B Denton	B	74,747	7,972	1,404	18,694	–	–	<b>102,817</b>
Executive Director of Growth, Planning and Housing	C	26,329	–	–	5,950	–	–	<b>32,279</b>
Director of Policy, Performance and Communications		111,766	11,307	4,446	27,814	–	–	<b>155,333</b>
Section 151 Officer		115,316	12,591	–	28,907	1,442	–	<b>158,255</b>
Her Majesty's Coroner – Inner West London	D	145,446	–	–	28,667	–	–	<b>174,113</b>
Acting Director of Public Health	E and G	71,085	–	–	10,165	–	–	<b>81,250</b>
Director of Public Health	F and G	54,926	–	–	8,033	–	–	<b>62,959</b>

## Note 15 Officers' Remuneration including Termination Benefits (continued)

### NOTES

- A.** Part year reported. Leith Penny retired on 16 April 2015. The deferred pay received in April 2015 related to 2014/15 financial year and was accrued for. This is listed in the 2014/15 table.
- B.** Part year post reported. Ben Denton (Executive Director of Growth, Planning and Housing) left Westminster on 30 September 2015.
- C.** Part year post reported. Executive Director of Growth, Planning and Housing started at Westminster on 18 January 2016.
- D.** The post of Her Majesty's Coroner for the Inner West London Coroner's District is shared across four London boroughs based on population share. The current share based on mid-2014 population per borough is 25.8% Westminster, 22.5% Merton, 17.2% RBKC and 34.5% Wandsworth.
- E.** Part year post reported. Deputy Director of Public Health was acting up in the Director role for Westminster from 4 January 2015 until 15 November 2015.
- F.** Part year post reported. Director of Public Health started on 16 November 2015.
- G.** The Director of Public Health is engaged or employed by Westminster City Council. The costs of this post are shared between the London Borough of Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea and the City of Westminster. The share was 30.9% RBKC; 29.1% LBHF; 40.0% Westminster.
- H.** The Tri-Borough Executive Director of Adult Social Care is employed by the London Borough of Hammersmith and Fulham. The costs of this post are shared between the London Borough of Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea and the City of Westminster. The share was 21.2% RBKC; 46.3% LBHF; 32.5% Westminster. Further details are available in the London Borough of Hammersmith and Fulham annual accounts which are available at: [lbhf.gov.uk/councillors-and-democracy/about-hammersmith-fulham-council/statement-accounts](http://lbhf.gov.uk/councillors-and-democracy/about-hammersmith-fulham-council/statement-accounts)
- I.** The Tri-Borough Executive Director of Children's Services is employed by the Royal Borough of Kensington and Chelsea. The costs of this post are shared between the London Borough of Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea and the City of Westminster. The share was 33.3% RBKC; 33.3% LBHF; 33.3% Westminster. Further details are available in the Royal Borough of Kensington and Chelsea's annual accounts which are available at: [rbkc.gov.uk/council/how-council-manages-money/council-spending-and-finances/council-spending-and-finances#statements](http://rbkc.gov.uk/council/how-council-manages-money/council-spending-and-finances/council-spending-and-finances#statements)

## Note 15 Officers' Remuneration including Termination Benefits (continued)

Restated 2014/15	Notes	Salary, Fees and Allowances	Deferred Pay	Private Health Insurance / Benefits in Kind	Pension Contributions	Expenses	Compensation for Loss of Office	Total
		£	£	£	£	£	£	£
Chief Executive – C Parker		200,094	7,800	–	–	152	–	<b>208,046</b>
Executive Director City Management and Communities – L Penny	A	126,793	14,088	6,747	29,882	–	–	<b>177,510</b>
Executive Director City Management and Communities – S Love	A	11,328	–	–	2,334	–	–	<b>13,662</b>
Strategic Director Built Environment – R MacQueen	B	44,135	14,712	2,951	–	–	147,813	<b>209,611</b>
Executive Director of Growth, Planning and Housing – B Denton		136,250	16,037	2,808	31,975	499	–	<b>187,569</b>
Director of Policy, Performance and Communications		115,655	11,740	4,347	26,580	(130)	–	<b>158,192</b>
Section 151 Officer	C	81,979	9,109	–	17,954	6,154	–	<b>115,196</b>
Acting Section 151 Officer	D	34,837	–	413	7,267	62	–	<b>42,579</b>
Chief Operating Officer – B Moorhouse	E	–	–	–	–	–	41,820	<b>41,820</b>
Her Majesty's Coroner – Inner West London	F	145,446	–	–	26,530	–	–	<b>171,976</b>
Director of Public Health	G and H	94,101	–	–	19,385	–	–	<b>113,486</b>
Acting Director of Public Health	H and I	29,530	–	–	3,076	–	–	<b>32,606</b>

## Note 15 Officers' Remuneration including Termination Benefits (continued)

### NOTES

- A.** Stuart Love was appointed Executive Director of City Management and Communities on 27 February 2015. Leith Penny retired on 16 April 2015.
- B.** Part year post reported. Rosemarie MacQueen left the Council on 30 September 2014.
- C.** Part year post reported. Section 151 Officer was appointed on 7 July 2014.
- D.** Part year post reported. Appointed as acting Section 151 Officer on 16 July 2013 until 6 July 2014.
- E.** Part year post reported. Barbara Moorhouse left the Council on 15 July 2013.
- F.** The post of Her Majesty's Coroner for the Inner West London Coroner's District is shared across four London boroughs based on population share. The current share based on mid-2014 population per Borough is 25.8% Westminster, 22.5% Merton, 17.2% RBKC and 34.5% Wandsworth.
- G.** The Director of Public Health is engaged or employed by Westminster City Council. The costs of this post are shared between the London Borough of Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea and the City of Westminster. The share was 30.9% RBKC; 29.1% LBHF; 40.0% Westminster.
- H.** Part year post reported. Director of Public Health was appointed on 10 March 2014 and left on 4 January 2015.
- I.** Part year post reported. Deputy Director of Public Health has been acting up in the Director role For Westminster since 4 January 2015.
- J.** The Tri-Borough Executive Director of Adult Social Care is employed by the London Borough of Hammersmith and Fulham. The costs of this post are shared between the London Borough of Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea and the City of Westminster. The share was 21.2% RBKC; 46.3% LBHF; 32.5% Westminster. Further details are available in the London Borough of Hammersmith and Fulham annual accounts which are available at: [lbhf.gov.uk/councillors-and-democracy/about-hammersmith-fulham-council/statement-accounts](http://lbhf.gov.uk/councillors-and-democracy/about-hammersmith-fulham-council/statement-accounts)
- K.** The Tri-Borough Executive Director of Children's Services is employed by the Royal Borough of Kensington and Chelsea. The costs of this post are shared between the London Borough of Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea and the City of Westminster. The share was 33.3% RBKC; 33.3% LBHF; 33.3% Westminster. Further details are available in the Royal Borough of Kensington and Chelsea's annual accounts which are available at: [rbkc.gov.uk/council/how-council-manages-money/council-spending-and-finances/council-spending-and-finances#statements](http://rbkc.gov.uk/council/how-council-manages-money/council-spending-and-finances/council-spending-and-finances#statements)
- L.** As part of a secondment agreement Jane West was appointed Bi-Borough Executive Director of Corporate Services for and took on line management of City of Westminster's Directors for HR, Legal Services, Information Services and Procurement as well as taking on line management of the Tri-borough Chief Information Officer and the Bi-Borough Directors of HR and Legal. For 2014/15 support for Westminster was calculated as being 19% from 1 April 2014 to 30 June 2014 and 20% from 1 July 2014 to 31 March 2015.

## Note 15 Officers' Remuneration including Termination Benefits (continued)

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

	2014/15	2015/16
	No of Employees	No of Employees
	137	129
	57	53
	39	47
	42	20
	26	36
	12	16
	7	13
	13	15
	10	3
	2	5
	6	5
	4	1
	1	2
	2	3
	4	2
	-	1
	-	1
	1	-
	<b>363</b>	<b>352</b>
	<b>Total</b>	

## Note 15 Officers' Remuneration including Termination Benefits (continued)

### EXIT PACKAGES

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

(b) Number of compulsory redundancies	(c) Number of other departures agreed	(d) Total number of exit packages by cost band [(b) + (c)]	(e) Total cost of exit packages in each band £'000	(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies	(c) Number of other departures agreed	(d) Total number of exit packages by cost band [(b) + (c)]	(e) Total cost of exit packages in each band £'000
2014/15	2014/15	2014/15	2014/15		2015/16	2015/16	2015/16	2015/16
94	-	94	812	£0 - £20,000	102	-	102	679
30	-	30	885	£20,001 - £40,000	19	-	19	524
6	-	6	296	£40,001 - £60,000	9	-	9	674
4	-	4	284	£60,001 - £80,000	3	-	3	282
2	-	2	181	£80,001 - £100,000	2	-	2	183
4	-	4	506	£100,001 - £150,000	2	-	2	260
1	-	1	195	£150,001 - £200,000	1	-	1	160
<b>141</b>	<b>-</b>	<b>141</b>	<b>3,159</b>	<b>Total</b>	<b>138</b>	<b>-</b>	<b>138</b>	<b>2,762</b>

The total cost of the exit packages in the table above have been fully charged to the Council's Comprehensive Income and Expenditure Statement.

### TERMINATION BENEFITS

The Council terminated the contracts of 138 employees in 2015/16. Of the total payment of £2.762m, £1.008m related to the enhancement of retirement benefits for 39 officers.

## Note 16 External Audit Fees

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

2014/15		2015/16
£'000		£'000
248	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	186
31	Fees payable to external auditors for additional resources	8
34	Fees payable to external auditors for the certification of grant claims and returns for the year	25
(59)	Rebate received from Audit Commission for prior years from efficient management of Commission's closure	-
15	Fees payable in respect of other services provided by external auditors during the year relating to objections	25
5	Fees payable in respect of other services provided (Legal advice to external auditors relating to objections)	-
-	Other fees payable in respect of objections	25
<b>274</b>	<b>Total</b>	<b>269</b>

The external auditors appointed from the 7 August 2015 were Grant Thornton UK LLP. The Council's previous auditors were KPMG.



## Note 17 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the Schools Budget funded by DSG receivable for 2015/16 are as follows:

	Central Expenditure	ISB	Total 2015/16	Total 2014/15
	£'000	£'000	£'000	£'000
<b>Final DSG for 2015/16 before Academy Recoupment</b>	–	–	<b>146,477</b>	<b>124,212</b>
Academy figure recouped for 2015/16	–	–	<b>(62,038)</b>	(40,988)
Total DSG after Academy recoupment for 2015/16	–	–	<b>84,439</b>	83,224
Brought forward from 2014/15	–	–	<b>6,971</b>	3,773
Carry forward to 2016/17 projected	–	–	<b>(6,275)</b>	(3,773)
<b>Agreed initial budgeted distribution for 2015/16</b>	<b>16,585</b>	<b>67,310</b>	<b>83,895</b>	<b>83,224</b>
In year adjustments	–	696	<b>696</b>	–
<b>Final budgeted distribution for 2015/16</b>	<b>16,585</b>	<b>68,006</b>	<b>84,591</b>	<b>83,224</b>
Less Actual central expenditure	(13,659)	–	<b>(13,659)</b>	(12,058)
Less Actual ISB deployed to schools	–	(71,463)	<b>(71,463)</b>	(67,968)
<b>(Drawdown from)/Contribution to DSG Reserve</b>	<b>–</b>	<b>–</b>	<b>(683)</b>	<b>3,198</b>
<b>Carry Forward</b>	<b>–</b>	<b>–</b>	<b>6,288</b>	<b>6,971</b>

## Note 18 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

Restated 2014/15		2015/16
£'000		£'000
	<i>Credited to Taxation and Non Specific Grant Income</i>	
96,283	Revenue Support Grant	70,039
75,140	NDR Safety Net	58,308
8,250	New Homes Bonus	7,523
3,324	Collection Allowance – NNDR and BSR	3,269
160	Local Services Support Grant	113
269	S31 – New Homes Bonus	–
495	Council Tax Freeze Grant	518
637	Other Grants Credited to Taxation and Non Specific Grant Income	–
<b>184,064</b>	<b>Sub-Total</b>	<b>139,769</b>

**Note 18** Grant Income (continued)

Restated 2014/15		2015-16
£'000		£'000
	<i>Credited to Services</i>	
4,805	Discretionary House Payment Grant	2,485
83,224	DSG Schools Grant	84,439
1,610	Education Services Grant	1,264
3,902	Housing and Council Tax Admin	2,169
224,429	Housing Benefits Subsidy	223,646
10,674	LSC Grant	7,153
27,742	Public Health Grant	31,442
5,846	Pupil Premium Grant	5,657
571	Troubled Families Programme	878
756	Young Persons Learning Grant	759
711	Youth Justice Grant	566
47,936	Other Grants	9,796
412,206	Sub-Total	370,254
<b>596,270</b>	<b>Total</b>	<b>510,023</b>

## Note 18 Grant Income (continued)

The Council has received a number of grants, contributions and donations which have conditions attached and as such have not been recognised as income as they may require monies or property to be returned to the provider if related conditions are not met. The balances at the year-end are as follows:

2014/15		2015/16	2014/15		2015/16
£'000		£'000	£'000		£'000
	Capital Grants Receipts in Advance (Non-Current)			Deposits and Receipts in Advance (Current)	
11,905	S106 / S278 Contributions	39,962	3,694	Central Government Bodies	1,945
4,300	Transportation and Infrastructure External Funding	4,192	43,509	Collection Fund Receipts in Advance	-
4,384	Transport for London Grants	1,547	25	NHS Bodies	-
-	Housing Grants	-	8,163	Other entities and individuals	4,206
-	Building Schools for the Future	-			
-	Childrens Standards Fund	-			
-	PCT Funding	-			
-	DFES Childcare Grant	-			
1,889	Other Government Grants	5,769	<b>55,391</b>	<b>Total</b>	<b>6,151</b>
2,679	Other Grants and Contributions	3,918			
<b>25,157</b>	<b>Total</b>	<b>55,388</b>			



## 4.2

# Notes supporting the Movement in Reserves Statement

## Note 19 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council within the year to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure, in accordance with proper accounting practice.

	2015/16 Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Charges for depreciation of non-current assets	(53,882)	(23,369)	-	-	-	<b>77,251</b>
Impairment Losses on Property, Plant and Equipment	(16,730)	-	-	-	-	<b>16,730</b>
Revaluation gains on Property, Plant and Equipment	-	-	-	-	-	-
Movements in the market value of Investment Properties	16,816	-	-	-	-	<b>(16,816)</b>
Amortisation of intangible assets	(1,559)	-	-	-	-	<b>1,559</b>
Revenue expenditure funded from capital under statute	(7,661)	-	-	-	-	<b>7,661</b>
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	(8,636)	(8,778)	-	-	-	<b>17,414</b>
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	3,589	-	-	-	-	<b>(3,589)</b>
Capital expenditure charged against the General Fund and HRA balances	1,572	17,659	-	-	-	<b>(19,231)</b>
<i>Adjustments primarily involving the Capital Grants Unapplied Account:</i>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	80,825	-	-	-	(80,825)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	37,677	<b>(37,677)</b>

## Note 19 Adjustments between accounting basis and funding basis under regulations (continued)

	2015/16 Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<b>Transfers in respect of Community Infrastructure Levy Receipts:</b>						
<i>Adjustments primarily involving the Capital Receipts Reserve:</i>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	51,423	34,778	(86,201)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	25,451	-	-	<b>(25,451)</b>
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2,968)	-	2,968	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	(93)	-	-	<b>93</b>
<i>Adjustment primarily involving the Major Repairs Reserve:</i>						
Reversal of Major Repairs Allowance credited to the HRA	-	23,368	-	(23,368)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	23,368	-	<b>(23,368)</b>
<i>Adjustment primarily involving the Financial Instruments Adjustment Account:</i>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	222	672	-	-	-	<b>(895)</b>



## Note 19 Adjustments between accounting basis and funding basis under regulations (continued)

	2015/16 Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(46,281)	-	-	-	-	46,281
Employer's pensions contributions and direct payments to pensioners payable in the year	16,529	-	-	-	-	(16,529)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(62,275)	-	-	-	-	62,275
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	471	-	-	-	-	(471)
<b>Total Adjustments</b>	<b>(28,544)</b>	<b>44,332</b>	<b>(57,876)</b>	<b>-</b>	<b>(43,147)</b>	<b>85,238</b>

## Note 19 Adjustments between accounting basis and funding basis under regulations (continued)

	2014/15 Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Charges for depreciation of non-current assets	(56,507)	126,323	-	-	-	<b>(69,816)</b>
Revaluation losses on Property Plant and Equipment	(13,299)	(32,239)	-	-	-	<b>45,538</b>
Revaluation gains on Property, Plant and Equipment	2,329	-	-	-	-	<b>(2,329)</b>
Movements in the market value of Investment Properties	19,476	15,808	-	-	-	<b>(35,284)</b>
Amortisation of intangible assets	(3,019)	-	-	-	-	<b>3,019</b>
Capital grants and contributions applied	45,699	-	-	-	-	<b>(45,699)</b>
Revenue expenditure funded from capital under statute	(44,677)	-	-	-	-	<b>44,677</b>
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	(8,277)	(5,281)	-	-	-	<b>13,558</b>
Other Capital Expenditure written to the Comprehensive Income and Expenditure Statement	(2,286)	-	-	-	-	<b>2,286</b>
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	6,442	-	-	-	-	<b>(6,442)</b>
Capital expenditure charged against the General Fund and HRA balances	1,791	33,218	-	-	-	<b>(35,009)</b>
Asset disposal costs	(757)	-	-	-	-	<b>757</b>

## Note 19 Adjustments between accounting basis and funding basis under regulations (continued)

	2014/15 Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<i>Adjustments primarily involving the Capital Grants Unapplied Account:</i>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	72,062	190	-	-	(72,252)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	12,724	-	-	-	<b>(12,724)</b>
<i>Adjustments primarily involving the Capital Receipts Reserve:</i>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,450	15,985	(19,435)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	9,070	-	-	<b>(9,070)</b>
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(1)	(150)	150	-	-	<b>1</b>
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	(2,598)	2,598	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	(3,010)	-	-	<b>3,010</b>
<i>Adjustments primarily involving the Deferred Capital Receipts Reserve:</i>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
<i>Adjustment primarily involving the Major Repairs Reserve:</i>						
Reversal of Major Repairs Allowance credited to the HRA	-	16,592	-	(16,592)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	16,592	-	<b>(16,592)</b>

## Note 19 Adjustments between accounting basis and funding basis under regulations (continued)

	2014/15 Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<i>Adjustment primarily involving the Financial Instruments Adjustment Account:</i>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,016	108	-	-	-	(1,124)
<i>Adjustments primarily involving the Pensions Reserve:</i>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(42,225)	-	-	-	-	42,225
Employer's pensions contributions and direct payments to pensioners payable in the year	17,862	-	-	-	-	(17,862)
<i>Adjustments primarily involving the Collection Fund Adjustment Account:</i>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(52,421)	-	-	-	-	52,421
<i>Adjustment primarily involving the Accumulated Absences Account:</i>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	405	-	-	-	-	(405)
<b>Total Adjustments</b>	<b>(52,936)</b>	<b>180,680</b>	<b>(10,627)</b>	<b>-</b>	<b>(72,252)</b>	<b>(44,865)</b>

## Note 20 Transfers to/from earmarked reserves

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other 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. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account 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 Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Earmarked Reserves – General Fund	Restated 31 March 2014	Transfers Out	Transfers In	Restated 31 March 2015	Transfers Out	Transfers In	31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adults Services Reserve	–	–	(10,367)	<b>(10,367)</b>	8,311	(2,764)	<b>(4,821)</b>
Built Environment Projects Reserve	(1,109)	44	(99)	<b>(1,164)</b>	825	–	<b>(339)</b>
CCTV and Parking Consultation	(2,488)	585	–	<b>(1,903)</b>	575	–	<b>(1,328)</b>
Corporate Risks Reserve	(4,000)	107	–	<b>(3,893)</b>	3,799	(10,318)	<b>(10,412)</b>
Customer Programme	(2,815)	2,250	–	<b>(565)</b>	–	(233)	<b>(798)</b>
Economic Development Strategy and Enterprise	(4,537)	3,954	(5,200)	<b>(5,783)</b>	481	–	<b>(5,302)</b>
Income Pressures Reserve	(6,000)	24,772	(29,392)	<b>(10,620)</b>	–	–	<b>(10,620)</b>
Insurance Reserve	–	–	(13,512)	<b>(13,512)</b>	2,249	–	<b>(11,263)</b>
Invest to Save Reserve	(7,000)	–	(7,632)	<b>(14,632)</b>	–	–	<b>(14,632)</b>
Kerbside Management Reserve	(1,972)	–	–	<b>(1,972)</b>	–	–	<b>(1,972)</b>
Managed Services Business Case Reserve	(8,705)	3,011	–	<b>(5,694)</b>	3,699	–	<b>(1,995)</b>
Parking Transformation and Relet	(3,102)	1,090	–	<b>(2,012)</b>	930	–	<b>(1,082)</b>
Refurbishment/Transformation of Estate	(5,000)	(10,000)	5,000	<b>(10,000)</b>	–	(3,872)	<b>(13,872)</b>
Reorganisation Reserve	(2,997)	980	(2,000)	<b>(4,017)</b>	–	–	<b>(4,017)</b>
Safety Net Equalisation Reserve	(10,696)	10,696	(61,468)	<b>(61,468)</b>	2,548	(58,308)	<b>(117,227)</b>

## Note 20 Transfers to/from earmarked reserves (continued)

Earmarked Reserves – General Fund	Restated 31 March 2014	Transfers Out	Transfers In	Restated 31 March 2015	Transfers Out	Transfers In	31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other Council Reserves	(10,629)	6,566	(3,668)	(7,731)	2,939	(9,134)	(13,926)
<b>Total Earmarked Reserves</b>	<b>(79,631)</b>	<b>52,636</b>	<b>(128,338)</b>	<b>(155,334)</b>	<b>26,357</b>	<b>(84,629)</b>	<b>(213,606)</b>
<b>Ring Fenced Revenue Schemes</b>							
Adult Education Services (LSC)	(589)	75	–	(514)	356	(130)	(288)
Earmarked LMS Balance (DSG)	(4,901)	1,128	(3,198)	(6,971)	683	–	(6,288)
Quinton Kyanaston Endowment Fund	(1,546)	–	–	(1,546)	1,546	–	–
Public Health Reserve	–	–	(8,083)	(8,083)	–	(163)	(8,246)
<b>Total Ring Fenced Reserves</b>	<b>(7,036)</b>	<b>1,203</b>	<b>(11,281)</b>	<b>(17,113)</b>	<b>2,585</b>	<b>(294)</b>	<b>(14,822)</b>
<b>Total Earmarked and Ring fenced Revenue Reserves</b>	<b>(86,667)</b>	<b>53,839</b>	<b>(139,619)</b>	<b>(172,447)</b>	<b>28,942</b>	<b>(84,923)</b>	<b>(228,428)</b>
<b>Revenue Grants Reserves (without conditions)</b>							
Adults Reserves	(300)	300	–	–	–	–	–
Children's Reserves	(1,159)	995	(4,781)	(4,946)	2,523	(774)	(3,196)
Housing Reserves	–	–	(2,011)	(2,011)	2,000	–	(11)
Revenue Receipts in Advance without conditions	(33,405)	37,622	(18,753)	(14,537)	1,164	(1,849)	(15,221)
<b>Total Grants Reserves (without conditions)</b>	<b>(34,865)</b>	<b>38,917</b>	<b>(25,545)</b>	<b>(21,493)</b>	<b>5,687</b>	<b>(2,623)</b>	<b>(18,428)</b>
<b>Total General Fund Earmarked Reserves</b>	<b>(121,532)</b>	<b>92,756</b>	<b>(165,164)</b>	<b>(193,940)</b>	<b>34,630</b>	<b>(87,546)</b>	<b>(246,856)</b>

## Note 20 Transfers to/from earmarked reserves (continued)

The **Adults Services Reserve** is provided to support joint working with the CCG (Clinical Commissioning Group) to support vulnerable Adults within the borough and assist them in living independent lives.

The **Built Environment Projects Reserve** is provided to support transformation programmes supporting public realm service delivery and efficiency.

The **CCTV and Parking Consultation Reserve** is provided to enable consultation on policy changes and to support business process technology improvement.

The **Corporate Risks Reserve** has been provided to support financial strategy and risk management.

The **Customer Programme Reserve** is to support digitisation initiatives to improve and modernise customer contact with the Council in order to enhance efficiency of processes and communication.

The **Economic Development Strategy & Enterprise Reserve** supports creation of innovative economic development projects to deliver growth and regeneration within Westminster.

The **Income Pressures Reserve** is provided to meet potential pressures on income and income generation arising from legislative or policy changes.

The **Insurance Reserve** is established in order to finance costs (e.g. claims and premium payments) associated with insurable risk. The reserve meets expenditure relating to various types of future claims which are not covered by the Insurance Fund.

The **Invest to Save Reserve** represents a sum set aside to generate long term financial benefits from pump-priming financial resources.

The **Kerbside Management Reserve** is provided to fund roll out of kerbside management technology in the parking service.

The **Managed Services Business Case Reserve** has been provided to fund the implementation and development costs of the implementation of an Enterprise Resource Planning system.

The **Parking Transformation and Re-let Reserve** is to facilitate the completion of the transformation program within Parking including staff and reorganisation costs; equipment; signage changes; travel; infrastructure and migration; decommissioning and transition costs.

The **Refurbishment and Transformation of Estates Reserve** is provided to support improvement of Council buildings, allowing more flexible and industrious working.

The **Reorganisation Reserve** is provided to support staffing cost implications of service transformation programmes.

The **Safety Net Equalisation Reserve** is held to offset the timing differences between losses within the Collection Fund being transferred (future years) and CLG's additional Business Rates Safety Net payments (current year). The reserve will be released to match the deficits that flow from the Collection Fund in 2015/16 and 2016/17 resulting from the level of back-dated business rate appeals.

**Other Council Reserves** represent minor balances and includes provisions for repairs to statues and monuments.

**Ring Fenced Revenue Reserves** represent carried forward funding, namely Schools balances from the Dedicated Schools Grant (DSG); grant funding of the Adult Education Service from the Learning Skills Council (LSC) to match expenditure in line with the academic year to July 2015; Quinton Kyanaston Endowment Fund is held to finance the residual capital scheme from Building Schools for the Future; Public Health funds are from NHS England.

**Revenue Grant Reserves** without conditions represent grants received but not spent yet. These funds are carried forward for future use relating to the purpose of the grant.



## 4.3 Notes supporting the Balance Sheet



## Note 21a Capital Contractual Commitments

As at 31 March 2016, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years. The major commitments are as follows:

31 March 2015		31 March 2016
£'000		£'000
1,173	Building Schools for the future	-
11,000	FM Conway Various Public Realm Schemes	17,618
897	Amey Community Ltd	5,250
3,916	Tresham House	130
287	Parking Enforcement	-
-	Moberly And Jubilee Leisure Centres Project	3,400
-	Property Purchase – Vauxhall Bridge Road	4,650
<b>17,273</b>	<b>Total</b>	<b>31,048</b>

## Note 21b Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Lambert Smith Hampton undertook valuations on behalf of the Council in 2015/16 pertaining to operational properties and the HRA stock valuations were carried out internally. The valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations concerning vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices, with consideration given for the condition of the asset. For 2015/16 the valuation of operational properties has reduced by £47.33m (31 March 2015 £20.23m reduction) and for HRA stock has reduced by £0.63m (31 March 2015 £113.03m increase).

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Investment Property	Heritage Assets
	£'000	£'000	£'000	£'000	£'000
<b>Held at Historic Cost</b>	-	<b>42,929</b>	<b>7,506</b>	-	-
<b>Valued at Current Value</b>					
31 March 2016	1,280,300	53,317	264,024	405,270	-
31 March 2015	-	-	6,525	-	42,746
31 March 2014	-	-	16,077	-	-
31 March 2013	-	1,007	14,271	-	-
31 March 2012	-	7,429	140	-	-
<b>Total Cost or Valuation</b>	<b>1,280,300</b>	<b>104,682</b>	<b>308,544</b>	<b>405,270</b>	<b>42,746</b>

**Note 21b** Revaluations (continued)

Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Assets Held for Sale	Intangible Assets	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>67,578</b>	<b>403,335</b>	<b>19,841</b>	<b>33,817</b>	<b>-</b>	<b>1,830</b>	<b>576,837</b>
-	-	-	-	2,250	-	2,005,161
-	-	-	-	-	-	49,271
-	-	-	-	-	-	16,077
-	-	-	-	-	-	15,278
-	-	-	-	-	-	7,569
<b>67,578</b>	<b>403,335</b>	<b>19,841</b>	<b>33,817</b>	<b>2,250</b>	<b>1,830</b>	<b>2,670,193</b>

## Note 21c Property, Plant and Equipment – Movement of balances in 2014/15

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture & Equipment	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost of Valuation</b>										
At 1 April 2015	1,253,327	60,544	343,133	70,757	355,116	18,664	83	68,180	<b>2,169,804</b>	12,951
Additions	36,457	14,418	13,359	756	29,476	531	-	20,336	<b>115,333</b>	5,015
Other Additions	-	-	3,426	-	-	-	-	-	<b>3,426</b>	-
Donations	-	-	-	-	-	-	-	-	-	-
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	(627)	536	(8,043)	-	-	-	-	-	<b>(8,135)</b>	3,000
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(3,917)	(17,189)	(456)	-	-	-	-	<b>(21,562)</b>	(4,293)
Derecognition – disposals	(8,857)	-	(500)	-	-	-	-	-	<b>(9,357)</b>	-
Assets reclassified to/from Asset Under Construction	-	27,318	2,900	1,821	18,743	646	-	(51,428)	-	-
Assets reclassified within Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	-
Assets reclassified to/from Investment Properties	-	6,917	-	-	-	-	-	(919)	<b>5,998</b>	-
Other movement in Cost or Valuation*	-	(1,134)	(28,541)	(5,300)	-	-	(83)	(2,352)	<b>(37,410)</b>	(3,151)
<b>At 31 March 2016</b>	<b>1,280,300</b>	<b>104,682</b>	<b>308,544</b>	<b>67,578</b>	<b>403,335</b>	<b>19,841</b>	<b>-</b>	<b>33,817</b>	<b>2,218,097</b>	<b>13,523</b>

## Note 21c Property, Plant and Equipment – Movement of balances in 2014/15 (continued)

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated Depreciation and Impairment</b>										
At 1 April 2015	–	(3,605)	(28,906)	(59,422)	(140,763)	–	(83)	–	<b>(232,779)</b>	(4,131)
Depreciation Charge	(21,187)	(2,202)	(13,364)	(3,505)	(36,994)	–	–	–	<b>(77,251)</b>	(954)
Depreciation written out to the Revaluation Reserve	–	–	18,790	–	–	–	–	–	<b>18,790</b>	733
Depreciation written out to the Surplus/ Deficit on the Provision of Services	–	–	7,775	–	–	–	–	–	<b>7,775</b>	573
Derecognition – Disposals	–	–	–	–	–	–	–	–	–	–
Other Movements in Depreciation and Impairments	–	1,134	11,229	5,300	–	–	83	–	<b>17,746</b>	3,151
<b>At 31 March 2016</b>	<b>(21,187)</b>	<b>(4,673)</b>	<b>(4,476)</b>	<b>(57,627)</b>	<b>(177,757)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(265,720)</b>	<b>(627)</b>
<b>Net Book Value:</b>										
<b>At 31 March 2016</b>	<b>1,259,113</b>	<b>100,009</b>	<b>304,068</b>	<b>9,951</b>	<b>225,578</b>	<b>19,841</b>	<b>–</b>	<b>33,817</b>	<b>1,952,377</b>	<b>12,896</b>
<b>At 31 March 2015</b>	<b>1,253,327</b>	<b>56,939</b>	<b>314,227</b>	<b>11,335</b>	<b>214,353</b>	<b>18,664</b>	<b>–</b>	<b>68,180</b>	<b>1,937,025</b>	<b>8,820</b>

\*Other Land and Buildings (GF) Includes write out of Lisson Grove, held as a duplicated asset in the Council's asset register in 2014/15

## Note 21c Property, Plant and Equipment – Movement of balances in 2014/15 (continued)

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture & Equipment	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost of Valuation</b>										
At 1 April 2014	1,114,236	44,617	378,296	65,052	318,752	17,820	83	71,367	<b>2,010,223</b>	12,951
Additions	48,815	–	16,018	4,399	19,718	580	–	34,894	<b>124,424</b>	–
Donations	–	–	–	–	–	–	–	–	–	–
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	–	16,489	(29,718)	–	–	–	–	–	<b>(13,229)</b>	–
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	113,034	–	(11,983)	–	718	–	–	–	<b>101,769</b>	–
Derecognition – disposals	(5,281)	–	(8,450)	–	–	–	–	–	<b>(13,731)</b>	–
Assets reclassified to/from Asset Under Construction	–	–	1,294	1,306	15,790	582	–	(18,972)	–	–
Assets reclassified within Property, Plant and Equipment	–	–	318	–	–	(318)	–	–	–	–
Assets reclassified to/from Investment Properties	–	(562)	(684)	–	194	–	–	(29)	<b>(1,081)</b>	–
Assets reclassified to/from Assets Held for Sale	–	–	(1,950)	–	–	–	–	–	<b>(1,950)</b>	–
Assets reclassified to/from Intangibles	–	–	–	–	–	–	–	(348)	<b>(348)</b>	–
Other expenditure reclassified as REFUCS	–	–	–	–	–	–	–	(16,900)	<b>(16,900)</b>	–
Expenditure charged to CIES	–	–	(8)	–	(56)	–	–	(1,832)	<b>(1,896)</b>	–
<b>At 31 March 2015</b>	<b>1,270,804</b>	<b>60,544</b>	<b>343,133</b>	<b>70,757</b>	<b>355,116</b>	<b>18,664</b>	<b>83</b>	<b>68,180</b>	<b>2,187,281</b>	<b>12,951</b>

## Note 21c Property, Plant and Equipment – Movement of balances in 2014/15 (continued)

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture & Equipment	Infra- structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated Depreciation and Impairment</b>										
At 1 April 2014	–	(3,260)	(18,611)	(54,821)	(103,146)	–	(83)	–	<b>(179,921)</b>	(3,804)
Depreciation Charge	(17,477)	(1,544)	(14,289)	(4,601)	(37,617)	–	–	–	<b>(75,528)</b>	(327)
Depreciation written out to the Revaluation Reserve	–	1,127	3,519	–	–	–	–	–	<b>4,646</b>	–
Depreciation written out to the Surplus/ Deficit on the Provision of Services	–	–	297	–	–	–	–	–	<b>297</b>	–
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	–	–	–	–	–	–	–	–	–	–
Impairment Losses/(Reversal) recognised in the Surplus/Deficit on the Provision of Services	–	–	–	–	–	–	–	–	–	–
Derecognition – Disposals	–	–	178	–	–	–	–	–	<b>178</b>	–
Derecognition – Other	–	–	–	–	–	–	–	–	–	–
Other Movements in Depreciation and Impairments	–	72	–	–	–	–	–	–	<b>72</b>	–
<b>At 31 March 2015</b>	<b>(17,477)</b>	<b>(3,605)</b>	<b>(28,906)</b>	<b>(59,422)</b>	<b>(140,763)</b>	<b>–</b>	<b>(83)</b>	<b>–</b>	<b>(250,256)</b>	<b>(4,131)</b>
<b>Net Book Value:</b>										
<b>At 31 March 2015</b>	<b>1,253,327</b>	<b>56,939</b>	<b>314,227</b>	<b>11,335</b>	<b>214,353</b>	<b>18,664</b>	<b>–</b>	<b>68,180</b>	<b>1,937,025</b>	<b>8,820</b>
<b>At 31 March 2014</b>	<b>1,114,236</b>	<b>41,357</b>	<b>359,685</b>	<b>10,231</b>	<b>215,606</b>	<b>17,820</b>	<b>–</b>	<b>71,367</b>	<b>1,830,302</b>	<b>9,147</b>

## Note 22 Heritage Assets

The heritage assets held by the Council fall into two categories: statues and monuments and civic regalia and works of art. Both categories have been in the Council's ownership for a number of years and are held for their intrinsic worth as opposed to potential financial gain. As such, they are unlikely to be sold. During 2013/14 an insurance valuation of this asset group was conducted together with a specialist valuation exercise for regalia and works of art, leading to a revaluation of the assets held. According to the Code there is no prescribed minimum period between valuations and so the Council does not intend to revalue its Heritage Assets in the near future. There were no additions or disposals during the current financial year.

### Cost or Valuation

	Statues and Monuments (Note a)	Civic Regalia, Works of Art, Trophies and the like (Note b)	Total Assets
	£'000	£'000	£'000
Balance at 1 April 2014	38,675	4,071	42,746
<b>Balance at 31 March 2015</b>	<b>38,675</b>	<b>4,071</b>	<b>42,746</b>

### Notes:

- a. This largely comprises of a number of iconic monuments located throughout the borough including a variety of war memorials, decorative fountains, Cleopatras Needle, Eros etc.
- b. This includes the Mayor's chain, works of art and other civic regalia.



## Note 23 Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2014/15				2015/16		
HRA Commercial Properties	General Fund Investment Properties	Total		HRA Commercial Properties	General Fund Investment Properties	Total
£'000	£'000	£'000		£'000	£'000	£'000
7,566	17,090	<b>24,656</b>	Rental income from investment property	7,460	14,818	<b>22,277</b>
(1,056)	(3,957)	<b>(5,013)</b>	Direct operating expenses arising from investment property	(2,238)	(10,922)	<b>(13,160)</b>
<b>6,510</b>	<b>13,133</b>	<b>19,643</b>	<b>Net gain/(loss)</b>	<b>5,222</b>	<b>3,896</b>	<b>9,117</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. There are contractual obligations on the Council to repair and maintain certain investment properties and these have been included in the relevant property valuations.

## Note 23 Investment Property (continued)

The following table summarises the movement in the fair value of investment properties over the year:

2014/15				2015/16		
HRA Commercial Properties	General Fund Investment Properties	Total		HRA Commercial Properties	General Fund Investment Properties	Total
£'000	£'000	£'000		£'000	£'000	£'000
<b>156,083</b>	<b>184,336</b>	<b>340,419</b>	<b>Balance at start of the year</b>	<b>179,370</b>	<b>223,510</b>	<b>402,880</b>
Additions:						
6,917	1,244	<b>8,161</b>	Purchases	–	411	<b>411</b>
–	17,942	<b>17,942</b>	Subsequent expenditure	72	174	<b>246</b>
–	(5)	<b>(5)</b>	Disposals	–	(8,786)	<b>(8,786)</b>
15,808	19,475	<b>35,283</b>	Net gains/losses from fair value adjustments	4,554	11,962	<b>16,516</b>
–	–	–	Other movements	(194)	194	–
Transfers:						
–	–	–	to/from Assets Held for Sale	–	–	–
–	29	<b>29</b>	Assets reclassified to/from Asset Under Construction	280	639	<b>919</b>
562	489	<b>1,051</b>	Assets reclassified to/from Property, Plant and Equipment	(6,917)	–	<b>(6,917)</b>
<b>179,370</b>	<b>223,510</b>	<b>402,880</b>	<b>Balance at end of the year</b>	<b>177,165</b>	<b>228,104</b>	<b>405,269</b>

## Note 23 Investment Property (continued)

### FAIR VALUE HIERARCHY

All the Council's investment property portfolio has been assessed as Level 3 for valuation purposes (see *Note 1* for explanation of fair value levels).

### VALUATION TECHNIQUES USED TO DETERMINE LEVEL 3 FAIR VALUES FOR INVESTMENT PROPERTIES

The fair value of investment property has been measured using the Investment Method of Valuation. The valuers have used a desktop valuation relying on data provided by Bilfinger GVA, the Council's managing agents. Valuations have taken account of the following factors: existing lease terms and rentals taken from the tenancy schedule, independent research into market evidence including Market rentals and yields, and then adjusted to reflect the nature of each business tenancy or void and the covenant strength for existing tenants.

There has been no change in the valuation techniques used during the year for investment properties.

### HIGHEST AND BEST USE OF INVESTMENT PROPERTIES

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use.

### VALUERS

The investment property portfolio has been valued at 31 March 2016 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Naomi Brown (MRICS), Mike Tye (MRICS) and Paul Lidgley (MRICS) of Lambert Smith Hampton, the Council's valuing agents.

## Note 24 Financial Instruments

### Categories of financial instrument

The following categories of financial instrument are carried in the Balance Sheet:

Restated 31 March 2015			31 March 2016	
Long Term	Short Term		Long Term	Short Term
£'000	£'000		£'000	£'000
11	441,577	Loans and receivables	5,000	235,623
40,762	156,050	Available for sale financial assets	40,916	396,790
<b>40,773</b>	<b>597,627</b>	<b>Total Investments</b>	<b>45,916</b>	<b>632,413</b>
24,573	51,135	Debtors	12,394	101,378
<b>24,573</b>	<b>51,135</b>	<b>Total Debtors</b>	<b>12,394</b>	<b>101,729</b>
251,520	33,902	Financial liabilities at amortised cost	251,465	2,109
<b>251,520</b>	<b>33,902</b>	<b>Total financial liabilities</b>	<b>251,465</b>	<b>2,109</b>
221	119,495	Creditors	202	103,446
<b>221</b>	<b>119,495</b>	<b>Total Creditors</b>	<b>202</b>	<b>103,446</b>
17,794	-	Service Concessions and Finance Lease Liabilities	14,823	-
<b>17,794</b>	<b>-</b>	<b>Other long term liabilities</b>	<b>14,823</b>	<b>-</b>

## Note 24 Financial Instruments (continued)

### Income, Expense, Gains and Losses

2014/15				2015/16		
Financial Liabilities measured at amortised cost	Financial Assets: Loans & Receivables	Financial Assets: Available for Sale		Financial Liabilities measured at amortised cost	Financial Assets: Loans & Receivables	Financial Assets: Available for Sale
£'000	£'000	£'000		£'000	£'000	£'000
13,130	-	-	Interest Expense	14,123	-	-
<b>13,130</b>	-	-	<b>Total Expense in Surplus/Deficit on the Provision of Service</b>	<b>14,123</b>	-	-
-	2,928	1,588	Interest Income	-	2,351	2,800
-	-	44	Gains on derecognition	-	-	-
-	<b>2,928</b>	<b>1,632</b>	<b>Total income in Surplus/Deficit on the Provision of Services</b>	-	<b>2,351</b>	<b>2,800</b>
-	-	16,154	Gains on Revaluation	-	-	-
-	-	(1,307)	Losses on Revaluation	-	-	1,627
-	-	<b>14,847</b>	<b>Surplus/Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income And Expenditure</b>	-	-	<b>1,627</b>
<b>(13,130)</b>	<b>2,928</b>	<b>16,479</b>	<b>Net Gain/(Loss) for the Year</b>	<b>(14,123)</b>	<b>2,351</b>	<b>4,427</b>

## Note 24 Financial Instruments (continued)

### Fair value of financial assets and financial liabilities

Restated 31 March 2015			31 March 2016		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£'000	£'000		£'000	£'000	
441,588	441,588	Loans and receivables	240,623	240,734	
196,812	196,812	Available for sale financial assets	437,706	437,706	
-	-	Unquoted equity investment at cost	-	-	
-	-	Financial assets at fair value through profit and loss	-	-	
75,708	75,708	Debtors	113,772	113,772	
<b>714,108</b>	<b>714,108</b>	<b>Total financial assets</b>	<b>792,101</b>	<b>792,212</b>	
285,422	335,823	Financial liabilities at amortised cost	253,574	353,109	
-	-	Financial liabilities carried at contract amount	-	-	
119,716	119,716	Creditors	103,647	103,647	
<b>405,138</b>	<b>455,539</b>	<b>Total financial liabilities</b>	<b>357,222</b>	<b>456,757</b>	
15,123	20,449	PFI and Finance Lease Liabilities	10,598	19,330	
<b>15,123</b>	<b>20,449</b>	<b>Other long term liabilities</b>	<b>10,598</b>	<b>19,330</b>	

The fair value of Public Works Loan Board (PWLB) loans is calculated using the premature repayment rate published by the PWLB on 31 March 2016. For non-PWLB loans the fair value is deemed to be carrying amount.

The fair value of the available for sale assets is the carrying amount.

The fair value concerning debtors and creditors is assumed to be commensurate with the carrying value.

## Note 25 Nature and Extent of Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### CREDIT RISK

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit ratings from the three major credit ratings agencies. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each rating category and country. The Annual Investment Strategy is contained within the Council's approved Treasury Management Strategy.

A summary of the credit quality of the Authority's investments at 31 March is shown below:

31 March 2014		Fitch Rating	31 March 2015	
Available for Sale	Loans and receivables		Available for Sale	Loans and receivables
£'000	£'000		£'000	£'000
45,442	150,039	AAA	15,247	79,943
99,561	30,700	AA+	250,098	-
19,994	-	AA	27,493	-
-	84,283	AA-	-	55,276
-	-	A+	47,251	30,057
-	108,656	A	-	29,680
-	-	BBB+	-	14,040
16,432	50,001	NA	82,230	-
<b>181,430</b>	<b>423,678</b>		<b>422,320</b>	<b>208,996</b>

The credit quality of debtors is reflected in the level of the bad debt provision for trade debtors shown in *Note 29*.

The Council does not allow credit for customers, as such, all unpaid balances are past due date for payment. The gross past due sundry debtor amount can be analysed by age as follows:

31 March 2015		31 March 2016	
£'000		£'000	
13,957	Less than three months	8,413	
901	Three to six months	2,370	
755	Six months to one year	467	
197	More than one year	1,973	
<b>15,810</b>		<b>13,223</b>	

## Note 25 Nature and Extent of Risk (continued)

### Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has immediate access to liquid investments as well as ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial liabilities is as follows:

31 March 2015		31 March 2016	
£'000		£'000	
33,902	Less than one year	2,119	
56	Between one and two years	60	
30,191	Between two and five years	45,202	
40,627	Maturing in five to ten years	32,557	
180,646	Maturing in more than ten years	173,646	
<b>285,422</b>		<b>253,584</b>	

### Market Risk

#### Interest Rate Risk

The Council is exposed to changes in interest rates as a result of its borrowings being at long-term fixed rates and investments being short-term or at variable rates of interest. Consequently falls in interest rates will have an adverse impact on the Council's finances.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. 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 and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

Applying the Council's assessment, at 31 March 2016, if interest rates had been 1% lower with all other variables held constant, the financial effect would be:

31 March 2015		31 March 2016	
£'000		£'000	
-	Decrease in interest payable on variable rate borrowings	-	
1,192	Decrease in interest receivable on variable rate investments	4,306	
<b>1,192</b>	<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>4,306</b>	

#### Price Risk

The Council holds some financial instruments whose capital value may fluctuate as a result of market conditions. However these instruments are all purchased on a hold to maturity basis and therefore any temporary fluctuations in the market value of such products would have no impact on the Council's finances.

#### Foreign Exchange Risk

Apart from a small Euro bank account the Council has no financial assets or liabilities denominated in foreign currencies and thus has no significant direct exposure to loss arising from movements in exchange rates.



## Note 26 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), 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 utilised 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 Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2014/15		2015/16
£'000		£'000
383,389	Opening Capital Financing Requirement	456,581
15,708	Adjustment to opening CFR	-
<b>399,097</b>	<b>Revised Opening CFR</b>	<b>456,581</b>
<b>Capital investment</b>		
124,418	Property, Plant and Equipment	115,333
26,102	Investment Properties	657
364	Intangible Assets	467
(1,132)	Items from bfwd WIP written out to revenue	-
33,778	Revenue Expenditure Funded from Capital under Statute	7,661
<b>Sources of finance</b>		
(8,048)	Capital Receipts	(13,636)
(58,423)	Government grants and other contributions	(39,224)

## Note 26 Capital Expenditure and Capital Financing (continued)

2014/15		2015/16
£'000		£'000
	Sums set aside from revenue	
(35,009)	Direct revenue contributions	(17,685)
-	- Leaseholders Contributions (HRA)	-
(16,592)	Major Repairs Allowance	(23,369)
	Debt repayment	
(1,532)	Capital Receipts applied to reduce existing Capital Financing Requirement	(11,929)
(4,301)	Minimum Revenue Provision	(2,686)
(2,141)	Minimum Revenue Provision PFI and Finance Lease	(903)
<b>456,581</b>	<b>Closing Capital Financing Requirement</b>	<b>471,266</b>
	Explanation of movements in year	
65,458	Increase in underlying need to borrowing (unsupported by government financial assistance)	30,204
(1,532)	Capital Receipts applied to reduce existing Capital Financing Requirement	(11,929)
(4,301)	Statutory provision for repayment of debt (Minimum Revenue Provision)	(2,686)
(2,141)	Statutory provision for PFI and Finance Lease debt (Minimum Revenue Provision)	(903)
<b>57,484</b>		<b>14,685</b>

## Note 27 Leases

### COUNCIL AS LESSEE

#### Finance Leases

The Council has two properties under a finance lease arrangement. The waste management fleet included in 2014/15 has been excluded from this note following their reclassification service concessions. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

Restated 31 March 2015		31 March 2016
£'000		£'000
14,060	Other Land and Buildings	27,900
<b>14,060</b>	<b>Total</b>	<b>27,900</b>

The Council is committed to making minimum payments under these leases, comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding.

The minimum lease payments due under non-cancellable leases in future years are:

31 March 2014			31 March 2015	
Minimum Future Lease Payment	Discounted Future Minimum Lease Payment		Minimum Future Lease Payment	Discounted Future Minimum Lease Payment
£'000	£'000		£'000	£'000
2,450	2,450	Not later than one year	2,450	2,450
9,800	8,812	Later than one year and not later than five years	9,800	8,812
127,400	53,974	Later than five years	124,950	53,544
<b>139,650</b>	<b>65,236</b>		<b>137,200</b>	<b>64,806</b>

#### Operating Leases

The Council has a number of properties held under operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2015		31 March 2016
£'000		£'000
25,377	Not later than one year	35,327
20,281	Later than one year and not later than five years	11,445
617,705	Later than five years	616,016
<b>663,363</b>	<b>Total</b>	<b>662,788</b>

## Note 27 Leases (continued)

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31 March 2014		31 March 2015
£'000		£'000
25,545	Minimum lease payments	38,380
877	Contingent rents	552
(29,016)	Sublease payments receivable	(24,678)
<b>(2,593)</b>	<b>Total</b>	<b>14,254</b>

## COUNCIL AS LESSOR

### Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres.
- 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

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2014		31 March 2015
£000		£000
22,545	Not later than one year	20,457
79,237	Later than one year and not later than five years	73,258
610,595	Later than five years	670,094
<b>712,377</b>	<b>Total</b>	<b>763,809</b>

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

## Note 28 Service Concessions

### VEOLIA WASTE DISPOSAL CONTRACT

2015/16 was the fifth full year of a seven year service concession contract for waste and recycling collection, street cleansing and ancillary services, which terminates part way through 2017/18. The contract has been reclassified from a finance lease to a service concession following a review of the accounting treatment during the year. Under the contract, the operator provides a fleet of vehicles subject to a renewal programme approved by the Authority for the sole use of the contract. During the contract period to date, the vehicle fleet was completely renewed in April 2012 at a cost of £5.015m. At the end of the contract, the Authority has the option to purchase the vehicles at net book value, which is currently estimated to be £1.6m. The contract provides for the Authority's depots to be leased to the operator for the duration of the contract and returned to the Authority in good condition at the end of contract. The contract specifies the routes and to whom the services are provided, minimum standards of service with deductions from the fee payable if performance falls below the minimum standards.

### HAVEN CONTRACT

The Haven contract is a 25 year contract which started in 1998. Under the contract the operator has provided a new nursing home at Forrester Court. The operator valued the building at £4.2m when it became operational. The Authority occupies the majority of the beds (maximum 90 and minimum of 84) and a small element (about 20 beds) is sold to the market place by the operator. The Authority regulates the services provided and has nomination rights to the majority of the beds. There is no fixed unitary charge but the Council is charged per bed and must use the maximum 90 bed allocation (78 guaranteed) otherwise adjustments to charges are made. The Authority owns the freehold to the land. At the end of the contract the building transfers to the Authority for no further payment.

### PENFOLD CONTRACT

Penfold Street was jointly commissioned in 2004 between the Council and Notting Hill Housing Trust with the objective of providing housing for older people in the heart of London. Under the terms of the contract, the Authority provided the operator with a site for demolition and development on a 99 year lease, the operator constructed a new building on the site, which reverts to the Authority at the end of the lease, and the Authority has 100% nomination rights and provides an annual care contract for residents. The operator retains all rent and service charge income from residents.

### PROPERTY, PLANT AND EQUIPMENT

The assets used to provide services under the service concession contracts are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in *Note 21c*.

## Note 28 Service Concessions (continued)

### PAYMENTS

The Authority makes agreed payments each year to the operators, increased in line with inflation where stated in the contract and similarly reduced if performance falls below minimum standards in any year. Payments remaining to be made under the PFI contract at 31 March 2016 (including an estimate of inflation) are as follows:

	31 March 2014	31 March 2015
	£'000	£'000
<b>Balance outstanding at start of the year</b>	15,710	13,569
Restatement of Opening Balances	–	(2,068)
<b>Restated Opening Balance</b>	<b>15,710</b>	<b>11,501</b>
Payments made during the year	(2,141)	(903)
<b>Balance outstanding at year end</b>	<b>13,569</b>	<b>10,598</b>

Restated Note 43 – Prior-year Comparator	Payment for Service	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 2015/16	40,806	903	301	42,010
Payable within 2 to 5 years	50,911	1,843	467	53,220
Payable within 6-10 years	27,130	1,576	159	28,866
Payable within 11-15 years	–	363	–	363
Payable within 16 – 20 years	–	363	–	363
Payable within 21+ years	–	4,934	–	4,934
<b>Total</b>	<b>118,847</b>	<b>9,981</b>	<b>927</b>	<b>129,756</b>

Note 43 – 2015/16 Statement of Accounts	Payment for Service	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 2016/17	42,259	914	247	43,421
Payable within 2 to 5 years	28,500	1,552	322	30,374
Payable within 6-10 years	6,315	1,026	56	7,397
Payable within 11-15 years	–	363	–	363
Payable within 16 – 20 years	–	363	–	363
Payable within 21+ years	–	4,788	–	4,788
<b>Total</b>	<b>77,074</b>	<b>9,006</b>	<b>625</b>	<b>86,706</b>

## Note 29 Debtors

31 March 2014				31 March 2015		
Long-Term	Short-Term	Total		Long-Term	Short-Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
<b>Central government bodies:</b>						
-	10,162	10,162	Central Government Bodies	-	23,685	23,685
-	63	63	NHS bodies	-	4,480	4,480
-	4,720	4,720	Other local authorities	-	13,004	13,004
-	55	55	Public corporations and trading funds	-	-	-
<b>Other entities and individuals:</b>						
-	15,161	15,161	Westminster Share of NNDR Debt	-	14,430	14,430
-	42,252	42,252	Parking Fines	-	28,507	28,507
-	20,007	20,007	Housing Benefits overpayments	-	17,637	17,637
24,573	120,573	145,146	Other	12,394	114,306	126,700
-	(90,691)	(90,691)	Less: Provision for irrecoverable debts (see below)	-	(78,382)	(78,382)
<b>24,573</b>	<b>122,302</b>	<b>146,875</b>	<b>Total</b>	<b>12,394</b>	<b>137,666</b>	<b>150,061</b>

### Provision for Irrecoverable Debt

31 March 2015		31 March 2016
£'000		£'000
(39,766)	Parking Fines	(25,844)
(23,162)	Housing General Fund (incl. Benefits overpayments)	(20,114)
(27,763)	Other Provisions	(32,424)
<b>(90,691)</b>	<b>Total</b>	<b>(78,382)</b>

## Note 30 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2015		31 March 2016
£'000		£'000
346	Cash held by the Authority	3,974
17,553	Cash at bank	27,653
235,043	Short-term liquid deposits	85,953
<b>252,942</b>	<b>Total Cash and Cash Equivalents</b>	<b>117,580</b>

## Note 31 Creditors

Restated 31 March 2015				31 March 2016		
Long-Term	Short-Term	Total		Long-Term	Short-Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
–	145,449	145,449	Central government bodies	–	123,238	123,238
111	44,660	44,771	Other local authorities	111	24,233	24,344
–	2,757	2,757	NHS bodies	–	8,505	8,505
–	28	28	Public corporations and trading funds	–	22	22
110	73,587	73,697	Other entities and individuals	91	103,933	104,024
<b>221</b>	<b>266,481</b>	<b>266,702</b>	<b>Total</b>	<b>202</b>	<b>259,931</b>	<b>260,133</b>



## Note 32 Provisions

	Balance at 1 April 2015	Additional provisions made in 2015/16	Amounts used in 2015/16	Unused amounts reversed in 2015/16	Balance at 31 March 2016
	£'000	£'000	£'000	£'000	£'000
Compensation, Property and Contractual Claims	2,909	3,361	-	(700)	5,570
Dilapidations	5,800	75	-	-	5,875
Insurance Claims	6,085	3,798	(1,180)	-	8,703
NNDR Appeals	89,100	28,800	-	-	117,900
Special Education Needs	2,103	511	(1,155)	(529)	930
Ill-health Pension Contributions	-	4,000	-	-	4,000
NNDR Losses to Safety Net	6,000	-	-	(1,500)	4,500
Other	8,728	2,098	(1,141)	(3,228)	6,458
<b>Total</b>	<b>120,725</b>	<b>42,642</b>	<b>(3,475)</b>	<b>(5,957)</b>	<b>153,936</b>

\*Some provisions carried forward from 14/15 have been re-grouped to better reflect the above categories.

Closing provisions include the following elements:

### Compensation, Property and Contractual Claims

This section includes the estimated liability for the Council in relation to a number of items including: contract delays, claims and disputes..

### Dilapidations

This provision reflects the on-going liability to make good the dilapidation of leased property over the lifetime of those assets.

### Insurance Claims

A provision has been made to meet known and anticipated liabilities on claims under the Council's insurance arrangements. This is assessed by a professional insurance contractor on an annual basis and adjusted as appropriate.

### NNDR Appeals

Due to the localisation of Business Rates, which became effective from the 1st April 2013, the Council has set aside a provision for any potential liabilities as a result of business rate payers' appeals against rateable valuations. The Council is responsible for a 30% share of this liability along with The Department for Communities and Local Government and the Greater London Authority being responsible for a 50% and 20% share respectively.

## Note 32 Provisions (continued)

### Special Education Needs

This provision relates to those Westminster resident children who have special needs, are educated at schools and academies in other local authorities and where the host borough incurs costs associated with the additional needs of these children.

### Ill-health Pension Contributions

This provision provides for employer's pension contributions obligations arising from Regulation 68(1) of the LGPS Regulations 2013, payable to the pension fund for when some retirees early on ill-health grounds.

### NNDR Losses to Safety Net

The Council will under-achieve its share of the business rates income this year by £64.5m but is protected for losses above £6.1m by the Safety Net. Having previously forecast a deficit of £1.6m, the Collection Fund Adjustment Account will delay the remaining £4.5m loss to 2017/18. This provision recognises the future cost of the loss and sets aside earmarked reserves to meet those liabilities when they materialise in 2017/18.

### Other

This section includes an estimate of the Council's liability in respect of a number of areas including

A provision for the consequential impact of the Hemming's legal case on other areas of the Council. Although this case has been won, it has been appealed to the European Court of Justice and a decision is expected to be made during 2016.

Other provisions include those related to: property search fees, the cost of staff redundancies scheduled as a consequence of moving HR and Finance processes to a new managed service model, planning decisions and other potential liabilities.

## Note 33 Usable Reserves

31 March 2015		31 March 2016
£'000		£'000
279,347	Revaluation Reserve	268,647
1,668,518	Capital Adjustment Account	1,679,966
(7,050)	Financial Instrument Adjustment Account	(5,460)
1,878	Deferred Capital Receipts Reserve	2,445
(62,625)	Collection Fund Adjustment Account	(124,900)
(626,623)	Pensions Reserve	(590,417)
(1,382)	Accumulated Absences Account	(911)
14,720	Available for Sale Financial Instruments Reserve	16,347
<b>1,266,783</b>	<b>Total Unusable Reserves</b>	<b>1,245,717</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued 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.

The Revaluation Reserve contains only revaluation gains accumulated since 1 April 2007. The reserve was introduced in 2007/08. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

31 March 2015		31 March 2016
£'000		£'000
304,898	<b>Balance at 1 April</b>	279,348
27,270	Upward revaluation of assets	–
(35,852)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,414)
<b>296,316</b>	<b>Surplus/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>	<b>275,934</b>
(8,911)	Difference between fair value depreciation and historical cost depreciation	(7,287)
(8,057)	Accumulated gains on assets sold or scrapped	–
<b>(16,968)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(7,287)</b>
<b>279,348</b>	<b>Balance at 31 March</b>	<b>268,647</b>

## Note 33 Usable Reserves (continued)

### 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 that 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.

31 March 2015		31 March 2016
£'000		£'000
<b>1,528,224</b>	<b>Balance at 1 April</b>	<b>1,668,517</b>
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>	
78,727	Charges for depreciation and impairment of non-current assets	(87,257)
(43,208)	Revaluation Gains/losses on Property, Plant and Equipment	-
(3,019)	Amortisation of intangible assets	(1,559)
(44,677)	Revenue expenditure funded from capital under statute	(7,661)
(2,286)	Write-out of other capital expenditure	-
(5,500)	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	(17,414)
<b>(19,963)</b>		<b>(113,891)</b>
-	Adjusting amounts written out of the Revaluation Reserve	-
<b>(19,963)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(113,891)</b>
6,442	Minimum Revenue Provision	3,589

### Note 33 Usable Reserves (continued)

31 March 2015		31 March 2016
£'000		£'000
	Capital financing applied in the year:	
194	Use of the Capital Receipts Reserve to finance new capital expenditure	13,672
9,070	Use of the Capital Receipts Reserve to reduce capital financing requirement	11,929
16,592	Use of the Major Repairs Reserve to finance new capital expenditure	23,369
32,077	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	37,112
26,346	Application of grants to capital financing from the Capital Grants Unapplied Account	-
34,252	Capital expenditure charged against the General Fund and HRA balances	19,231
<b>118,531</b>		<b>105,313</b>
35,283	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	16,420
<b>1,668,517</b>	<b>Balance at 31 March</b>	<b>1,679,948</b>

## Note 33 Usable Reserves (continued)

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

31 March 2015		31 March 2016
£'000		£'000
<b>(8,174)</b>	<b>Balance at 1 April</b>	<b>(7,050)</b>
1,124	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	1,590
<b>(7,050)</b>	<b>Balance at 31 March</b>	<b>(5,460)</b>

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets, but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

31 March 2015		31 March 2016
£'000		£'000
<b>5,082</b>	<b>Balance at 1 April</b>	<b>1,878</b>
(3,204)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	567
<b>1,878</b>	<b>Balance at 31 March</b>	<b>2,445</b>

## Note 33 Usable Reserves (continued)

### Collection Fund Adjustment

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council tax and NNDR income in the Comprehensive Income and Expenditure Statement as it falls due from Council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31 March 2015 £'000		31 March 2016 £'000
492	<b>Balance at 1 April – Council Tax</b>	270
(222)	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	376
270	<b>Balance at 31 March</b>	646
(10,696)	<b>Balance at 1 April – NNDR</b>	(62,895)
(52,199)	Amount by which NDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	(62,651)
(62,895)	<b>Balance at 31 March</b>	(125,546)
(62,625)	<b>Grand Total</b>	(124,900)

## Note 33 Usable Reserves (continued)

### Pension 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 benefits earned to be financed as the Authority 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 Authority 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.

31 March 2015		31 March 2016
£'000		£'000
<b>(493,311)</b>	<b>Balance at 1 April</b>	<b>(626,623)</b>
(108,949)	Actuarial gains or losses on pensions assets and liabilities	65,958
(24,363)	Employers contributions and reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(29,752)
<b>(626,623)</b>	<b>Balance at 31 March</b>	<b>(590,417)</b>



## Note 33 Usable Reserves (continued)

### Accumulated Absence Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, i.e. annual leave entitlement carried forward at 31 March 2015. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31 March 2015		31 March 2016
£'000		£'000
<b>(1,787)</b>	<b>Balance at 1 April</b>	<b>(1,382)</b>
1,787	Settlement or cancellation of accrual made at the end of the preceding year	1,382
(1,787)	Amounts accrued at the end of the current year	(1,382)
405	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	471
<b>(1,382)</b>	<b>Balance at 31 March</b>	<b>(911)</b>

### Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.

31 March 2015		31 March 2016
£'000		£'000
<b>(127)</b>	<b>Balance at 1 April</b>	<b>14,720</b>
-	Upward revaluation of investments	1,627
14,847	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-
-	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
<b>14,720</b>	<b>Balance at 31 March</b>	<b>16,347</b>

## Note 34 Defined Benefit Pension Schemes

### PARTICIPATION IN 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 (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two pension funds within the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit salary scheme where the retirement benefits are determined independently from investments of the scheme, and employers have obligations to make contributions where assets are insufficient to meet employee benefits. The LGPS is now a career average scheme for benefits built up from 1 April 2014 meaning that the employer and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. Policy is determined in accordance with the LGPS Regulations.

The two pension funds, which the Council participates in are:

- The Westminster City Council Pension Fund administered by Surrey County Council for current and former employees of the Council; and
- The London Pensions Fund Authority (LPFA) Pension Fund administered by the London Pension Fund Authority for the inherited liabilities vested within the Council arising from the abolition of the Inner London Education Authority and the Greater London Council in 1985.

In addition the Council has previously made arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities. Four years ago, the Council decided to include such obligations within the City Council Pension Fund and make slightly higher contributions in order to meet actual pension payments as they eventually fall due.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

## Note 34 Defined Benefit Pension Schemes (continued)

### TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS

The Council recognises the cost of post employment benefits 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 the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. During the year the following transactions have been made in the Comprehensive Income and Expenditure Statement and General Fund Balance via the Movement in Reserves Statement:

WCC Pension Scheme 31 March 2015 £'000	LPFA Pension Scheme 31 March 2015 £'000	Comprehensive Income and Expenditure Statement	WCC Pension Scheme 31 March 2016 £'000	LPFA Pension Scheme 31 March 2016 £'000
<b>Cost of Services</b>				
Service Cost Comprising:				
19,757	38	Current service cost	23,570	21
650	–	Past service cost	1,768	–
(72)	–	(Gain)/Loss from settlements	(23)	–
493	31	Administration Expenses	476	31
Finance and investment income and expenditure:				
21,272	56	Net interest expense	20,356	82
<b>42,100</b>	<b>125</b>	<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>46,147</b>	<b>134</b>

## Note 34 Defined Benefit Pension Schemes (continued)

31 March 2015			31 March 2016	
WCC Pension Scheme	LPFA Pension Scheme	Other Post employment benefits charged to the Comprehensive Income and Expenditure Statement	WCC Pension Scheme	LPFA Pension Scheme
£'000	£'000		£'000	£'000
		Other Post employment benefits charged to the Comprehensive Income and Expenditure Statement		
(41,610)	(528)	Return on plan assets (excluding the amount included in the net interest expense)	24,520	745
–	–	Actuarial gains and losses arising on changes in demographic assumptions	–	–
148,967	1,939	Actuarial gains and losses arising on changes in financial assumptions	(90,330)	(856)
–	–	Other (if applicable)	–	–
–	–	Total actuarial Gains	–	–
181	–	Experience gain/(loss) on defined benefit obligation	(37)	–
107,538	1,411	Total Post Employment Benefits Charged to other Comprehensive Income and Expenditure Statement	(65,847)	(111)
<b>149,638</b>	<b>1,536</b>	<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>(19,700)</b>	<b>23</b>
		Movement in Reserves Statement		
42,100	(125)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(46,147)	(134)
–	–	Actual amount charged against the General Fund Balance for pensions in the year:	–	–
<b>17,730</b>	<b>132</b>	<b>Employers contributions payable to scheme</b>	<b>16,509</b>	<b>20</b>

The current service cost is an estimate of the true economic cost of employing people in a financial year. It measures the full liability estimated to have been generated in the year.

The past service costs arise from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years.

Interest cost is the amount needed to unwind the discount applied in calculating the defined benefit obligations (liability). As members of the plan are one year closer to receiving their pension, the provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to keep pace with current values.

The expected return on assets is a measure of the return on the investment assets held by the plan for the year. It is not intended to reflect the actual realised return by the plan but a longer term measure based on the value of assets at the start of the year taking into account movements in assets during the year and an expected return factor.

Actuarial gains and losses arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

## Note 34 Defined Benefit Pension Schemes (continued)

### PENSIONS ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

31 March 2015			31 March 2016	
WCC Pension Scheme	LPFA Pension Scheme		WCC Pension Scheme	LPFA Pension Scheme
£'000	£'000		£'000	£'000
1,293,699	23,698	Present value of the defined benefit obligation	(1,235,024)	(22,356)
(669,911)	(20,862)	Fair value of plan assets	647,445	19,517
<b>623,788</b>	<b>2,836</b>	<b>Net liability arising from the funded defined benefit obligation</b>	<b>(587,579)</b>	<b>(2,839)</b>

### RECONCILIATION OF THE MOVEMENTS IN FAIR VALUE OF PLAN ASSETS

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

31 March 2014			31 March 2015	
WCC Pension Scheme	LPFA Pension Scheme		WCC Pension Scheme	LPFA Pension Scheme
£'000	£'000		£'000	£'000
617,017	20,730	Opening fair value of scheme assets	669,911	20,862
26,821	826	Interest income	21,787	588
		Remeasurement gain/(loss):		
41,610	528	Return on plan assets, excluding the amount included in the net interest expense	(24,520)	(745)
(493)	(31)	Administration Expenses	(476)	(31)
17,730	132	Contributions from employer	16,509	20
6,233	7	Contributions from employees into the scheme	6,324	3
(39,003)	(1,330)	Benefits paid:	(41,975)	(1,180)
(4)	-	Other	(115)	-
<b>669,911</b>	<b>20,862</b>	<b>Closing fair value of assets</b>	<b>647,445</b>	<b>19,517</b>

**Note 34** Defined Benefit Pension Schemes (continued)**RECONCILIATION OF PRESENT  
VALUE OF THE SCHEME LIABILITIES  
(DEFINED BENEFIT OBLIGATION)**

		31 March 2015		31 March 2016	
		WCC Pension Scheme	LPFA Pension Scheme	WCC Pension Scheme	LPFA Pension Scheme
		£'000	£'000	£'000	£'000
		1,108,897	22,162	(1,293,699)	(23,698)
	Opening Balance at 1st April				
		19,757	38	(23,570)	(21)
	Current Service Cost				
		48,093	882	(42,143)	(670)
	Interest Cost				
		6,233	7	(6,324)	(3)
	Contributions from Scheme Participants				
		-	-	-	-
	Remeasurement (gains) and losses:				
		148,967	1,939	90,330	856
	Actuarial gains/losses arising from changes in financial assumptions				
		181	-	37	-
	Experience loss/(gain) on defined benefit obligation				
		650	-	(1,768)	-
	Losses/(gains) on curtailment (where relevant)				
		(39,003)	(1,330)	41,975	1,180
	Benefits Paid				
		(76)	-	138	-
	Liabilities extinguished on settlements (where relevant)				
	<b>Closing Balance at 31 March</b>	<b>1,293,699</b>	<b>23,698</b>	<b>(1,235,024)</b>	<b>(22,356)</b>

## Note 34 Defined Benefit Pension Schemes (continued)

### LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPRISED:

31 March 2015			31 March 2016		
WCC Pension Scheme			WCC Pension Scheme		
£'000	%		£'000	%	
11,155	2%	Gilts – UK	15,539	2%	
73,766	11%	Corporate Bonds – UK	38,199	6%	
8,151	1%	Corporate Bonds – Overseas	37,552	6%	
–	0%	Gilts – Overseas	647	0%	
155,155	23%	Unlisted Equities – UK	405,301	63%	
346,243	52%	Unlisted Equities – Overseas	65,392	10%	
57,976	9%	Property	64,097	10%	
8,302	1%	Pooled Fixed Interest	8,417	1%	
243	0%	Derivatives	–	0%	
1,709	0%	Investment Debtors	1,295	0%	
6,122	1%	Cash	11,654	2%	
3,331	0%	Net Current Assets – debtors	647	0%	
(2,242)	0%	Net Current Assets – creditors	(1,295)	0%	
<b>669,911</b>	<b>100%</b>	<b>Total</b>	<b>647,445</b>	<b>100%</b>	

**Note 34** Defined Benefit Pension Schemes (continued)

31 March 2015			31 March 2016		
LPFA Pension Scheme			LPFA Pension Scheme		
£'000	%		£'000	%	
9,051	43%	Equities	9,066	47%	
1,566	8%	LDI/ Cashflow matching	1,978	10%	
6,031	29%	Target Return Portfolio	4,152	21%	
1,034	5%	Infrastructure	1,069	5%	
194	1%	Commodities	87	0%	
591	3%	Property	697	4%	
2,395	11%	Cash	2,468	13%	
<b>20,862</b>	<b>100%</b>	<b>Total</b>	<b>19,517</b>	<b>100%</b>	

**a:** All scheme assets have quoted prices in active markets.



## Note 34 Defined Benefit Pension Schemes (continued)

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about the mortality rates, salary levels etc. The WCC Local Government Pension Scheme and LPFA Local Government Pension Scheme have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates being based on the latest full triennial valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

31 March 2015			31 March 2016		
WCC Pension Scheme	LPFA Pension Scheme		WCC Pension Scheme	LPFA Pension Scheme	
Mortality assumptions:					
Longevity at 65 for current Pensioners (years):					
22.1	21.2	Men	22.1	21.3	
25.2	24.2	Women	25.3	24.3	
Longevity at 65 for future Pensioners (years):					
24.2	23.6	Men	24.4	23.7	
27.6	26.5	Women	27.7	26.6	
3.2%	2.9%	Rate of Inflation (RPI)	3.2%	2.9%	
2.4%	2.1%	Rate of Inflation (CPI)	2.3%	2.0%	
4.2%	3.9%	Rate of Increase in salaries	4.1%	3.8%	
2.4%	2.1%	Rate of increase in pensions	2.3%	2.0%	
3.3%	2.9%	Rate for discounting scheme liabilities	3.6%	3.1%	

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2014/15.

## Note 34 Defined Benefit Pension Schemes (continued)

### IMPACT ON THE DEFINED BENEFIT OBLIGATION IN THE SCHEME:

	WCC Pension Scheme	
	Increase in Assumption	Decrease in Assumption
	£'000	£'000
Longevity (increase or decrease in 1 year)	(37,930)	36,765
Rate of inflation (increase or decrease by 0.1%)	(19,908)	19,561
Rate of increase in salaries (increase or decrease by 0.1%)	(1,999)	1,987
Rate of increase in pensions (increase or decrease by 0.1%)	(19,908)	19,561
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	21,259	(21,652)

### IMPACT ON THE COUNCIL'S CASH FLOWS

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the Scheme's actuary, Barnett Waddingham, to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

## Note 34 Defined Benefit Pension Schemes (continued)

The Council expect to pay £19.195m employer contributions to the scheme in 2016/2017.

The weighted average duration of the defined benefit obligation for scheme members is:

- for members of the WCC pension fund – 18 years, 2015/16 (18 years 2013/14); and
- for members of the LPFA pension fund – 13 years, 2015/16 (13 years 2013/14).

In general, participating in a defined benefit pension scheme means that the employer is exposed to a number of risks:

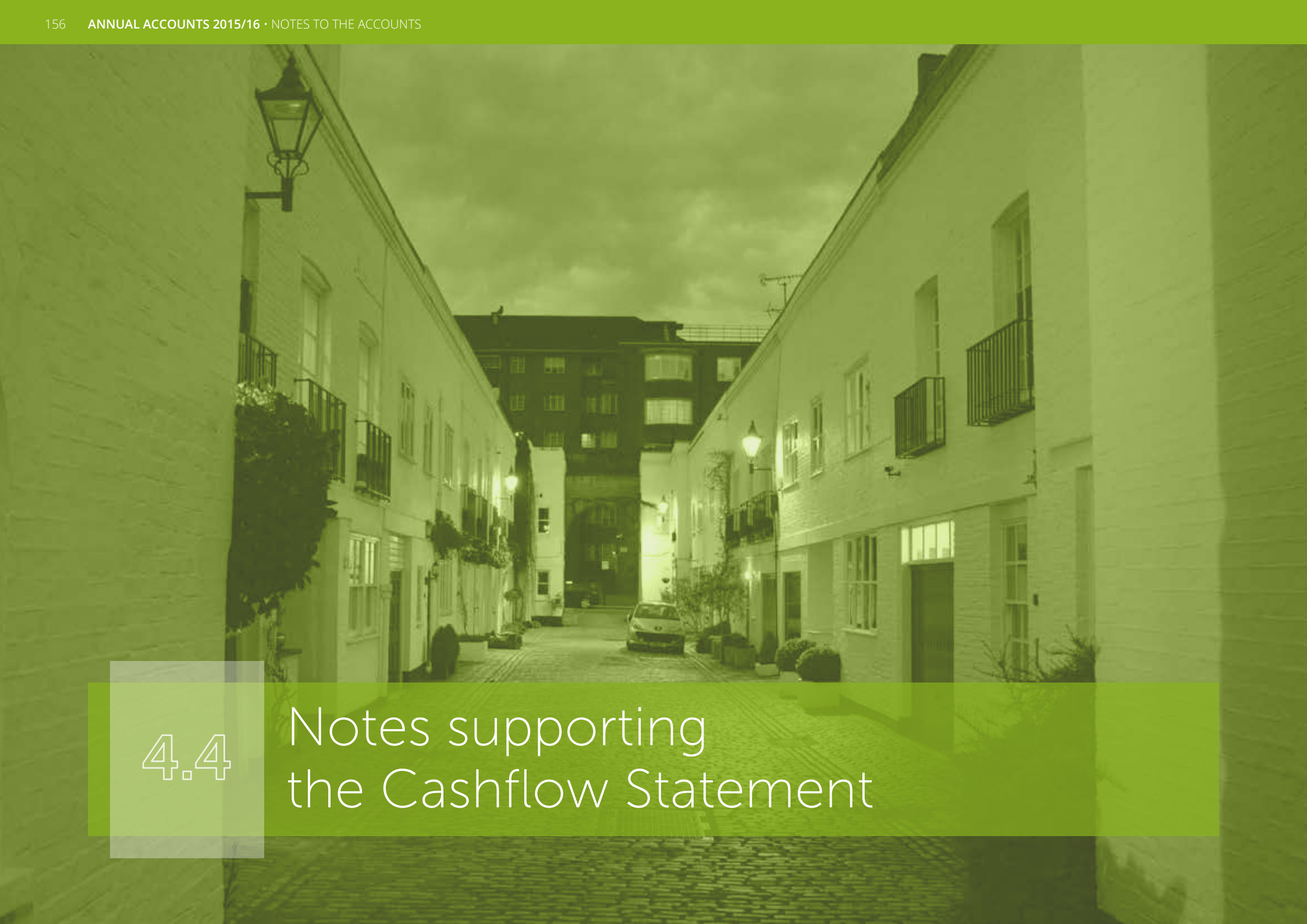
- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.

- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in both the City of Westminster Pension Fund and the LPFA Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

# 4.4

## Notes supporting the Cashflow Statement



## Note 35 Cash Flows from Operating Activities

The cash flows for operating activities include the following items:

Restated 2014/15		2015/16
£'000		£'000
5,182	Interest Received	4,612
(13,337)	Interest Paid	(14,172)
	<i>Adjust net surplus or deficit on the provision of services for non cash movements</i>	
123,051	Depreciation	88,824
(102,063)	Impairment	17,030
(35,283)	Movement in Investment Property Values	(16,816)
(30,253)	Increase/(Decrease) in Creditors	(29,999)
(41,197)	(Increase)/Decrease in Debtors	(10,478)
7,893	(Increase)/Decrease in Long Term Debtors	2,909
16	(Increase)/Decrease in Inventories	81
24,363	Movement in Pension Liability	29,752
38,053	Contributions to/(from) Provisions	33,211
17,740	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	18,143
<b>2,320</b>		<b>132,657</b>
	<i>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</i>	
(118,276)	Capital Grants credited to surplus or deficit on the provision of services	(80,825)
(19,435)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(86,201)
<b>(137,711)</b>	<b>Total Cash Flows from Operating Activities</b>	<b>(167,026)</b>

## Note 36 Cash Flows from Investing Activities

2014/15		2015/16
£'000		£'000
(184,567)	Purchase of property, plant and equipment, investment property and intangible assets	(128,074)
(266,286)	Purchase of short and long-term investments	(5,449,769)
19,435	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	86,201
368,630	Proceeds from short and long-term investments	5,276,120
117,579	Other receipts from investing activities	82,309
<b>54,791</b>	<b>Total Cash Flows from Investing Activities</b>	<b>(133,213)</b>

## Note 37 Cash Flows from Financing Activities

2014/15		2015/16
£'000		£'000
–	Repayment of short and long-term borrowing	(31,788)
768	Cash receipts of short and long-term borrowing	–
10,541	Billing authorities – council tax and NNDR adjustments	8,736
(4,848)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet service concession contracts	(1,490)
<b>6,461</b>	<b>Total Cash Flows from Financing Activities</b>	<b>(24,542)</b>





## 4.5 Other Notes



## Note 38 Related Party Transactions

This disclosure note has been prepared using the Council's Register of Members' Declarations of Interest in addition to a specific declaration obtained in respect of related party transactions from Members and Chief Officers. The Council is required to disclose material transactions with related parties – bodies and individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

### CENTRAL GOVERNMENT

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates. It 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). Grants received from Government departments are set out in the analysis in *Note 18*.

### MEMBERS

Councillor Ruth Bush is an appointee of Westminster SACRE and Chair of Westminster Faith Exchange. No record is kept of her time on these activities, hence no monetary value can be attributed to them.

Councillor Angela Harvey is Trustee to Edward Harvist Trust which passes income to the Council for distribution to Westminster's charitable organisations.

Further details are recorded in the Register of Members' Interest, open to public inspection at City Hall during office hours.

### OFFICERS

Officer Tristan Samuels (Head of Major Projects), is a director of Westminster Community Homes, an entity which delivers the Council's housing renewal programme and wider City Council housing strategy.

Officer Matthew Blades was a Director of Hub Make Lab CIC until he left the Council in November 2015.

### Entities Controlled or Significantly Influenced by the Council

The Council has a number of subsidiaries over which it has control and an associate company over which it exerts significant influence.

## Note 38 Related Party Transactions (continued)

The Council's subsidiary companies are as follows:

### City West Homes Ltd

#### a) Nature of the business

The company is an arm's length management organisation (ALMO) set up in 2002 to manage the Council's housing stock and its housing capital programme.

#### b) Relationship with the Council

The ALMO has no share capital and is wholly owned by the Council. It is constituted as a company limited by guarantee and operates on a not-for-profit basis. The Council would be entitled to the assets of the ALMO in the event of it being wound up, after debts and liabilities had been met.

The Council provides a guarantee to the ALMO to ensure that the management fee covers the ALMO's pension liabilities.

The total number of Board members is 15, of which the Council has three, but the Council can appoint and remove any members.

#### c) Financial performance

For 2015/16, the company's results showed a loss of £2.004m (£0.164m loss in 2014/15), and net liabilities of £18.536m (£20.279m at 31 March 2015). The net liabilities reflect a pension deficit of £19.075m (£21.053m at 31 March 2015) which is covered by a guarantee from the Council.

#### d) Related Party Officers/Members

Three Members of the Council are Board Members at City West Homes: Councillor Ian Adams, Councillor Richard Holloway and Councillor Angela Harvey. Two councillors were Board Members for part of the year and resigned before the year end: Councillor Vincenzo Rampulla and Councillor Nilavra Mukerji.

### Westminster Community Homes

#### a) Nature of the business

The company is a housing development vehicle for the Council.

#### b) Relationship with the Council

Westminster City Homes is an Industrial and Provident Society. The Council holds one of the three shares in the company. The Council has dominant control of the company by virtue of guaranteed majority voting rights on the Board.

Loans outstanding from the Council to the company total £10.379m (£10.463m at 31 March 2015).

#### c) Financial performance

For 2015/16, the company's results showed a profit of £2.703m (£0.987m in 2014/15), and net assets of £13.990m (£13.580m at 31 March 2015).

#### d) Related Party Officers/Members

For the financial year 2015/16, Officer Tristan Samuels and Councillor Rigby (resigned on 27 July 2015) were Board Members.

### WestCo Trading Ltd

#### a) Nature of the business

The company provides communications support and business transformation programmes mainly to public sector clients.

#### b) Relationship with the Council

The company is a private limited company with share capital of £0.080m and is wholly owned by the Council.

#### c) Financial performance

For 2015/16, the company's results showed a surplus of £0.042m (£0.054m in 2014/15), and net assets of £0.945m (£0.903m at 31 March 2015).

## Note 38 Related Party Transactions (continued)

### d) Related Party Officers/Members

For the financial year 2015/16, Councillor Devenish was the chairman of Westco Trading Limited. Officers I. Farrow, J. Corkey, D. Williams, N. Wholey and P. Glynne were directors of the company.

### Soho Create Ltd

#### a) Nature of the business

The company was set up to create an annual creative festival promoting the arts in Soho.

#### b) Relationship with the Council

The company is a private limited company with a nominal share capital of £0.012m, of which 54.1% is owned by the Council.

Loans outstanding from the Council are £0.187m at 31 July 2015 (£0.172m at 31 July 2014).

#### c) Financial performance

The company compiles its accounts to 31 July. For 2014/15, the results showed a loss of £0.279m (£0.336m loss in 2013/14), and net liabilities of £0.049m (£0.076m net liabilities at 31 July 2015).

#### d) Related Party Officers/Members

There were no related party Officers/Members during 2015/16.

### The Council has the following associate:

#### Hub Westminster

##### a) Nature of the business

The company, which trades as Hub Westminster, is an innovative business start-up and small business centre located in a single open-plan office floor space. It provides low cost affordable hot-desking and other space in the heart of London's West End for start-up businesses, particularly in the social enterprise sector, with a particular focus on social and environmental sustainability

##### b) Relationship with the Council

The company is a community interest company with a nominal share capital of £0.940m of which 40.0% is owned by the Council.

A grant of £0.065m was paid via the Council, originating from the GLA and Capital Enterprise under the New Homes Bonus Places of Work Programme. Loans outstanding from the Council are £0.129m (£0.170m at 31 March 2015).

### c) Financial performance

Financial results for 2015/16 have yet to be reported. The company's results for 2014/15 showed a loss of £0.317m (£0.240m loss in 2013/14), and net assets of £0.043m at 31 March 2015 (£0.360m at 31 March 2014).

### d) Related Party Officers/Members

For the financial year 2015/16, Officer Matthew Blades was a Director of the Company, but left the Council in November 2015.

## Note 39 Contingent Liabilities

City West Homes, a wholly owned subsidiary of Westminster City Council, has a pension deficit of £19.075m as at 31 March 2016 (£21.050m as at 31 March 2015). This represents a contingent liability for Westminster City Council because, in the event of the failure of City West Homes, the responsibility for making good any funding shortfall would fall back on Westminster City Council.

The Council has entered into an agreement with Veolia ES Ltd, through a special purpose vehicle (Veolia ES Westminster Vehicles Ltd), to ensure that the Council

retains the use of 41 'Front Line' vehicles in the event of the premature termination of the waste collection contract. If the contract is terminated or at the end of the contract period in September 2017, the Council may be required to purchase the vehicles. As at 15th September 2015 these vehicles had a net book value of £2.846m (£3.473m in 14/15).

A service charge dispute arose for £1.700m relating to unpaid rent and service charges for parking spaces let between October 2002 and October 2008. As the claim was made in October 2014, it is likely that the statute of limitations will preclude this element of the claim, leading to a possible liability of £0.870m (£0.870m in 14/15)

The main Paddington LTVA construction scheme was completed in 14/15 but there are a number of issues which may result in a contingent liability of £0.690m (£0.690m in 14/15). The key issue is in respect of a substantial compensation claim by a contractor. The options available to bring this to a conclusion are being explored by the Council and its external advisors. Currently it is unclear when the claim is likely to be settled.

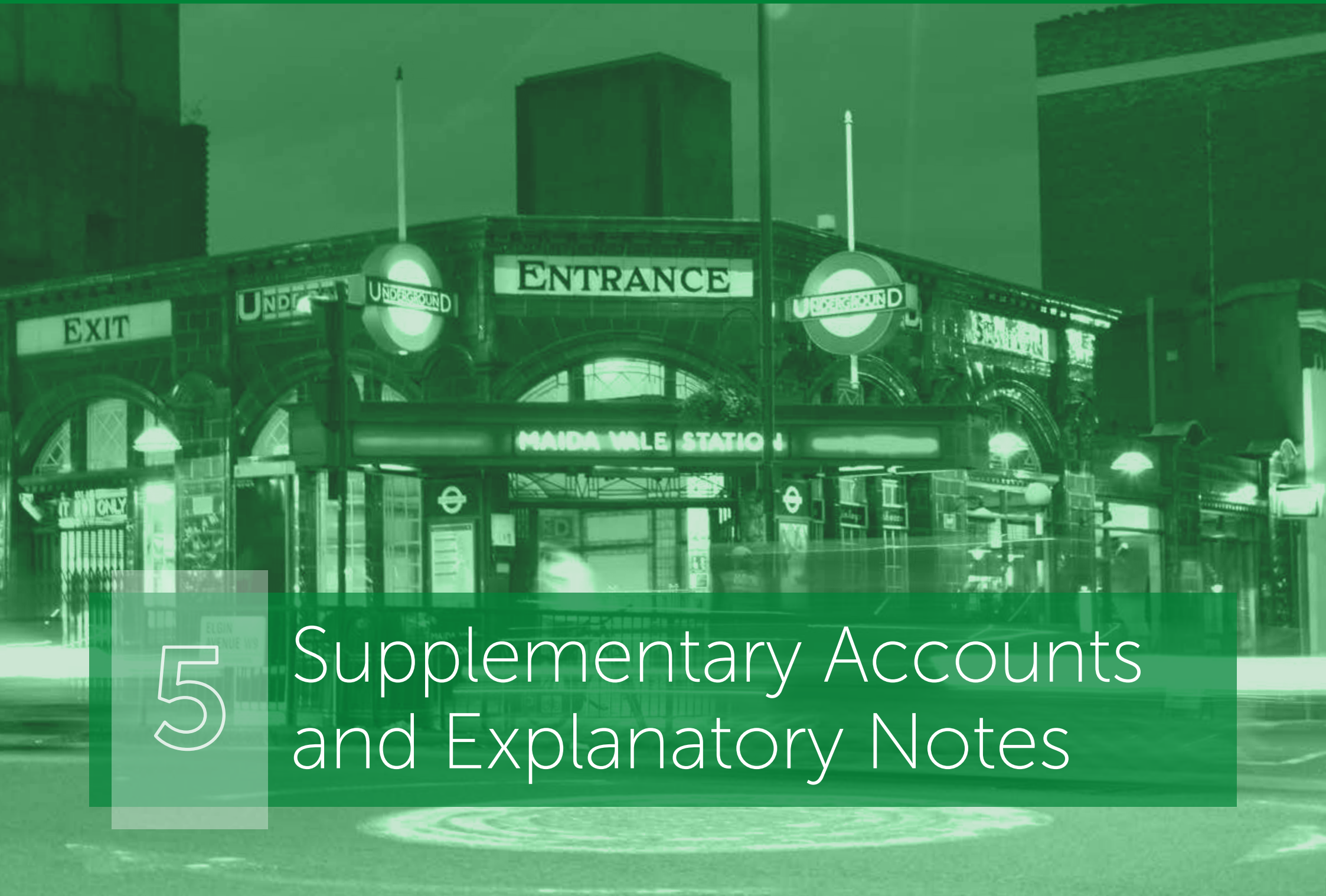
The Council is being taken to court by a group of lessees who are claiming compensation for lease variations. It is not known what the outcome of this claim will be, but total costs could be £0.540m for compensation plus legal fees.

## Note 40 Contingent Assets

In connection with the sale of the Dolphin Square residential complex, a company called Dolphin Square 2005 Ltd was set up to manage tenants' rights. The Company was part funded by a proportion of the Council's proceeds and a legal charge is held over this fund in favour of the Council. Any unexpended amount will be returned, inclusive of interest, to the Council on the event of the winding up of the Company or when the relevant number of tenants with protected rights falls below twenty.

A licensee of a sex shop challenged the City Council's ability to charge certain fees when providing licences. This was originally allowed by the courts. The Supreme Court has now allowed, in part Westminster City Council's appeal on the fees for licences for sex shops. However only when the European Court of Justice rules on issues referred to by the Supreme Court, will the Supreme Court consider whether to order the return of the £1.200m which has been paid by the Council in compensation. The Council has been advised, however, that there is a good prospect that the Supreme Court will do this.

The council has entered into an agreement with Willmott Dixon for the redevelopment of Moberly and Jubilee Leisure Centres, the sites will be mixed use including a residential element. The Council is to lend £13.500m to the developer in order to provide working capital to the development which will be repaid from the residential sales. As a result, the Council will potentially be able to benefit from a share of profits above a certain threshold resulting from the value enhancement associated with this scheme. The amounts and timings of these receipts will depend on market conditions.



# 5

## Supplementary Accounts and Explanatory Notes

# HRA Income and Expenditure Account and movement on HRA Balance

This account shows the cost of financing, managing and maintaining the Council's housing stock. The total cost is met by income from rents, charges and Government subsidies. The management of the Council's housing stock was delegated to CityWest Homes from 1 April 2000. Their Management fee has been allocated across the various activities within the Housing Revenue Account.

2014/15	HRA Note	2015/16
£'000		£'000
<b>Expenditure</b>		
22,420	Repairs and Maintenance	18,493
45,255	Supervision and Management	46,196
64	Rents, Rates, Taxes and Other Charges	637
847	Increase/(decrease) in Provision for Bad or Doubtful Debts	(1,847)
(94,085)	Depreciation, Impairment and Revaluation losses in relation to Non-current Assets	27,286
150	Debt Management Cost	128
<b>(25,349)</b>	<b>Total HRA Expenditure</b>	<b>90,893</b>
<b>HRA Income</b>		
(75,386)	Dwellings Rents	(76,612)
(1,562)	Non-dwellings Rents	(1,133)
(8,645)	Charges for Services and Facilities	(7,998)
(7,003)	Contributions towards Expenditure	(13,251)
<b>(92,597)</b>	<b>Total HRA Income</b>	<b>(98,993)</b>
<b>(117,946)</b>	<b>Net Cost of HRA services as included in the whole-authority Income and Expenditure Account</b>	<b>(8,100)</b>

## HRA Income and Expenditure Account and movement on HRA Balance (continued)

2014/15	HRA Note	2015/16
£'000		£'000
– HRA services share of Corporate and Democratic Core		45
– HRA share of other amounts included in the whole-authority Net Cost of Serviced but not allocated to specific services		–
<b>(117,946)</b> Net Cost of HRA services including HRA share of costs not allocated to specific services		<b>(8,056)</b>
(7,956) (Gain) or loss on sale of HRA non-current assets		(26,039)
12,767 Interest payable and similar charges	<i>HRA 6</i>	12,554
– HRA share of pensions interest cost and expected return on pensions assets		–
(6,510) HRA Investment Property income and expenditure Income		(5,222)
(16,567) HRA Investment Income		(657)
– Net interest on the net defined benefit liability (asset)		–
(12,914) Capital Grants and Contributions Receivables		–
<b>(149,127)</b> Surplus or deficit for the year on HRA services		<b>(27,419)</b>



## HRA Income and Expenditure Account and movement on HRA Balance (continued)

2014/15	HRA Note	2015/16
£'000		£'000
<b>Movement on the Housing Revenue Account Statement</b>		
(93,234)	Balance on the HRA at the end of the previous reporting period	(49,950)
Adjustments between the accounting basis and funding basis:		
(149,127)	(Surplus) or deficit for the year on the HRA Services	(27,419)
16,592	Depreciation and impairment	23,369
7,956	Gain or loss on sale of HRA non-current assets	26,039
33,218	Capital expenditure funded by the HRA	17,535
108	Financial Instrument Adjustment	101
141,828	Transfer to/from the Capital Adjustment Account (CAA)	657
(16,592)	Transfer to Major Repairs Reserve	(23,369)
<b>33,983</b>	<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>16,912</b>
11,730	Transfers (to) or from earmarked reserves	1,432
(2,429)	Transfers (to) or from Major Repairs Reserves	HRA 10
<b>43,284</b>	<b>Increase or (decrease) in year on the HRA</b>	<b>18,344</b>
(49,950)	Balance on the HRA at the end of the current reporting period	(31,606)
(11,730)	Earmarked Reserves	(13,162)
<b>(61,680)</b>	<b>Total HRA Reserves</b>	<b>(44,768)</b>

# HRA 1 Housing Assets Valuation

31 March 2015		31 March 2016
£'000		£'000
	Council Dwellings	
5,013,305	Tenanted dwellings – vacant possession value	4,997,347
(3,759,979)	Less reduction for use as Social Housing	(3,738,234)
<b>1,253,326</b>	<b>Tenanted dwellings – Social Housing value</b>	<b>1,259,114</b>
56,939	Other Land and Buildings	100,009
37,673	Assets under construction	14,413
179,371	Investment properties	177,166
<b>1,527,309</b>	<b>Total Property Assets</b>	<b>1,550,702</b>

## HRA 2 Housing Stock

31 March 2015		31 March 2016
743	Rented Houses	735
11,193	Rented Flats	11,106
59	Shared Ownership	60
9,146	Leasehold Properties	9,098
<b>21,141</b>	<b>Total stock</b>	<b>20,999</b>

## HRA 3 Housing Asset Valuation Notes

- a) The vacant possession value of HRA tenanted dwellings is £4.997m.
- b) The difference between the vacant possession value and the balance sheet value of dwellings within the HRA shows the economic cost to the Government of providing housing at below market rents. This cost is determined by applying the government prescribed discount rate, (25% of Market Value) to the vacant possession value.

## HRA 4 Analysis of Capital Funding

31 March 2015	Capital Expenditure	31 March 2016
£'000		£'000
23,689	HRA Major Works	29,886
15,839	Regeneration and Renewal	17,838
32,043	Other Capital Expenditure	6,961
<b>71,571</b>		<b>54,685</b>

31 March 2015	Funding	31 March 2016
£'000		£'000
–	Borrowing	2,301
8,413	Usable Capital Receipts	9,680
1,540	Capital Grants	1,800
33,839	Revenue Contributions	17,535
16,595	Major Repairs Reserve	23,369
11,183	Section 106	–
<b>71,571</b>		<b>54,685</b>

## HRA 5 Impairment

HRA dwellings are valued annually at open market value (vacant possession) which is then discounted to account for the cost of making the units available for only social housing.

In 2015/16, applying this revaluation process to the acquisition of new property, purchased at market value, led to an impairment loss of £627,000 (nil in 2014/15).

## HRA 6 Capital Asset Charges Accounting Adjustment

Capital asset charges (depreciation, deferred charges and impairment) are charged to the HRA within Net Cost of Services.

The purpose of the Capital Asset Charges Accounting Adjustment is to substitute capital asset charges within the HRA income and expenditure account with the HRA's share of real debt (interest) costs.

This is achieved by debiting to the HRA the difference between:

- The HRA's share of interest payable on the Council's debt portfolio and;
- Deferred charges plus impairment (Residual Capital Asset Charges) charged to the HRA, where HRA interest payable is greater than Residual Capital Asset Charges.

Where HRA interest payable is less than Residual Capital Asset Charges, the difference is credited to the HRA.

31 March 2015		31 March 2016
£'000		£'000
12,767	HRA Interest Payable	12,554
<b>12,767</b>	<b>Capital Asset Charges Accounting Adjustment</b>	<b>12,554</b>

## HRA 7 Depreciation Charges

31 March 2015		31 March 2016
£'000		£'000
17,477	Council Dwellings	21,187
1,544	Other land and buildings	2,182
<b>19,021</b>		<b>23,369</b>

## HRA 8 Rent Arrears and Provisions

31 March 2015		31 March 2016
£'000		£'000
2,669	Rent Arrears	2,797
1,981	Bad Debt Provision	2,115
1,946	Lessee Major Works BDP	-
115	Rechargeable Repairs Insurance Claims	-
<b>6,711</b>		<b>4,913</b>

## HRA 9 Earmarked Reserves

31 March 2015		31 March 2016
£'000		£'000
In year transfers to/from reserves:		
1,730	Business Transformation Earmarked Reserve	1,730
10,000	Housing Infill Scheme Reserve	11,432
<b>11,730</b>	<b>Total</b>	<b>13,162</b>

## HRA 10 Major Repairs Reserve

31 March 2015		31 March 2016
£'000		£'000
-	<b>Balance brought forward</b>	-
19,021	Transfer to MRR (depreciation)	23,369
(2,429)	Transfer to HRA	-
(16,592)	Capital expenditure	(23,369)
-	<b>Balance carried forward</b>	-

# HRA 11 Capital Receipts

31 March 2015		31 March 2016
£'000		£'000
	Capital Receipts received in year	
	- Land	-
(16,100)	Houses	(34,896)
	- Other Properties	-
<b>(16,100)</b>	<b>Total</b>	<b>(34,896)</b>

Local authorities are required to contribute to the Housing Capital Receipt Pool a proportion of receipts generated from the disposal of HRA assets. In 2015/16 £2.986m (2014/15 £2.598m) of receipts was paid into the pool.



# Collection Fund Accounts and Explanatory Notes

2014/15				2015/16				
Business Rates	Business Rates Supplement	Council Tax	Total		Business Rates	Business Rates Supplement	Council Tax	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
<b>INCOME</b>								
-	-	(84,841)	(84,841)	Council Tax	-	-	(86,804)	(86,804)
(1,731,156)	-	-	(1,731,156)	Non-domestic rates	(1,747,539)	-	-	(1,747,539)
(3,937)	-	-	(3,937)	Transitional protection payments – non-domestic rates	-	-	-	-
-	(62,586)	-	(62,586)	Income collectable in respect of Business Rate Supplements	-	(61,891)	-	(61,891)
<b>Contributions towards previous year's Collection Fund deficit:</b>								
(15,512)	-	-	(15,512)	Central Government	(266)	-	-	(266)
(9,307)	-	-	(9,307)	City of Westminster Council	(159)	-	-	(159)
(6,205)	-	-	(6,205)	Greater London Assembly	(106)	-	-	(106)
<b>(1,766,117)</b>	<b>(62,586)</b>	<b>(84,841)</b>	<b>(1,913,544)</b>	<b>Total amounts to be credited</b>	<b>(1,748,070)</b>	<b>(61,891)</b>	<b>(86,804)</b>	<b>(1,896,765)</b>

## Collection Fund Accounts and Explanatory Notes (continued)

2014/15				2015/16				
Business Rates	Business Rates Supplement	Council Tax	Total		Business Rates	Business Rates Supplement	Council Tax	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
<b>EXPENDITURE</b>								
47,738	-	-	47,738	Transitional protection payments – non-domestic rates	39,324	-	-	39,324
<b>Precepts, demands and shares</b>								
872,010	-	-	872,010	Central Government	903,242	-	-	903,242
523,206	-	45,786	568,992	City of Westminster Council	541,945	-	46,216	588,161
348,804	-	36,108	384,912	Greater London Assembly	361,297	-	35,958	397,255
<b>Business Rate Supplement:</b>								
-	61,991	-	61,991	Payment to levying authority's Business Rate Supplement Revenue Account	-	61,344	-	61,344
-	169	-	169	Administrative Costs	-	140	-	140
<b>Charges to Collection Fund</b>								
12,527	426	2,150	15,103	Write-offs of uncollectable amounts	12,171	407	2,673	15,251
(1,140)	-	200	(940)	Increase/(decrease) in allowance for impairment	(200)	-	500	300
133,815	-	-	133,815	Increase/(decrease) in allowance for appeals	96,000	-	-	96,000
3,155	-	-	3,155	Charge to General Fund for allowable collection costs for non-domestic rates	3,129	-	-	3,129

## Collection Fund Accounts and Explanatory Notes (continued)

2014/15				2015/16				
Business Rates	Business Rates Supplement	Council Tax	Total		Business Rates	Business Rates Supplement	Council Tax	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
<b>Apportionment of previous year's estimated Collection Fund surplus:</b>								
-	-	-	-	Central Government	-	-	-	-
-	-	555	555	City of Westminster Council	-	-	440	440
-	-	445	445	Greater London Assembly	-	-	348	348
<b>1,940,115</b>	<b>62,586</b>	<b>85,244</b>	<b>2,087,945</b>	<b>Total amounts to be debited</b>	<b>1,956,908</b>	<b>61,891</b>	<b>86,135</b>	<b>2,104,934</b>
<b>Movements on the Collection Fund</b>								
<b>173,998</b>	-	<b>403</b>	<b>174,401</b>	<b>(Surplus) /deficit arising during the year</b>	<b>208,838</b>	-	<b>(669)</b>	<b>208,169</b>
<b>35,653</b>	-	<b>(887)</b>	<b>34,766</b>	<b>(Surplus)/deficit b/f at 1 April</b>	<b>209,651</b>	-	<b>(484)</b>	<b>209,167</b>
<b>209,651</b>	-	<b>(484)</b>	<b>209,167</b>	<b>(Surplus)/deficit c/f at 31 March</b>	<b>418,489</b>	-	<b>(1,153)</b>	<b>417,336</b>

## COLL 1 General

The Council, as a billing authority, is statutorily required to maintain a separate agency Collection Fund account into which all transactions relating to collection of business rate and council tax income from taxpayers and distribution to local government bodies and central government are made. The Collection Fund account is accounted for separately from the General Fund.

Surpluses or deficits on the council tax income and distributions are apportioned to the relevant precepting body in the following financial year in proportion to each body's Band D Council Tax amount.

Business rate surpluses or deficits are distributed in accordance with the relevant proportions set out in the localised business rate regulations.

For 2015/16, the proportions were as follows:

	Council Tax	Business Rates
Department of Communities and Local Government	-	50.0%
Greater London Authority	43.9%	20.0%
Westminster City Council (General Fund)	56.1%	30.0%

## COLL 2 Council Tax

Council tax is charged on residential properties based upon valuation bandings established when the system was introduced in 1993. The number of properties in each band and calculation of the tax base (adjusted to reflect relevant discounts and exemptions) was approved by Full Council in January 2015, and is summarised in the table right:

Band	Range of property values (£)		Number of chargeable dwellings	2014/15	Multiplier	Number of chargeable dwellings	2015/16
	£	£		Band D equivalent dwellings			Band D equivalent dwellings
A		40,000	1,757	973	6/9	1,725	958
B	40,001	52,000	6,784	4,156	7/9	6,807	4,171
C	52,001	68,000	15,853	11,884	8/9	15,906	11,907
D	68,001	88,000	22,500	19,389	9/9	22,600	19,543
E	88,001	120,000	22,369	23,768	11/9	22,451	23,858
F	120,001	160,000	16,964	21,542	13/9	17,061	21,663
G	160,001	320,000	21,848	32,587	15/9	21,999	32,780
H	320,001		14,679	27,422	18/9	14,764	27,577
			<b>122,754</b>	<b>141,721</b>		<b>123,313</b>	<b>142,457</b>
				(16,393)			(15,762)
				467			275
<b>Total</b>				<b>125,795</b>			<b>126,970</b>
<b>Westminster Council Share (96%)</b>				<b>120,763</b>			<b>121,891</b>

## COLL 3 Business Rates

The Council collects business rates for its area based on rateable values (as determined by the Valuation Office Agency) and multipliers set by central government. There are two multipliers

<b>Standard Multiplier</b>	49.3p / £ Rateable Value (48.2p in 2014/15)
<b>Small Business Multiplier</b>	48.0p / £ Rateable Value (47.1p in 2014/15) (RV less than £25,500)

The total income to be received in the year was estimated and notified to related bodies in the immediately preceding January in accordance with Regulations. Those estimates were as follows:

2014/15		2015/16
£'000		£'000
872,010	Central Government	903,242
523,206	Westminster City Council	541,945
348,804	Greater London Assembly	361,297
<b>1,744,020</b>		<b>1,806,484</b>

The total rateable value for business premises as at the end of March 2016 was £4.141bn (£4.113bn for the prior year). £174m of the March 2016 value relates to small businesses.

A system of Tariff and Top-Up payments operates on the localised shares distributed to local government bodies (Westminster and the GLA). A significant proportion of Westminster's retained share (£462m in 2015/16 – £453m in 2014/15) is subsequently top-sliced and returned to DCLG for redistribution across local government.

A further Safety Net or Levy system acts to ensure that any local authority is protected from a net localised business rate yield of less than 92.5% of its Baseline Funding. In these circumstances a local authority will receive a Safety Net grant. This grant is paid for by imposing a levy on localised business rate receipts in excess of their Baseline Funding level. In 2015/16, the Council has claimed £58m in Safety Net payments (£65m for 2014/15). These shortfalls are the result of successful and on-going appeals being lodged against the Valuation Office Agency determinations of rateable value set in 2010.

## COLL 4 Business Rates Supplement – Crossrail

Business Rates Supplement (BRS) is levied by the Greater London Authority on non-domestic properties with a rateable value of £55,000 or more and is subject to certain allowances and exemptions.

The aggregate rateable value of properties liable for BRS at 31 March 2016 was £3.717bn (the equivalent figure at 31 March 2015 being £3.698bn). The multiplier has remained at 2.0p/£ since the BRS was introduced.

# Pension Fund Accounts and Explanatory Notes

## FUND ACCOUNT

2014/15		Notes	2015/16
	Dealings with members, employers and others directly involved in the fund		
	<b>Contributions</b>		
(24,717)	From Employers	<i>Note 6</i>	(27,244)
(8,777)	From Members	<i>Note 6</i>	(8,700)
(1,513)	Individual Transfers in from Other Pension Funds		(2,157)
<b>(35,007)</b>			<b>(38,101)</b>
	<b>Benefits</b>		
39,894	Pensions	<i>Note 7</i>	41,141
5,060	Commutation, Lump Sum Retirement and Death Benefits	<i>Note 7</i>	7,274
	<b>Payments to and on Account of Leavers</b>		
2,049	Individual Transfers Out to Other Pension Funds		2,962
4,243	Bulk transfers		-
43	Refunds to Members Leaving Service		96
<b>51,289</b>			<b>51,473</b>



## Pension Fund Accounts and Explanatory Notes (continued)

2014/15		Notes	2015/16
16,282	Net (Additions)/Withdrawals from Dealings with Members		13,372
7,047	Management Expenses	Note 8	7,791
	<b>Returns on Investments</b>		
(8,726)	Investment Income	Note 9	(8,558)
(9)	Other Income		–
10	Taxes on Income (Irrecoverable Withholding Tax)	Note 9	–
<b>(8,725)</b>			<b>(8,558)</b>
<b>(117,879)</b>	<b>(Profit) and loss on disposal of investments and changes in the market value of investments</b>	Note 11	<b>20,024</b>
<b>(126,604)</b>	<b>Net return on investments</b>		<b>11,466</b>
<b>(103,275)</b>	<b>Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year</b>		<b>32,629</b>
<b>(995,697)</b>	<b>Opening Net Assets of the Scheme</b>		<b>(1,098,972)</b>
<b>(1,098,972)</b>	<b>Closing Net Assets of the Scheme</b>		<b>(1,066,343)</b>

# Net Assets Statement

## for the year ended 31 March 2016\*

2014/15		Notes	2015/16
£'000			£'000
<b>Investment assets</b>			
145,426	Fixed Interest Securities	<i>Note 14a</i>	157,123
–	Equities	<i>Note 14a</i>	–
948,674	Pooled Investment Vehicles	<i>Note 14a</i>	896,184
Derivative Contracts:			
318	Futures	<i>Note 14a</i>	101
97	Forward Foreign Exchange	<i>Note 14a</i>	148
Other Investment Balances:			
2,689	Income Due	<i>Note 14a</i>	2,440
49	Debtors	<i>Note 14a</i>	3
1,071	Cash Deposits	<i>Note 14a</i>	2,598
<b>1,098,324</b>			<b>1,058,597</b>

## Net Assets Statement for the year ended 31 March 2016\* (continued)

2014/15		Notes	2015/16
£'000			£'000
<b>Investment Liabilities</b>			
Derivative Contracts:			
(87)	Futures	<i>Note 14a</i>	(81)
(164)	Forward Foreign Exchange	<i>Note 14a</i>	(252)
(50)	Other investment balances	<i>Note 14a</i>	–
<b>(301)</b>			<b>(333)</b>
(1,107)	Amounts payable for purchases of investments	<i>Note 11</i>	(329)
<b>1,096,916</b>	<b>Net Value of Investment Assets</b>	<i>Note 10</i>	<b>1,057,935</b>
<b>3,104</b>	<b>Current Assets</b>	<i>Note 18</i>	<b>9,677</b>
<b>(1,048)</b>	<b>Current Liabilities</b>	<i>Note 19</i>	<b>(1,269)</b>
<b>1,098,972</b>	<b>Net Assets of the Fund Available to Fund Benefits at the Period End</b>		<b>1,066,343</b>

\*The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in *Note 17*.

# Note 1 Description of the City of Westminster Pension Fund

## a) General

The Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by the City of Westminster Council. It is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the City of Westminster and the admitted and scheduled bodies in the Fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1st April 2014 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2009 (as amended).

## b) Funding

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from interest and dividends on the Fund's investments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2016. Employers also pay contributions into the Fund based on triennial funding valuations. The last such valuation was as at 31 March 2013. Currently employer contribution rates range from 8.1% to 27.5% of pensionable pay.

## Note 1 Description of the City of Westminster Pension Fund (continued)

### c) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the following table:

	Service pre 1 April 2008	Service post 31 March 2008
<b>Pension</b>	Each year worked is worth 1/80 x final pensionable pay	Each year worked is worth 1/60 x final pensionable pay
<b>Lump Sum</b>	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions, and death benefits.

Westminster Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from the pension fund. The Fund has used Aegon as its appointed AVC provider for the past 14 years and Equitable Life before. AVCs are paid to the AVC providers by employers and specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

### d) Governance

The Council has delegated management of the fund to the Pension Fund Committee (the 'Committee') who decide on the investment policy most suitable to meet the liabilities of the Fund and have the ultimate responsibility for the investment policy. The Committee is made up of four Members of the Council each of whom has voting rights.

The Committee reports to the Full Council and has full delegated authority to make investment decisions. The Committee considers views from the Tri-Borough Director of Pensions and Treasury, and obtains, as necessary, advice from the Fund's appointed investment advisors, fund managers and actuary.

In line with the provisions of the Public Service Pensions Act 2013 the Council has set up a Local Pension Board to oversee the governance arrangements of the Pension Fund. The Board meets quarterly and has its own Terms of Reference. Board members are independent of the Pension Fund Committee.

## Note 1 Description of the City of Westminster Pension Fund (continued)

### e) Investment Principles

The LGPS (Management and Investment of Funds) Regulations 2009 requires administering authorities to prepare and review from time to time a written statement recording the investment policy of the Pension Fund. The Committee approved a Statement of Investment Principles in 2015 and this is available on the Council's website at the link below. The Statement shows the Authority's compliance with the Myners principles of investment management.

[westminster.gov.uk/council-pension-fund](http://westminster.gov.uk/council-pension-fund)

The Committee has delegated the management of the Fund's investments to external investment managers (see *Note 10*) appointed in accordance with the above Regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

### f) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the City of Westminster Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector

The following table summarises the membership numbers of the scheme:

31 March 2014		31 March 2015
28	<b>Number of employers with active members</b>	30
4,232	Active members	4,252
5,433	Pensioners receiving benefits	5,563
6,395	Deferred Pensioners	6,306
<b>16,060</b>		<b>16,121</b>

## Note 2 Basis of Preparation of Financial Statements

The Statement of Accounts summarises the Fund's transactions for 2015/16 and its position at year end as at 31 March 2016. The accounts been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The accounts have been prepared on an accruals basis, apart from transfer values which have been accounted for on a cash basis (see *Note 3(b)* below).

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits.

## Note 3 Summary of Significant Accounting Policies

### FUND ACCOUNT – REVENUE RECOGNITION

#### a) Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

Employer's augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset.

#### b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

#### c) Investment Income

Dividends from quoted securities are accounted for when the security is declared ex-dividend.

Investment income is reported gross of withholding taxes which are accrued in line with the associated investment income. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price.

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is recognised as a current financial asset.

Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. Where the amount of an income distribution has not been received from an investment manager by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used.

### FUND ACCOUNT – EXPENSE ITEMS

#### d) Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.



## Note 3 Summary of Significant Accounting Policies (continued)

### e) Taxation

The Fund is an exempt approved fund under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

The Code does not require any breakdown of pension fund administration expenses. However in the interests of greater transparency, the Council accounts for pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

### ADMINISTRATIVE EXPENSES

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

### OVERSIGHT AND GOVERNANCE COSTS

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

The cost of obtaining investment advice from the external advisor is included in oversight and governance costs.

### INVESTMENT MANAGEMENT EXPENSES

All investment management expenses are accounted for on an accruals basis.

The Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage and/or a fee based on performance. Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.

## Note 3 Summary of Significant Accounting Policies (continued)

### NET ASSETS STATEMENT

#### g) Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. Quoted Securities and Pooled Investment Vehicles have been valued at the bid price and fixed interest securities are recorded at net market value based on their current yields at the balance sheet date. Quoted securities are valued by the Fund's custodian and Pooled Investment Vehicles at the published bid prices or those quoted by their managers.

#### h) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivatives are valued at fair value on the following bases: assets at bid price, and liabilities at offer price. Changes in the fair value are included in the change in market value in the Fund Account.

The value of open futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The value of forward foreign exchange contracts is based on market forward exchange rates at the year-end and determined as the gain or loss that would arise if the contract were matched at the year-end with an equal and opposite contract.

#### i) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

#### j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and deposits with financial institutions which are repayable on demand without penalty.

#### k) Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

#### l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the financial statements include a note disclosing the actuarial present value of retirement benefits (see *Note 17*).

#### m) Additional Voluntary Contributions

AVCs are not included in the accounts in accordance with Regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, but are disclosed as a note only (*Note 20*).

## Note 4 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in *Note 3* above, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events.

### **PENSION FUND LIABILITY**

The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used in the intervening years follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in *Note 17*. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

## Note 5 Assumptions made about the future and other major sources of uncertainty

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However the nature of estimation means that the actual results could differ from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actuarial present value of promised retirement benefits</b>	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £126m. A 0.2% increase in assumed earnings would increase the value of liabilities by approximately £5m, a 0.2% increase in pension increases would increase the liability by about £49m and a one year increase in life expectancy would increase the liability by about £48m.

## Note 6 Contributions Receivable

Employees contributions are calculated on a sliding scale based on a percentage of their gross pay. The Council, scheduled and admitted bodies are required to make contributions determined by the Fund's actuary to maintain the solvency of the Fund. The table below shows a breakdown of the total amount of employers' and employees contributions.

### By Authority

	31 March 2015	31 March 2016
	£'000	£'000
24,310 Administering Authority		26,372
2,447 Scheduled bodies		2,417
6,737 Admitted bodies		7,155
<b>33,494</b>		<b>35,944</b>

### By Type

	31 March 2015	31 March 2016
	£'000	£'000
8,777 Employees' normal contributions		8,700
Employer's contributions:		
17,181 Normal contributions		16,811
6,637 Deficit recovery contributions		8,040
899 Augmentation contributions		2,393
<b>33,494</b>		<b>35,944</b>

## Note 7 Benefits Payable

The table below shows a breakdown of the total amount of benefits payable by category.

### BY TYPE

2014/15		2015/16
£'000		£'000
39,894	Pensions	<b>41,141</b>
4,852	Commutation and lump sum retirement benefits	<b>6,888</b>
208	Lump sum death benefits	<b>386</b>
<b>44,954</b>		<b>48,415</b>

### BY AUTHORITY

2014/15		2015/16
£'000		£'000
39,710	Administering Authority	40,003
124	Scheduled Bodies	352
5,120	Admitted Bodies	8,060
<b>44,954</b>		<b>48,415</b>

## Note 8 Management Expenses

The table below shows a breakdown of the management expenses incurred during the year.

2014/15		2015/16
£'000		£'000
534	Administration Expenses	<b>441</b>
318	Oversight and Governance	<b>282</b>
6,195	Investment Management Expenses	<b>7,068</b>
<b>7,047</b>		<b>7,791</b>

Investment management expenses are further analysed below in line with the CIPFA Guidance on Accounting for Management Costs in the LGPS.

2014/15		2015/16
£'000		£'000
2,798	Management fees	<b>3,260</b>
2,176	Performance fees	2,550
61	Custody fees	<b>76</b>
1,160	Transaction costs	<b>1,182</b>
<b>6,195</b>		<b>7,068</b>

## Note 9 Investment Income

The table below shows a breakdown of the investment income for the year:

2014/15		2015/16
£'000		£'000
6,249	Fixed interest securities	6,510
141	Equity dividends	2
932	Pooled investments – unit trust and other managed funds	29
838	Pooled property investments	2,000
566	Interest and cash deposits	17
<b>8,726</b>	<b>Total before taxes</b>	<b>8,558</b>
(10)	Taxes on income	–
<b>8,716</b>	<b>Total</b>	<b>8,558</b>

## Note 10 Investment Management Arrangements

The table below shows a breakdown of the investment income for the year

- UK property portfolios are split between Hermes Investment Managers and Standard Life
- Fixed income mandates are managed by Insight Investment Managers
- Equity portfolios are split between Majedie Investment Managers (active UK), Baillie Gifford (active global), Legal and General Investment Management (passive global) and Longview Partners (active global).

All managers have discretion to buy and sell investments within the constraints set by the Committee and their respective Investment Management Agreements. Each manager has been appointed with clear strategic benchmarks which place maximum accountability for performance against that benchmark on the investment manager.

As shareholders of London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London), the Fund has purchased £150,000 of regulatory capital. This is in the form of unlisted UK equity shares. It is anticipated that some of the existing investment portfolios will be transferred into the London Collective Investment Vehicle (CIV) in 2016/17.

Northern Trust acts as the Fund's global custodian. They are responsible for safe custody and settlement of all investment transactions and collection of income. The bank account for the Fund is held with Lloyds Bank.

The market value and proportion of investments managed by each fund manager at 31 March 2016 was as follows:

31 March 2015 Market Value £'000	%	Fund Manager	Mandate	31 March 2016 Market Value £'000	%
256,513	23.4%	Majedie	UK Equity (Active)	241,521	22.8%
-	0.0%	London CIV	UK Equity (Passive)	150	0.0%
<b>256,513</b>	<b>23.4%</b>	<b>UK Equity</b>	<b>Sub-Total</b>	<b>241,671</b>	<b>22.8%</b>
180,729	16.5%	Baillie Gifford	Global Equity (Active)	178,427	16.9%
281,978	25.7%	LGIM	World Equity (Passive)	239,635	22.7%
109,569	10.0%	Longview	Global Equity (Active)	113,894	10.8%
<b>572,276</b>	<b>52.2%</b>	<b>Global Equity</b>	<b>Sub-Total</b>	<b>531,956</b>	<b>50.3%</b>
17,871	1.6%	Insight	Fixed Interest Gilts	18,356	1.7%
156,329	14.3%	Insight	Sterling non-Gilts	158,105	14.9%
<b>174,200</b>	<b>15.9%</b>	<b>Bonds</b>	<b>Sub-Total</b>	<b>176,461</b>	<b>16.7%</b>



## Note 10 Investment Management Arrangements (continued)

31 March 2015 Market Value £'000	%	Fund Manager	Mandate	31 March 2016 Market Value £'000	%
45,712	4.2%	Hermes	Property	56,511	5.3%
47,913	4.4%	Standard Life	Property	51,150	4.8%
<b>93,625</b>	<b>8.5%</b>	<b>Property</b>	<b>Sub-Total</b>	<b>107,661</b>	<b>10.2%</b>
<b>1,096,614</b>	<b>100.0%</b>		<b>Total (exc. cash)</b>	<b>1,057,749</b>	<b>100.0%</b>
302		Other (cash deposits)		186	
<b>1,096,916</b>			<b>Total</b>	<b>1,057,935</b>	

## Note 11 Reconciliation in Movement in Investments

2015/16	Market value 1 April 2015	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2016
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	145,426	56,492	(41,585)	(3,210)	157,123
Equities	-	-	-	-	-
Pooled equity investments	855,659	34,208	(75,801)	(23,693)	790,373
Pooled property investments	93,015	5,817	(531)	7,510	105,811
Derivatives:					
Futures	231	4	(174)	(41)	20
Forward foreign exchange	(67)	1,656	(805)	(888)	(104)
Cash Instruments	-	-	-	-	-
<b>Total</b>	<b>1,094,264</b>	<b>98,177</b>	<b>(118,896)</b>	<b>(20,322)</b>	<b>1,053,223</b>
Cash deposits	1,071	-	-	163	2,598
Amounts receivable for sales of investments	216	-	-	2	-
Investment income due	2,473	-	-	1	2,440
Spot FX contracts	(1)	-	-	132	3
Amounts payable for purchases of investments	(1,107)	-	-	-	(329)
<b>Net investment assets</b>	<b>1,096,916</b>	<b>-</b>	<b>-</b>	<b>(20,024)</b>	<b>1,057,935</b>

## Note 11 Reconciliation in Movement in Investments (continued)

2014/15	Market value 1 April 2014	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Asset reclassification	Change in market value during the year	Market value 31 March 2015
Fixed interest securities	128,343	67,637	(59,212)	485	8,173	145,426
Equities	208,296	182,564	(232,330)	(160,861)	2,331	-
Pooled equity investments	585,990	568,945	(481,080)	80,742	101,062	855,659
Pooled property investments	-	870	(438)	87,409	5,174	93,015
Derivatives:						
Futures	137	421	(859)	-	532	231
Forward foreign exchange	90	735	(1,640)	-	748	(67)
Cash Instruments	23,979	33,441	(49,379)	(8,041)	-	-
<b>Total</b>	<b>946,835</b>	<b>854,613</b>	<b>(824,938)</b>	<b>(266)</b>	<b>118,020</b>	<b>1,094,264</b>
Cash deposits	14,604	-	-	(350)	(19)	1,071
Amounts receivable for sales of investments	2,981	-	-	(1,754)	(11)	216
Investment income due	-	-	-	2,435	-	2,473
Spot FX contracts	-	-	-	-	(111)	(1)
Amounts payable for purchases of investments	-	-	-	(65)	-	(1,107)
<b>Net investment assets</b>	<b>964,420</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>117,879</b>	<b>1,096,916</b>

During the 2014/15 financial year, the Fund changed custodian which prompted a reclassification of some categories of financial instrument.

## Note 12 Investments exceeding 5% of Net Assets

The table below shows the Fund's investments which exceed 5% of net assets. These are all pooled investment vehicles, which are made up of underlying investments, each of which represent substantially less than 5%.

2013/14			2014/15	
Market Value	Holding		Market Value	Holding
£'000	%		£'000	%
256,511	23.4%	Majedie – Institutional Trust Class B Shares	241,518	22.8%
282,340	25.7%	L&G – World Equity Index – GBP Hedged	239,628	22.7%
180,729	16.5%	Baillie Gifford – Life Global Alpha Pension Fund	178,427	16.9%
109,569	10.0%	Longview – Conventum Asset Management	113,894	10.8%
–	–	Hermes Property UT	54,660	5.2%
<b>829,149</b>	<b>75.6%</b>	<b>Total Top Holdings</b>	<b>828,127</b>	<b>78.3%</b>
<b>1,096,916</b>		<b>Total Value of Investments</b>	<b>1,057,935</b>	

## Note 13 Analysis of Derivatives

### OBJECTIVES AND POLICIES FOR HOLDING DERIVATIVES

The Committee has authorised the use of derivatives for efficient portfolio management purposes and to reduce certain investment risks, in particular foreign exchange risk. All uses of derivatives are outsourced to the Fund's external asset managers which must adhere to the detailed requirements set out in their investment management agreements.

#### a) Liquidity

The Fund uses interest rate futures to hedge some of the non-Sterling interest rate risk, subject to the restrictions in the investment guidelines (not more than 30% of the portfolio's value may be exposed to non-Sterling bond risk).

#### b) Forward foreign currency

The Fund uses forward foreign exchange contracts to reduce the foreign currency exposure from overseas bond holdings that are within the portfolio (foreign currency exposure is fully hedged into Sterling).

### FUTURES

Outstanding exchange traded futures contracts are as follows.

Economic Exposure	Market Value 31 March 2015	Type	Expires	Economic Exposure	Market Value 31 March 2016
£'000	£'000			£'000	£'000
<b>Assets</b>					
17,509	318	UK Fixed Income	less than 1 year	17,577	92
–	–	Overseas fixed income	less than 1 year	(5,870)	9
	<b>318</b>	<b>Total Assets</b>			<b>101</b>
<b>Liabilities</b>					
(11,023)	(87)	Overseas Fixed Income	less than 1 year	(15,976)	(81)
	<b>(87)</b>	<b>Total Liabilities</b>			<b>(81)</b>
	<b>231</b>	<b>Net futures</b>			<b>20</b>

## Note 13 Analysis of Derivatives (continued)

### FORWARD CURRENCY CONTRACTS

Outstanding exchange traded futures contracts are as follows:

Settlement	Currency Bought	Local Value	Currency Sold	Local value	Asset Value	Liability Value
		000		000	£'000	£'000
Up to one month	GBP	4,346	USD	(6,147)	72	(4)
Up to one month	GBP	7,311	EUR	(9,399)	-	(142)
One to six months	GBP	7,298	USD	(10,404)	64	(3)
One to one months	EUR	1,764	GBP	(1,386)	12	-
One to six months	GBP	5,273	EUR	(6,769)	-	(99)
Up to one month	USD	532	GBP	(374)	-	(4)
<b>Net forward currency contracts at 31 March 2016</b>					<b>148</b>	<b>(252)</b>
<b>Prior year comparative</b>						
Open forward currency contracts at 31 March 2015					97	(164)
<b>Net forward currency contracts at 31 March 2015</b>						<b>(67)</b>

## Note 14a Classification of Financial Instruments

The following table shows the classification of the Fund's financial instruments and also shows the split by UK and overseas. All investments are quoted unless stated.

31 March 2015			31 March 2016		
Fair value through profit and loss	Loans & receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans & receivables	Financial liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
<b>FINANCIAL ASSETS</b>					
<b>Fixed interest securities</b>					
Quoted:					
26,056	-	-	25,954	-	-
59,549	-	-	64,917	-	-
804	-	-	779	-	-
59,017	-	-	65,473	-	-
<b>Equities</b>					
Unquoted:					
-	-	-	-	-	-
-	-	-	-	-	-
<b>Pooled funds - investment vehicles</b>					
719,208	-	-	659,722	-	-
93,014	-	-	105,811	-	-
136,452	-	-	130,651	-	-
<b>Derivative Contracts</b>					
318	-	-	101	-	-
97	-	-	148	-	-

## Note 14a Classification of Financial Instruments (continued)

31 March 2015			31 March 2016		
Fair value through profit and loss	Loans & receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans & receivables	Financial liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
<b>Cash Instruments</b>					
-	-	-	-	-	-
					UK
-	-	-	-	-	-
					Overseas
-	1,995	-	-	8,658	-
					Cash Balances (held directly by Fund)
2,689	-	-	2,440	-	-
					Other Investment Balances
-	1,071	-	-	2,598	-
					Cash Deposits
49	1,109	-	3	1,019	-
					Debtors
<b>1,097,253</b>	<b>4,175</b>	<b>-</b>	<b>1,055,999</b>	<b>12,275</b>	<b>-</b>
<b>FINANCIAL LIABILITIES</b>					
<b>Derivative Contracts</b>					
(87)	-	-	(81)	-	-
					Futures
(164)	-	-	(252)	-	-
					Forward Foreign Exchange
(50)	-	-	-	-	-
					Other Investment Balances
-	-	(1,649)	-	-	(1,061)
					Creditors
<b>(301)</b>	<b>-</b>	<b>(1,649)</b>	<b>(333)</b>	<b>-</b>	<b>(1,061)</b>
<b>1,096,952</b>	<b>4,175</b>	<b>(1,649)</b>	<b>1,055,666</b>	<b>12,275</b>	<b>(1,061)</b>
	<b>1,099,478</b>	<b>Grand Total</b>		<b>1,066,880</b>	



## Note 14b Net Gains and Losses on Financial Instruments

This table summarises the net gains and losses on financial instruments classified by type of instrument.

31 March 2015		31 March 2016
£'000		£'000
<b>Financial Assets</b>		
118,020	Designated at fair value through profit and loss	(20,322)
(19)	Loans and receivables	163
<b>118,001</b>		<b>(20,159)</b>
<b>Financial Liabilities</b>		
(122)	Designated at fair value through profit and loss	135
–	Financial liabilities at amortised cost	–
<b>(122)</b>		<b>135</b>
<b>117,879</b>	<b>Total</b>	<b>(20,024)</b>

## Note 14c Valuation of Financial Instruments carried At Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

**Level 1** – where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities, quoted index linked securities and unit trusts). Listed investments are shown at bid prices. The bid value of the investment is based on the market quotation of the relevant stock exchange.

**Level 2** – where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

**Level 3** – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, neither of which the Fund currently invests in.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into the level at which fair value is observable.

31 March 2015			31 March 2016		
Quoted market price	Using observable inputs	With significant unobservable inputs	Quoted market price	Using observable inputs	With significant unobservable inputs
Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial Assets</b>					
843,760	253,493	–	947,855	106,210	–
4,175	–	–	12,275	–	–
<b>Financial Liabilities</b>					
–	(301)	–	–	(333)	–
(1,649)	–	–	(1,061)	–	–
<b>846,286</b>	<b>253,192</b>	<b>–</b>	<b>961,003</b>	<b>105,877</b>	<b>–</b>
<b>1,099,478</b>			<b>Grand Total</b>		
			<b>1,066,880</b>		

## Note 15 Nature and extent of Risks arising from Financial Instruments

### RISK AND RISK MANAGEMENT

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Responsibility for the Fund's risk-management strategy rests with the Committee. Risk management policies are established that aim to identify and analyse the investment risks faced by the Fund and these are regularly reviewed in the light of changing market and other conditions.

#### a) Market Risk

Market risk is the risk of loss emanating from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investment activities. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset class, geographical and industry sectors and individual securities. To mitigate market risk, the Committee and its investment advisors undertake regular monitoring of market conditions and benchmark analysis.

#### Price Risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments (with the exception of derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

The following table demonstrates the change in the net assets available to pay benefits if the market price had increased or decreased by 10%. The analysis excludes cash, debtors, creditors, other investment balances and forward foreign exchange, as these financial instruments are not subject to price risk.

Assets exposed to price risk	Value £'000	Value on 10% price increase £'000	Value on 10% price decrease £'000
As at 31 March 2015	1,094,418	1,203,860	984,976
<b>As at 31 March 2016</b>	<b>1,053,408</b>	<b>1,158,749</b>	<b>948,067</b>

## Note 15 Nature and extent of Risks arising from Financial Instruments (continued)

### Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Committee and its investment advisors regularly monitor the

Fund's interest rate risk exposure during the year. The Fund manages its interest rate exposure through the use of futures derivatives (see *Note 13*).

Fixed interest securities, cash and cash equivalents are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%.

Assets exposed to price risk	Value £'000	Value on 1% price decrease £'000	Value on 10% price decrease £'000
As at 31 March 2015	148,492	149,977	147,007
<b>As at 31 March 2016</b>	<b>168,379</b>	<b>170,063</b>	<b>166,695</b>

## Note 15 Nature and extent of Risks arising from Financial Instruments (continued)

### Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than Sterling. The Fund aims to mitigate this risk through the use of derivatives (see *Note 13*). The Committee recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds

Assets exposed to price risk	Value £'000	Value on 10% price increase £'000	Value on 10% price decrease £'000
As at 31 March 2015	678,339	746,173	610,505
<b>As at 31 March 2016</b>	<b>666,743</b>	<b>733,417</b>	<b>600,069</b>

### b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of

investments would increase/decrease the net assets available to pay benefits.

Overseas equities, fixed interest securities and futures, cash in foreign currencies, forward foreign exchange contracts and some elements of the pooled investment vehicles are exposed to currency risk. The following table demonstrates the change in value of these assets had there been a 10% strengthening/weakening of the pound against foreign currencies.

high quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

There is a risk that some admitted bodies may not honour their pension obligations with the result that any ensuing deficit might fall upon the Fund. To mitigate this risk, the Fund regularly monitors the state of its admitted bodies.

### c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Committee monitors cash flows and takes steps to ensure that there are adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2016, liquid assets were £961m representing 90% of total fund assets (£1,003m at 31 March 2015 representing 91% of the fund at that date). The majority of these investments can be liquidated within a matter of days.

The Fund also has an overdraft facility of £1m for short-term cash needs (up to 90 days). This facility is only for meeting timing differences on pension payments; however it was not used in the year.

## Note 16 Funding Arrangements

The LGPS Regulations require that a full actuarial valuation of the Fund is carried out every three years. The purpose of this is to establish that the City of Westminster Pension Fund is able to meet its liabilities to past and present contributors and to review the employer contribution rates.

The latest full triennial valuation of the Fund was carried out by Barnett Waddingham, the Fund's actuary, as at 31 March 2013 in accordance with the Funding Strategy Statement of the Fund and Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008. The results were published in the triennial valuation report dated 28 March 2014. The report and Funding Strategy Statement are both available on the Council's website at:

[westminster.gov.uk/council-pension-fund](http://westminster.gov.uk/council-pension-fund)

The actuary's smoothed market value of the scheme's assets at 31 March 2013 was £866.9m and the Actuary assessed the present value of the funded obligation at £1,164m. This indicates a net liability of £297.3m, which equates to a funding position of 74% (2010: £238.1m and 74%).

The actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions, the main ones being:

Future assumed returns at 2013	%	Risk adjusted
Gilts	3.3	6
Cash	3.1	4
Bonds	3.9	13
Equities	6.9	74
Property	6.0	4

Financial assumptions	2013	2010
Discount rate – scheduled bodies	5.9	7.5
Discount rate – admitted bodied	4.9	6.3
RPI	3.5	3.8
CPI	2.7	3.3
Pension increases	2.7	3.3
Short-term pay increases	1.0	n/a
Long-term pay increases	4.5	5.3

The 2013 valuation certified an aggregate employer contribution rate of 29.8% of pensionable pay (2010: 20.4%). The contribution rate is set on the basis of the cost of future benefit accrual, increased to bring the funding level back to 100% over a period of 25 years, as set out in the Funding Strategy Statement (2010: 30 years). The common future service contribution rate for the Fund was set at 13.3% of pensionable pay (2010: 12.4%).

The triennial valuation also sets out the individual contribution rate to be paid by each employer from 1 April 2014 depending on the demographic and actuarial factors particular to each employer. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

The next actuarial revaluation of the Fund will be as at 31 March 2016 and will be published in 2017.

## Note 17 Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2016. The figures have been prepared by Barnett Waddingham, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

31 March 2015		31 March 2016
£'000		£'000
(1,605,955)	Present Value of Promised Retirement Benefits	(1,562,637)
1,089,091	Fair Value of Scheme Assets (bid value)	1,061,424
<b>(516,864)</b>	<b>Net Liability</b>	<b>(501,213)</b>

Present Value of Promised Retirement Benefits comprise of £1,520.8m (2014/15: £1,479.5m) and £41.817m (2014/15: £126.5m) in respect of vested benefits and non-vested benefits respectively as at 31 March 2016.

### ASSUMPTIONS

To assess the value of the Fund's liabilities at 31 March 2016, the value of Fund's liabilities calculated for the funding valuation as at 31 March 2013 have been rolled forward, using financial assumptions that comply with IAS19.

### DEMOGRAPHIC ASSUMPTIONS

The demographic assumptions used are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 110%, for males and 100% for females. These base tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% p.a.

Assumed life expectancy from age 65 is:

Life expectancy from age 65 years		31 March 2016	31 March 2015
Retiring today	Males	22.1	22.1
	Females	25.3	25.2
Retiring in 20 years	Males	24.4	24.2
	Females	27.7	27.6

### FINANCIAL ASSUMPTIONS

The main financial assumptions are:

	31 March 2016	31 March 2015
RPI increases	3.2	3.5
CPI increases	2.3	2.7
Salary increases	4.1	4.5
Pension increases	2.3	2.7
Discount rate	3.5	4.4

## Note 18 Current Assets

31 March 2015		31 March 2016
£'000		£'000
<b>Debtors:</b>		
853	Contributions due – employers	635
228	Contributions due – employees	200
28	Sundry debtors	184
1,995	Cash balances	8,658
<b>3,104</b>		<b>9,677</b>

### ANALYSIS OF DEBTORS

31 March 2015		31 March 2016
£'000		£'000
1,109	Other entities and individuals	1,109
<b>1,109</b>		<b>1,109</b>

## Note 19 Current Liabilities

31 March 2015		31 March 2016	<b>ANALYSIS OF CREDITORS</b>		
£'000		£'000	31 March 2015	31 March 2016	
£'000		£'000	£'000	£'000	
(1,048)	Sundry creditors	(1,269)	(506)	Central government bodies	(537)
(1,048)	Total	(1,269)	(542)	Other entities and individuals	(732)
<b>(1,237)</b>	<b>Total</b>	<b>(1,048)</b>	<b>(1,048)</b>	<b>Total</b>	<b>(1,269)</b>



## Note 20 Additional Voluntary Contributions

The Pension Fund's Additional Voluntary Contributions (AVC) providers are Aegon and Equitable Life Assurance Society. The table below shows information about these separately invested AVCs.

Market Value 31 March 2015		Market Value 31 March 2016	
£'000		£'000	
1,358	Aegon	1,255	
474	Equitable Life	474	
<b>1,832</b>	<b>Total</b>	<b>1,729</b>	

Additional voluntary contributions of £0.2m were paid directly to Aegon during the year (2014/15: £0.2m).

In accordance with Regulation 4(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

## Note 21 Related Party Transactions

The Fund is administered by Westminster City Council. The Council incurred costs of £0.34m in the period 2015/16 (2014/15: £0.31m) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Fund uses the same Banking and Control Service provider as WCC and no charge is made in respect of this.

The Council has a significant interest in one employer (CityWest Homes) who are within the Pension Fund and the Fund received £2.4m in

employer contributions, deficit and early retirement costs from this body (2014/15: £2.3m).

### KEY MANAGEMENT PERSONNEL REMUNERATION

The key management personnel of the Fund are the members of the Pension Fund Committee, the City Treasurer, the Tri-Borough Director of Pensions & Treasury and the Acting Director of

Human Resources. Total remuneration payable to key management personnel is set out below:

31 March 2015		31 March 2016	
£'000		£'000	
51	Short-term benefits	43	
43	Post-employment benefits	131	
<b>94</b>	<b>Total</b>	<b>174</b>	

## Note 22 Events After The Balance Sheet Date

On the 23rd June the EU referendum took place to establish if the United Kingdom would remain part of the EU. The vote saw a decision returned to leave the EU. As this took place after the 31 March 2016 there was no impact on the figures contained within the Pension Fund accounts. However, this decision has the potential to significantly impact on future basis of assumptions, estimates and the value of investments and the Council will need to ensure this is considered in future years.





# 6 Glossary and Contacts

# Glossary of Terms

## ACCOUNTING POLICIES

The rules and practices adopted by the authority that determine how the transactions and events are reflected in the accounts.

## ACCRUALS

Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

## ACTUARIAL GAINS AND LOSSES

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

## BALANCES (OR RESERVES)

These represent accumulated funds available to the authority. Some balances (reserves) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities. There are a number of unusable reserves which are for technical purposes, it is not possible to utilise these to provide services.

## CAPITAL EXPENDITURE

Payments for the acquisition, construction, enhancement or replacement of assets such as land, buildings, roads, and computer equipment.

## CAPITAL ADJUSTMENT ACCOUNT

A reserve set aside from revenue resources or capital receipts to fund capital expenditure or the repayment of external loans and certain other capital financing transactions.

## CAPITAL RECEIPTS

Income received from the sale of land, buildings or equipment.

## CIPFA (CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTING)

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code, which defines proper accounting practice for local authorities.

## COLLECTION FUND

An account that shows the income due from NNDR and Council Taxpayers and the sums paid to the national NNDR pool and to the precepting authorities.

## COMMUNITY ASSETS

The class of Fixed Assets held by an authority in perpetuity that have no determinable useful life and may have restriction on their disposal, such as parks and open spaces, historical buildings, works of art, etc.

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

A statement which details the total income received and expenditure incurred by the authority during a year in line with IFRS reporting as required by the Code.

## CONTINGENT ASSET

An asset arising from past events, whereby its existence can only be confirmed by one or more uncertain future events not wholly within the control of the Council.

## CONTINGENT LIABILITY

A contingent liability is either:

- a possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Council; or
- a present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.

## Glossary of Terms (continued)

### **CORPORATE AND DEMOCRATIC CORE**

This comprises all activities which local authorities engage in specifically because they are elected, multi-purpose organisations. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. It includes cost relating to the corporate management and democratic representation.

### **COUNCIL TAX**

A local tax on properties within the City Council, set by the charging (Westminster) and precepting (GLA) authorities. The level is determined by the revenue expenditure requirements for each authority divided by council tax base for the year.

### **COUNCIL TAX BASE**

The amount calculated for each billing authority from which the grant entitlement of its share is derived. The number of properties in each band is multiplied by the relevant band proportion in order to calculate the number of Band D equivalent properties in the area. The calculation allows for exemptions, discounts, appeals and a provision for non-collection.

### **CREDITORS**

Amounts owed by the Council for goods and services received but not paid for as at 31 March.

### **CURRENT SERVICE COST**

An estimate of the true economic cost of employing people in a financial year. It measures the full liability estimated to have been generated in the year.

### **DEBTORS**

Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31 March.

### **DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

### **DEFINED CONTRIBUTION SCHEME**

A pension or other retirement benefit scheme into which an employee pays regular fixed contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to the employee service in the current and prior periods.

### **DEPRECIATION**

A measure of the cost of the economic benefits of the tangible fixed asset consumed during the period.

### **EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the Council, which need to be disclosed separately by virtue of their size or incidence to give a fair representation in the account.

### **FINANCE LEASE**

A lease that substantially transfers the risks and rewards of a fixed asset to the lessee. With a Finance Lease, the present value of the lease payments would equate to substantially all of the fair value of the leased asset.

### **FIXED ASSETS**

Assets that yield benefit to the Council and the services it provides for a period of more than one year.

### **GENERAL FUND**

The account to which the cost of providing Council Services is charged that are paid for from Council Tax and Government Grants (excluding the Housing Revenue Account).

## Glossary of Terms (continued)

### **HOUSING REVENUE ACCOUNT (HRA)**

A statutory account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

### **IMPAIRMENT**

A reduction in the carrying value of a fixed asset below its carrying value (due to obsolescence, damage or an adverse change in the statutory environment).

### **INTEREST COST**

For a defined benefit scheme, is the amount needed to unwind the discount applied in calculating the defined benefit obligations (liability). As members of the plan are one year closer to receiving their pension, the provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to keep pace with current values.

### **INFRASTRUCTURE ASSETS**

A class of assets whose life is of indefinite length and which are not usually capable of being sold, such as highways and footpaths.

### **INTANGIBLE FIXED ASSETS**

'Non-financial' fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custody or legal rights. Purchased intangibles, such as software licences, are capitalised at cost whilst internally developed intangibles are only capitalised where there is a readily ascertainable market value for them.

### **LEVIES**

Payments made to the London Pensions Fund Authority, the Environment Agency and the Lee Valley Regional Park Authority.

### **LONG TERM DEBTORS**

These debtors represent the capital income still to be received, for example, from the sale of an asset or the granting of a mortgage or a loan.

### **MINIMUM REVENUE PROVISION**

The minimum amount that the Council must charge to the income and expenditure account to provide for the repayment of debt.

### **MOVEMENT IN RESERVES STATEMENT**

This financial statement presents the movement in usable and unusable reserves (the Council's total reserve balances).

### **NATIONAL NON-DOMESTIC RATE (NNDR)**

Rates are payable on business premises based on their rateable value (last assessed in the 2010 Rating List by the Valuation Office Agency) and a national rate poundage multiplier (49p / £ in 2015/16). Westminster acts as the "billing authority" for its area and under the Localised Business Rates regime retains 30% of the net yield from business rates with the Greater London Authority receiving 20% and central government the other 50%. A system of Tariffs and Top-ups as well as a Safety Net scheme operate within the Council's General Fund to further adjust the amount the Council ultimately retains.

### **NET BOOK VALUE**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value, less the cumulative amount provided for depreciation.

### **NET REALISABLE VALUE**

The amount at which an asset could be sold after the deduction of any direct selling costs.

## Glossary of Terms (continued)

### NON-DISTRIBUTED COSTS

Non-distributed costs are defined as comprising:

- retirement benefit costs including past service costs, settlements and curtailments. To note, current service pension costs is included in the total costs of services;
- the costs associated with unused shares of IT facilities; and
- the costs of shares of other long-term unused but unrealisable assets.

### OPERATING LEASE

A lease other than a finance lease. This is a method of financing assets which allows the Council to use, but not own the asset and therefore is not capital expenditure. A third party purchases the asset on behalf of the Council, who then pays the lessor an annual rental charge for the use of the asset.

### OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the local authority, in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

### PAST SERVICE COST

Arise from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years.

### PROJECTED UNIT METHOD – PENSION FUND VALUATION

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

### PROVISIONS

A liability that is of uncertain timing or amount which is to be settled by transfer of economic benefits.

### PRIVATE FINANCE INITIATIVE (PFI)

A Government initiative that enables authorities to carry out capital projects, through partnership with the private sector.

### RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the council tax, members and chief officers of the authority and its pension fund.



## Glossary of Terms (continued)

### RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services; and
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

### RESERVES

An amount set aside for a specific purpose in one year and carried forward to meet future obligations.

### REVENUE EXPENDITURE

Day to day payments on the running of Council services including salaries, wages, contract payments, supplies and capital financing costs.

### REVENUE SUPPORT GRANT

The main Government grant paid to local authorities. It is intended to adjust for differences in needs between areas so that, if all local authorities were to spend at the level which the Government assess that they need to spend, the council tax would be the same across the whole country.

### REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.

### THE CODE

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

*NOTE: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.*

# Contact Information

This document gives details of Westminster City Council's Annual Accounts and is available on the Council's website at [westminster.gov.uk](http://westminster.gov.uk).

## **FOR FURTHER DETAILS PLEASE CONTACT:**

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City of Westminster

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