Public Document Pack

City of Westminster

Follow-On Committee Agenda

Title:	**Audit and Performance Committee**
Meeting Date:	**Monday 23rd April, 2018**
Time:	**7.00 pm**
Venue:	**Room 3.1, 3rd Floor, 5 Strand, London, WC2 5HR**
Members:	**Councillors:** Ian Rowley (Chairman) Lindsey Hall Judith Warner David Boothroyd

Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda

Admission to the public gallery is by ticket, issued from the ground floor reception from 6.30pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.

An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Reuben Segal, Senior Committee and Governance Officer.

Tel: 020 7641 3160 Email: rsegal@westminster.gov.uk
Corporate Website: www.westminster.gov.uk

Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Director of Law in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

4.	**DRAFT ANNUAL STATEMENT OF ACCOUNTS AND OUTTURN 2017 - 18 (TO FOLLOW)** Report of the City Treasurer	**(Pages 1 - 272)**
5.	**DRAFT AUDIT FINDINGS REPORT 2017 - 18 (TO FOLLOW)** Report of Grant Thornton, External Auditor	**(Pages 273 - 322)**

Stuart Love
Chief Executive
20 April 2018

City of Westminster — Audit and Performance Committee

Date	**23 April 2018**
Classification:	**For General Release**
Title:	**2017/18 Annual Accounts and Outturn**
Wards Affected:	**All**
Financial Summary:	**This report presents the draft Statement of Accounts for the Council and its Pension Fund and provides a narrative as to the outturn position for the financial year ended 31st March 2018.**
The Report of:	**Steven Mair, City Treasurer**
	Tel: 0207 641 2904 **Email: smair@westminster.gov.uk**

1. EXECUTIVE SUMMARY

1.1. The General Fund revenue position has seen a net outturn of £10.088m underspend against approved budget. This compares to a Period 10 (January 2018) forecast underspend of £8.182m.

1.2. The revenue underspend for the General Fund represents 1.2% of the approved gross 2017/18 budget. In total £7.106m will be left as an addition to the Council's general reserves increasing the balance from £48.777m to £55.883m, as broadly anticipated and approved in the 2018/19 Budget Setting and Council Tax Report. This will increase the council's ability to withstand financial shocks and will strengthen financial standing. The remaining £2.982m has been added to the general fund reserve balance but early in 2018/19 will be allocated to finance the My Westminster programme.

1.3. The Housing Revenue Account (HRA) outturn position shows a net deficit of £0.439m and compares to a budgeted surplus of £1.955m – a variance of £2.394m (2.2% of the approved gross expenditure). This deficit decreases HRA general reserves and together with financing of capital projects reduces the carry forward balance from £41.586m to £25.366m.

1.4. The gross general fund capital outturn net underspend of £29.522m represents 17.2% of the approved and re-profiled budget. It should be noted that the capital programme at the start of the year was £365.961m.

1.5. The HRA capital programme gross expenditure was £82.167m, compared to an approved budget of £135.371m – a gross underspend of £53.204m (39%).

1.6. The value of the council's Pension Fund was £1.336bn at 31 March 2018. The Fund experienced a rise in investment income and continued to benefit from strong equity markets in 2017/18 with its significant asset allocation in this category.

1.7. The accounts have been closed immediately after the year-end and the draft financial statements were sent to the auditors in advance of their audit visit on 3 April 2018. The Council has maintained its position as not only the first local authority in the UK to produce its accounts but also completing the closedown and audit process more promptly than any other major organisation, private, public or voluntary in the country.

1.8. The audit of the accounts document and the supporting working papers has been materially completed by the 20th April 2018 with only limited audit adjustments being identified.

1.9. The setting of such a challenging timeframe not only sets the Council apart from all other organisations but also allows financial management resources to be quickly focussed on supporting services in concentrating on the future rather than the past. A significant service transformational benefit also accrues through the setting of aspirational closure timeframes as it enforces fundamental review of process and procedures, and drives best practice.

2. BACKGROUND

Financial Context of the Council

2.1. Context in respect of the council's finances can be found within the City Treasurer's Narrative Report contained within the Accounts. Westminster City Council manages cashflows and assets in excess of £7 billion by:

- collecting £2.3bn of business rates and Council Tax, the largest amount in the country. 94% of this is passed onto central government and other agencies, with the Council retaining £140m for service delivery in 2017/18.
- administering the £1.3bn City of Westminster Pension Fund which provides pensions to over 5,700 pensioners and has 4,200 active members.
- managing £2.8bn of land, buildings and other assets, including investment property generating rental income of £20m each year.
- spending a total of approximately £0.85bn each year on Council services.
- accounting for £0.9bn pa of fees, charges, rents, grant funding and capital receipts, which are used to help deliver services and keep council tax down.
- proactively investing cash balances to generate £6m interest each year.

2.2. The public inspection period for the accounts will take place between 2nd May and 14th June 2018, in line with the Accounts and Audit Regulations 2015. The accounts will be signed off on 15th June subject to the inspection period.

2.3. The accounts are shown in Appendix 1 and contain full details of the council's finances for the 2017/18 financial year.

3. GENERAL FUND REVENUE OUTTURN

3.1. The General Fund revenue position saw a £10.088m gross underspend against approved budget, broadly in line with the £8.182m forecast at the end of January 2018. Against a gross controllable expenditure budget of £864.957m, this underspend represents a 1.2% variance. This variance arises from a number of issues across the Council.

3.2. In total £7.106m of the underspend of £10.088m will be left as an addition in 2018/19 to the Council's general reserves increasing the balance from £48.777m to £55.883m, as broadly anticipated and approved in the 2018/19 Budget Setting and Council Tax Report. This will increase the council's ability to withstand financial shocks and will strengthen financial standing. The remaining £2.982m has been added to the general fund reserve balance but early in 2018/19 will be allocated to finance the My Westminster programme in addition to an additional small existing reserve as follows:

- £0.5m to deliver My Westminster Fund community based projects
- £1.742m to deliver the currently identified and scoped out My Westminster Projects
- £0.1m to establish the My Westminster Club
- £0.5m allocated directly to Discretionary Housing Payments (DHP) to help residents meet the costs of their housing
- £0.48m to be set aside to augment current or finance a later tranche of projects under the My Westminster programme

3.3. An analysis of the surplus on the General Fund Revenue Account by Cabinet portfolio is set out in the table below:

	Outturn vs Budget (£m's)
Leader of the Council	(1.055)
Planning and Public Realm	(0.592)
Housing	(0.129)
Environment, Sport and Community	(1.066)
Finance, Property and Corporate Services	(3.932)
City Highways	(3.664)
Children, Families and Young People	0.499
Adult Social Care and Public Health	(0.179)
Total	**(10.088)**

3.4. The following sets out an overview of the principal reasons behind the above variances for each Cabinet Portfolio:

Leader of the Council (£1.055m net underspend)

- Policy and Strategy - The underspend of £0.531m is mainly due to a one-off income benefit of £0.400m that is recognised to offset historic CIL administration costs. A detailed review of legacy administration costs was undertaken, and the regulations allow historic costs to be offset from future income. In addition, £0.120m is due to careful management of staff costs. However, this is offset by an overspend on running costs of £0.011m.

- Corporate Strategy and Transformation - The underspend of £0.518m is a one-off benefit due to delays in establishing the priority areas in 2017/18 resulting in, non-pay spend being lower than budget by £0.420m and lower staff costs through careful management £0.098m.
- Evaluation and Performance - The underspend of £0.239m is due to careful management of staff cost £0.273m offset by an overspend on non-pay costs £0.034m.
- PPC Directorate Development - The £0.172m underspend is due to careful management of staff costs £0.169m and an underspend on other running costs £0.003m.
- Chief of Staff - The underspend of £0.014m is due to in year vacancies of £0.046m which is offset by an overspend on other running costs of £0.032m.
- Campaigns and Customer Engagement - The overspend of £0.393m is mainly due to non-pay cost of £0.393m relating to external communication support for campaign projects of which, £0.056m is for the prior year and £0.337m is for in year spend.
- Lord Mayor's Secretariat - The overspend of £0.050m is due to staffing of £0.034m and other running costs £0.016m.
- Cabinet Secretariat and Members Services - The overspend of £0.046m is mainly due to actual staffing costs being greater than budget by £0.024m and other running costs of £0.022m.
- External Communications - The overspend of £0.036m is due to higher non-pay expenditure after a detailed review of all paid invoices.

Planning and Public Realm (£0.592m net underspend)

- Development planning – (£1.326m underspend) - The underspend is due to vacancies within the department (£920k), additional income generated during the year (£325k) as well as other minor cost underspends of (£81k).
- Public Realm (£0.516m overspend) – additional revenue costs of public realm scoping works
- Building Control (£0.218m overspend) - Reduced income generated in year as a result of market conditions

Housing (£0.129m net underspend)

- Homelessness (£0.032m underspend) - arising from re-procurement of HOS contract and resultant reduction in contract-related costs.
- Other Housing Operations services (£0.097m underspend) - arising from staffing vacancies after reorganisation and miscellaneous contract and running costs.

Environment, Sport and Community (£1.066m net underspend)

- Waste and Parks (£1.124m underspend) - The outturn position is an underspend of £1.124m, largely arising from reduced waste volumes (£1.081m).
- Community Services (£0.157m underspend) - The outturn position is a favourable variance of £0.157m, relating to a combination of salaries and premises underspends and increased rental income at Westbourne Green.
- Public Protection and Licensing (£0.070m underspend) - The outturn position is a favourable variance of £0.070m relating to the reimbursement of mortuary costs.
- Tri-borough Libraries and Archives (£0.285m overspend) - The outturn position is largely due to under achievement of income within the Registration Service relating to the refurbishment of Old Marylebone Town Hall, and associated launch costs.

Finance, Property and Corporate Services (£3.932m net underspend)

- City Treasurers - City Treasurer outturn is an underspend of £2.676m against budget. This is due to increased interest earnings of £2.450m, an over recovery of £0.402m from business rates collection, an underspend of £0.080m from the Revenue and Benefits contract and an over-recovery of £0.107m from fines and penalties. However, this is partly offset by an under recovery of £0.220m grant income and £0.142m other running costs.
- Electoral Services and Elections - An underspend of £0.160m is due to election costs being lower than expectation by £0.100m and other running costs of £0.060m.
- People Services - The underspend of £0.133m is due to in year vacancies and running costs of £0.084m and lower corporate training cost of £0.049m.
- Procurement - The underspend of £0.099m is due to an underspend in supplies and services which is mainly driven by capital Esourcing contract costs being lower than budget.
- Corporate Services Trading - The underspend of £0.092m is due to an over recovery of £0.150m from the management of the Matrix contract. However, this is offset by an under recovery on the traded income from Westminster Procurement Services £0.058m.
- Information Services - The underspend of £0.083m is due to contract spend with BT and Virgin Media being lower than budget by £0.291m and prior year s113 income of £0.149m. However, this is partly offset by an under recovery of capitalisation charges £0.130m, higher s113 charges of £0.112m from other boroughs, an under recovery of telephony savings of £0.035m and on other salaries and running costs of £0.080m.
- Corporate Management - The underspend of £0.061m is due to lower legal expenditure then planned.
- Chief Executive Officer - The underspend of £0.045m is mainly due to in year vacancies within the service £0.050m which is offset by an overspend on running costs £0.005m.
- Complaints and Customer - The underspend of £0.037m is due to a secondment of an officer to another authority £0.021m and other running costs £0.016m.
- Land Charges Service - The underspend of £0.028m is due to an over recovery of land charges income.
- Director of Corporate Services - The underspend of £0.008m is due to a salary underspend £0.041m which is partly offset by an overspend on other running costs £0.033m.
- Coroners Service - The underspend of £0.008m is due to running costs lower than plan £0.048m. However, this is offset by costs relating to the Westminster Bridge terrorist attack £0.040m.
- Property, Investments & Estates - The outturn for Property, Investment and Estates is an overspend on £644k. This is related to the under recovery of developer income on the Luton Street and Sir Simon Milton UTC projects. This income will be received next year in line with both projects' progress.
- City Promotions, Events and Filming - The overspend of £0.252m is mainly due to £0.300m income relating to Events and Filming. Non-controllable circumstances have resulted in a downturn in the Events market (£0.200m). This is primarily due to the terror incidents in Manchester and London and the notification in December that the Odeon and Vue cinemas in Leicester Square will be closed for the majority of 2018 for refurbishment. The business rate charge for the advertising screens at Piccadilly Underpass is £0.140m higher than expected which has diluted the anticipated benefits from this initiative. The charge is expected to be challenged however this could take two years to resolve. If

successful, then this will be a benefit for the Council in future years. The shortfall is partly offset by a surplus of £0.078m from different Outdoor Media income streams and additional income of £0.110m for a secondment.

- Housing Benefits underspend of £0.182m due to lower bad debt provision adjustment than anticipated
- The outturn position is an underspend of £0.079m due to underspends in supplies and services, primarily related to reductions in legal charges.
- Legal Services - The overspend of £0.231m is due to a one-off implementation cost for the alternative business structure initiative of £0.086m and an under recovery from external income due to a downward trend in s106 legal workn of £0.078m, an under recovery on fee charges of £0.100m and a net overspend on salaries and other running costs of £0.009m. However, this is partly offset by a lower s113 charge of £0.042m from the other boroughs.
- Committee, Governance and Members Services - The overspend of £0.024m is due to property costs relating to the use of Council House from London Business School (£0.026m) and an overspend on salaries and running costs (£0.032m). This is offset by an underspend on Members allowances (£0.034m).

City Highways Underspend (£3.663m net underspend)

- Parking (£2.418m underspend) - The outturn position is a favourable variance of £2.418m due to underspends on concessionary fares and contract efficiencies. Over recovery of suspensions income has been offset by reductions in paid for parking income.
- Public Protection and Licensing (£0.675m underspend) - The outturn position is a favourable variance of £0.675m due to a combination of underspends in salaries and supplies and services including early delivery of 2018/19 MTP savings, and over recovery of Fixed Penalty Notice income for waste enforcement following legislation change.
- Highways Infrastructure & Public Realm (£0.570m underspend) - The outturn position is favourable variance of £0.570m, largely due to increased income in Road Management alongside salaries underspends in the Highways service.

Children, Families and Young People (£0.499m net overspend)

- Finance and Resources (£0.538m underspend) - this relates to £0.163m Mosaic costs and a £0.375m pressures contingency to mitigate the overspend on Family Services.
- Children's Services Commissioning (£0.251m underspend) - A net underspend of £0.251m as a result of a non-pay expenditure being £0.142m less than expected; reduced Section 113 Shared Service costs of £0.074m and other minor variances of £0.021m.
- Family Services (£0.741m overspend) - Overall £0.741m overspend variance largely as a result of pressures in placement costs, Duty and Assessment staffing and client support.
- Education, Schools and Disability (£0.512m overspend) - There is a £0.512m overspend within Education and Children with Disabilities. This is made up of over-accrued income of £0.275m identified against SEN pupil recoupment; greater legal and tribunal case costs than expected of £0.111m and additional SEN transport pressures of £0.126m
- Safeguarding Review and Quality Assurance (£0.035m overspend) - made up of a number of minor variances.

Adult Social Services and Public Health (£0.179m net underspend)

- Adult Social Care Integrated Care (£0.179m) – underspend is as a result of increased income from other Local Authorities in relation to the sale of block bed spaces.

  Public Health - Underspend (0.0m)

  There are over and underspends and overspends in the Public Health Service and these are detailed in the following bullet points. The net savings reduce the planned transfer from reserves to derive a net nil contribution from the General Fund. Forecast transfer from reserves is significantly less than budgeted due to procurement and efficiency savings achieved and as detailed below:

- Families and Children's - (£1.351m) - Underspends relating to Savings in Families and Children's services have been made through re-procuring large contracts and seeking efficiencies in delivery, particularly Children's 0-5 service (£0.491m), School Nursing (£0.378m) & Childhood and Adults Obesity (£0.388m) and £0.094m from reduction in Community based activity.
- Sexual Health - (£0.085m) - Savings have been made from Young People's services which have been combined and now covered in the Support and Advice for Sexual Health (SASH) contract.
- Substance Misuse - (£2.675m) - Core Alcohol and Drug programmes are forecasting savings of (£0.530m) from lower costs re-procurement, particularly core drugs & alcohol services. Demand for complex placements is not as high as anticipated leading to a saving of (£0.358m), along with (£0.374m) for Reducing Reoffending which although was planned for this year will now commence in 2018/19. Further savings of (£0.150m) have been identified from reduced demand for Community-based services. Due to the transformative nature of changes within Substance Misuse, the (£1.263m) contingency fund will no longer be required
- Salaries and Overheads - £0.509m - An increase in the number of temporary staff has led to a overspend in the salaries forecast.
- Public Health Investment fund - (£0.125m) - Small underspends in projects due to lesser levels of demand in Learning disabilities and Supported Employment initiatives.

Where appropriate grant within this directorate has been added to reserves to match the resources to future years expenditure. For example to smooth the impact of the potential fallout of the iBCF in 2020/21.

4. GENERAL FUND CAPITAL OUTTURN

4.1. The General Fund Capital Programme shows a net underspend of £29.522m against the 2017/18 approved net budget of £171.480m. It is not expected that this in-year underspend is likely to have any significant impact on the Council's long-term cost of funding the capital programme.

4.2. The table below sets out a summary of the variances between approved capital budgets and outturn by relevant Cabinet portfolio:

	Net Budget (£m's)	**Net Outturn (£m's)**	**Variance (£m's)**
Planning and Public Realm	4.250	2.954	(1.295)
Housing	22.379	18.415	(3.964)
Environment, Sport and Community	12.529	12.658	0.128
Finance, Property and Corporate Services	112.431	91.493	(20.939)
City Highways	17.485	15.977	(1.508)
Children, Families and Young People	0.807	0.304	(0.502)
Adult Social Care and Public Health	1.600	0.157	(1.443)
Total	**171.480**	**141.958**	**(29.522)**

4.3 The following sets out a summary of the key projects contributing to the above variances:

Planning and Public Realm (-£1.295m underspend)

- The West End Partnership programme (£1.196m) – The programme of works has an underspend in 2017/18 due to delays in commencement of works, primarily related to works on the Oxford Street Transformation which has a revised delivery timetable. However an over-recovery of funding has contributed to this variance, as TfL contributions were received earlier than expected.

- Public Realm Improvement Schemes £0.311m – An accelerated number of public realm schemes and works on these schemes was undertaken in quarter 4 of 2017/18. The increase in expenditure on these schemes is mostly offset by third party funding of these works.

- Bond Street (£0.271m) – £0.445m of expenditure has been re-profiled to 2018/19 due to delays in Crossrail implementation. This has limited site access and reduced the programme undertaken in 2017/18.

Housing (-£3.964m underspend)

- Temporary Accommodation Purchases (£1.063m) – Activity is dictated by the availability of suitable properties to purchase. There were 18 "Out Of Borough" properties purchased during the year at average cost of £0.262m each incl. all fees.

- Private Sector Housing Discharge Initiative (£3.000m) –Activity will commence in 2018/19 as originally planned.

Environment, Sport and Community (£0.128m overspend)

- Moberley Sports Centre Redevelopment £0.375m – Construction is on programme and Jubilee phase one is complete, with practical completion of phase two scheduled for September 2020. Moberly Leisure centre is expected to complete in July 2018. The 2017/18 current budget reflected the reduced construction progress in Q3 however, some of this progress was recovered resulting in an in-year overspend.

- Libraries 6 year redecoration programme (£0.290m) – Delays in design work on the four sites to be refurbished means that the majority of the 2017/18 budget has been re-profiled into 2018/19, as works cannot commence until the designs have been improved.

Finance, Property and Corporate Services (-£20.939m underspend)

- Strategic Acquisitions (£4.494m) –The approved budget assumed completion would be achieved on 2 Upper Tachbrook Street, however, this been delayed. Strategic acquisitions are, by their nature, reactive and rely on properties becoming available to purchase.

- Sir Simon Milton University Technical College £0.545m – The school is now open with the residential element expecting practical completion in May 2018. EFA income received exceeded budget by £0.400m.

- Lisson grove Programme (£0.364m) – A multi-disciplinary team have now been appointed to carry out further design and site investigation work on the site. An OBC will be completed in 2018/19 to take the project to the next stage. The approved budget included £0.300m relating to surveys on the site, which will now take place in 2018/19.

- Landlord Responsibilities (£0.779m) – The service have a schedule of works for works that are required however these have not progressed as quickly as anticipated.

- Digital Transformation (£2.056m) – The underspend is due to the opportunity to finance all 2017/18 Digital Transformation expenditure with flexible capital receipts. A review of the MHCLG guidance for the use of flexible capital receipt evaluated that the Digital Transformation expenditure meets the criteria of qualifying expenditure and in-year capital receipts were available to offset this cost.

- Capitalisation of Pension Contribution (£10.000m) – After the release of the statutory guidance from the HMCLG regarding the flexible use of capital receipts a decision was made to contribute funds to the pension deficit. This would result in future savings meeting the definition of qualifying expenditure. The £10m contribution has been offset by in-year capital receipts. Further details can be found in section 5 of this report.

- Capital Contingency (£4.500m) – A budget was created for contingency purposes within the capital programme. The forecast was reduced each period as the likelihood of the budget being required became less likely.

City Highways (-£1.508m underspend)

- Cambridge Circus Improvements (£0.469m) – There are £0.330m of utilities to be billed in 2018/19 relating to end of project works, as well as final stage 6 costs. Therefore this underspend will be re-profiled. The budget of £1.268m included an element of contingency which is now not required.

- Planned Preventative Maintenance Highways (£0.943m) – Against a gross budget of £9.5m, £0.642m of expenditure is to be re-profiled to 2018/19 due to delays on the below schemes, all of which will be complete in April 2018:
  - Tothill Street - Drainage works required before implementation can commence - £100k
  - Westbourne Terrace - presence of high voltage cables on site is delaying implementation - £300k
  - Third Party billing and reconciliations to be finalised - £242k

- Local Safety and Traffic Management Schemes (£0.475m) – TfL Income has been fully claimed in year. The scheme on Sutherland Avenue has been delayed due to adverse weather conditions and will be completed in April 2018. Various smaller projects have also had delays in commissioning and will be re-profiled to 2018/19.

- Waterloo and Golden Jubilee Bridges £0.524m – Access to site was limited for the first 9 months of the year due to security measures put in place by the Metropolitan Police, which changed the weight of the bridge. Therefore, approval was granted to re-profile the budget into 2018/19. However work accelerated from period 10 resulting in a higher than anticipated outturn.

Children, Families and Young People (-£0.502m underspend)

- Remodelling of Early Help/Children's Services Investment (£0.502m) – The spend is related to works at Bessborough Children's Centre. Works have been re-profiled and will be completed in 2018/19. The overall projected cost have not changed.

Adult Social Care and Public Health (-£1.443m underspend)

- Beachcroft (£1.400m) – A full business case was approved in November 2017 and demolition works have commenced. Contractors have been appointed, with construction starting at the beginning of 2018/19, and are estimated to complete in March 2020. Expenditure of £2m has been incurred in 2017/18, fully funded by the Affordable Housing Fund. The in-year underspend is due to delays to onsite commencement which has resulted in a CIL payment of £1m slipping to 2018/19 and an underspend of £0.400m on enabling works.

Overview of Capital Programme and Delivery Strategies

4.5 The Council's capital programme is prioritised into three key areas, Development, Investment and Operational.

The table below shows the breakdown of the capital programme across these areas:

Designation	Net Budget £000's	Net Outturn £000's	Net Variance £000's
Development	33,226	28,108	(5,118)
Investment	16,000	15,713	(287)
Operational	122,255	98,137	(24,117)
	171,480	141,958	(29,522)

Development

4.6 Development projects are key schemes that help the council achieve its strategic aims, in line with City for All. This includes the long-term sustainability of Council services through income generation and meeting service objectives in areas such as affordable housing and regeneration.

4.7 Development schemes make up a sizable portion of the gross capital budget and include significant projects such as the Moberley Sport Centre Redevelopment, Seymour Leisure Centre, and Sir Simon Milton University Technical College which will benefit those who live and work in Westminster.

Investment

4.8 One of the key objectives is for the Council to maximise its return on investments and grow income through active management of the investment portfolio. Income through these means will support the on-going financing costs of the capital programme.

4.9 In 2017/18 a gross budget of £16m was allocated to be spent on investment opportunities in the form of property acquisitions, of which over 98% was used. Property acquisitions are by their nature reactive, due to the need to wait for suitable opportunities to become available. Therefore spend each year can vary depending which investment properties become available during that time.

Operational

4.10 The Council's operational capital strategy is centred on capital improvement works to the Council's operational property portfolio. However, there are other key objectives, such as the need to ensure its assets meet health and safety standards and are fit for purpose in terms of statutory guidance and legislation, as well ensuring that the Council continues to invest in its current buildings and infrastructure to avoid incurring significant future costs.

4.11 Operational schemes make up the largest section in the capital programme have a gross budget of £200m, with external funding resulting in a net budget of £122m. These include a variety of programmes including school expansions, cycle schemes, planned preventative maintenance of the highways and lighting, along with investment in leisure facilities, parks and open spaces.

5. Flexible Use of Capital Receipts

5.1. In March 2016, the MHCLG issued statutory guidance on the flexible use of capital receipts, which allows local authorities to use capital receipts received in the years for which this flexibility is offered, to fund the revenue costs for service reform and transformation. Qualifying projects are those that are forecast to generate ongoing savings in the delivery of public services and/or transform service delivery to reduce costs. This guidance covered the period 1 April 2016 to 31 March 2019, and applies only to capital receipts generated during this period. However in the Provisional Local Government Finance Settlement in December 2018 it was announced that this scheme would be extended for a further three years.

5.2. The council identified three capital projects, Westminster City Hall refurbishment and Digital Transformation, which have significant revenue spend, along with a contribution to the pension fund deficit, which meet the definition of qualifying expenditure. Ongoing savings are expected from these projects and the council received approval last year to part-fund these from capital receipts.

Pension Fund Deficit

5.3. The Council plans to utilise capital receipts in order to reduce the historic deficit on the Pension Fund and thus make future ongoing net savings in annual deficit recovery payments. Council approval for payment of increased deficit contributions is set out in the 1 March 2017 revenue budget report, para 2.1, bullet 10, with reference to para 5.34. By contributing three one-off annual £10m contributions funded from flexible capital receipts, instead of the pension fund deficit being completely paid in the late year of 2031/32, this will be brought forward to the early part of 2030/31, with total savings of £25.9m and the funding level improving from 79.3% to 82.1% by 2019/20.

Digital Transformation

5.4. The Digital Transformation Programme is an enabler, which will deliver on-going revenue savings and efficiencies within Council services and enhance the contact experience of our customers. The Programme incurred £2.666m of spend in 2017/18, which is one-off expenditure that will aid the realisation of existing commitments and deliver future financial savings. The savings target is £3.517m over two phases, Base case £1.017m and Accelerate case £2.500m. The Base case captures existing Medium Term Plan (MTP) commitments that are dependent on the delivery of the digital platform to transform identified services.

City Hall Refurbishment

5.5. The refurbishment of City Hall meets the definition of qualifying expenditure in the Flexible Use of Capital Receipts guidelines. The completed scheme will deliver increased income streams for the council from rental income as well as reduced running costs. The building will be more efficient than it previously was and the income will be generated from leasing out 10 floors of City Hall. It is anticipated that the Council will receive currently estimated savings stabilising at £4m from 2024/25 onwards

5.6. As part of the Capital Strategy approved in March 2017 approval was given to fund qualifying revenue expenditure on the City Hall Refurbishment via capital receipts. A subsequent Cabinet Report in June 2017 gave further approval for the use of up to £27.1m worth of capital receipts to fund qualifying revenue expenditure. When Full Council authority was given for the use of capital receipts, it was outlined that this would be subject to an annual review process for members to approve. During 2017/18, the Council has spent £9.9m on revenue expenditure related to the refurbishment of City Hall.

6. HOUSING REVENUE ACCOUNT OUTTURN

6.1. The Housing Revenue Account (HRA) has generated a £0.439m deficit, which is £2.394m under the budgeted target for the year. HRA general balances which covers the deficit and the financing of capital schemes reduces from £41.586m to £25.366m at the end of 2017/18.

6.2. HRA income of £109.463m, was an under achievement of £1.568m compared budget. This was mainly due to lower income from lessees for major works and from commercial properties.

6.3. Major works income from lessees was £3.828m less than budget as the number of projects reaching completion was below expectations following the mobilisation of new contractors. Commercial property income of £4.426m was below budget by £0.553m due to an increase in trading charges. Income from service and facilities charges exceeded budget by £1.464m on a gross basis. However, after accounting for costs the net income was £0.239m more than budget mainly from higher lessee service charges. Income from lease extensions and asset sales was higher than budget by £1.372m as the volume of activity exceeded budgeted levels. Dwelling rent of £74.348m was under budget by £0.126m, whereas non-dwelling rent was over budget by £0.137m. Several other income lines under recovered by £0.034m.

6.4. HRA expenditure of £109.822m, an overspend of £0.746m, was due to lower costs in housing management, repairs and maintenance and capital financing charges being offset by an increase in the provision for bad debts.

6.5. Housing management costs of £51.798m under spent by £0.744m. Housing management costs include the City West Homes transformation programme for which a reserve of £3.162m is no longer required and has been released. Repairs and maintenance under spent by £0.291m with lower void and responsive repairs costs offset by higher planned maintenance costs. This under spend represents 1.48% of the annual repairs and maintenance budget of £19.662m.

6.6. Depreciation expense of £23.371m was £0.696m lower than budget because of improvements in the accuracy of recording components within the asset register. Borrowing costs were £0.094m less than budget as a loan was refinanced at a lower interest rate. A review of HRA debtors led to a reduction in the bad debt provision for tenants (£0.217m) which was offset by an increase in the provision for leaseholders (£3.223m). For leasehold debt, the age profile was analysed and a higher rate of provision set for debts older than a year rather than a flat rate being applied across all debt categories. The adverse variance was £2.570m against a budget of £0.500m.

6.7. All three capital groupings within the HRA underspent compared to budget. The main reason for the underspend on Major Works was due to the new term contractors taking some time to mobilise to deliver external works. Regeneration schemes were re-profiled owing to a variety of issues including stakeholder consultation, unforeseen delays, procurement issues and planning processes.

6.8. Within Other Projects, expenditure on the Infills programme will be re-profiled into 2018/19 (£1.852m), and the contingency is not required (£4.086m). The over spend on Self-financing is £3.636m because the council was more successful at identifying properties that meet the self-finance criteria. This overspend was funded by previously accumulated capital receipts rather than external borrowing. Kemp House produced an underspend of £0.724m. This scheme involves buying four affordable housing units from a developer who has reported reprofiling of the construction programme.

6.9. The most significant in-year capital variances to budget on specific schemes include:

- £3.636m Self Financing scheme – A greater number of suitable properties became available during 2017/2018 than was originally anticipated.
- £1.882m Almacantar/Edgware Road - The milestone payment of £1.935m that relates to start on site was expected in 2016/17 but was paid in 2017/18.
- £1.491m External Works & Laterals - Works progressing ahead of forecast.
- (£6.185m) Church Street Phase 2 - The reduced forecast expenditure is due to acquisitions not yet identified/ implemented.
- (£4.831m) Lisson Arches scheme - The major works contract period was delayed as a result of the scale of unforeseen statutory services relocations required.
- (£4.880m) Luton Street - The terms of the deal with the developer have had to be re-negotiated due to updated design resulting in an underspend.
- (£6.338m) Parsons North - As a result of the developer exiting the deal and the change to a self-delivery strategy has meant an under spend**.**
- (£9.192m) Cosway Street - The start date has slipped resulting in costs moving from 2017/18 to 2018/19.
- (£3.237m) Ashbridge - Expenditure has reduced due to a change in the delivery model strategy.
- (£4.509m) Combined Heating programme- A delay in securing the Business Case approval has resulted in an under spend.
- (£5.599m) Ebury Bridge – A full scheme re-design was required because the original scheme was considered financially unviable by the market.
- (£1.852m) Infill Schemes - The underspend is the result of programme delays.
- (£0.724m) Kemp House - The developers programme has slipped resulting in practical completion not being achieved in 2017/18.
- (£1.670m) Lift works to HRA stock – Slippage of works while the new term contractor mobilises to deliver the programme.
- (£4.585m) External Repairs & Decorations - Legacy costs of £1m have been contained. Contingency budgets not required.
- (£1.531m) Fire Precautions work – The budget included specialist works which have slipped to 2018/19.
- (£1.441m) Major Works General – Under spends on heating offset by additional expenditure on planned roofing.
- (£4.086m) Contingency – Not required on Regeneration or Other Projects schemes.

7. CORE ACCOUNTING STATEMENTS

Balance Sheet

7.1. The accounts use International Financial Reporting Standards (IFRS) to produce the Core Statements. This in turn is adjusted by statutory regulations relating specifically to local government accounts.

7.2. The Balance Sheet in the table below shows that the Council's net asset position increased by £346.371m from £1.869bn in 2016/17 to £2.215bn in 2017/18.

Balance Sheet

31-Mar-17 Restated		Note	31-Mar-18
£'000			**£'000**
	ASSETS		
	Non-current		
2,070,430	Property, plant and equipment	Note 18c	2,345,818
42,746	Heritage assets	Note 19	42,846
454,840	Investment property	Note 20	393,312
1,077	Intangible assets		875
27,386	Long-term investments	Note 21a	2,433
15,229	Long-term debtors	Note 26	38,015
2,611,708	**Total long term assets**		**2,823,299**
	Current		
742,980	Short-term investments	Note 21a	864,800
179	Inventories		94
73,369	Short-term debtors	Note 26	93,843
170,302	Cash and other cash equivalents	Note 21b	161,238
2,250	Assets held for sale	Note 18c	40,000
989,080	**Current assets**		**1,159,975**
	LIABILITIES		
2,069	Short-term borrowing	Note 21a	32,069
471,584	Short-term creditors	Note 27	642,430
8,341	Revenue receipts in advance	Note 13	5,635
481,993	**Current Liabilities**		**680,134**
204	Long-term creditors	Note 27	2,917
121,504	Provisions	Note 28	81,451
251,269	Long-term borrowing	Note 21a	221,230
786,898	Other long-term liabilities	Note 30	710,551
89,789	Capital receipts in advance	Note 13	71,490
1,249,665	**Long-term liabilities**		**1,087,639**
1,869,131	**Net assets**		**2,215,501**
575,719	Total Usable Reserves	MiRS	628,395
1,293,412	Total Unusable Reserves	Note 29	1,587,106
1,869,130	**Total Reserves**		**2,215,501**

7.3. The £346.371m increase in net assets is mainly due to the following factors:

- Increase of £275m in Property Plant and Equipment. Significant increase in the capital spend in projects within Public Realm Improvement Schemes such as Moberly, Jubilee, Sir Simon Milton UTC and the Dudley House Academy. City Hall refurbishment spend is £28.1m.
- Decrease of £61m in investment property: £52m is due to downward revaluation of investment properties. In addition, reclassification of investment properties to operational properties caused the reduction.
- Increase of £170m in short term creditors, this is due to an increase in NNDR amounts payable to GLA. This has increased by £113m as a result of the final position being arrived at the end of 2017/18.
- Increase of £121m in short term investments. This is mainly due to the increase in investments from loans & receivable and offset by the reduction in investments from 'available for sale financial assets'.
- Increase of £294m in unusable reserve: This is due to the increase of £68m in Revaluation Reserve, £78m in Capital Adjustment Account, £70m increase in collection adjustment account fund reserves, caused by adjustments due to variances on the collection fund in 2017/18 but also in previous years. These adjustments are large because of the scale of the council's taxation income and impact on the council's CIES. This was reduced by £75m of Pension reserve.

Comprehensive Income and Expenditure Statement (CIES) and Movement in Reserves Statement (MiRS)

7.4. In addition to the normal budget monitoring report that is reported monthly local government accounting requires the production of a comprehensive income and expenditure statement and a movement in reserves statement. The former is derived using international accounting standards and the movement in reserves statement is designed to adjust for technical transactions such as depreciation.

7.5. A reconciliation of the CIES with the budget monitoring is shown below:

Summary reconciliation from CIES to Outturn

	General Fund Balance (£m)	**Housing Revenue Account** (£m)	**Total** (£m)
Surplus of Provision of Services (as per CIES)	148.595	14.964	163.559
Technical accounting adjustments (as per MiRS)	(130.422)	(34.346)	(164.768)
Use of earmarked reserves	(8.085)	3.162	(4.923)
Net surplus against budget	10.088	(16.220)	(6.132)

7.6. The £130,422m general fund technical accounting adjustments in the above table consist primarily of the following areas:

- £70m adjustment on Business Rates to account for timing differences
- (£49m) neutralisation of depreciation and revaluation movements on the Council's operational and investment properties
- £95m of capital grants transferred to the Capital Grants Reserves prior to their future use when conditions or restrictions are met. This movement is to ensure capital and revenue income streams are kept separate as per statute
- (£16m) adjustment to the Pension Reserve which neutralises the current service costs and ensures that actuarial estimates are not charged to Council Tax
- £86m Capital Grants & Contribution applied
- £56m Revenue Expenditure Funded from Capital Under Statute

Cash Flow Statement

7.7. There was a £9m decrease in the council's cash and cash equivalents (that is, investments that mature in no more than three days), falling from £170.302in 2016/17 to £161.238m 2017/18. A summary cash flow can be found in the table below

7.9. There was a net outflow of £416m from the investing activities as the Council used its cash reserves to make short-term investments and for the purchase of PPE. This was offset by £32m capital receipts and £95m capital grants for use by the Council in supporting its City for All capital programme.

Summary Cash Flow Statement

2016/17		Note	2017/18
£'000			**£'000**
44,448	Net surplus/(deficit) on the provision of services		163,560
415,165	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	Note 31	218,797
(99,259)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	Note 31	(126,636)
360,354	Net Cash Flows from Operating Activities		255,721
(301,547)	Net Cash Flows from Investing Activities	Note 32	(288,750)
(6,085)	Net Cash Flows from Financing Activities	Note 33	23,965
52,722	Net increase/(decrease) in cash and cash equivalents		(9,064)
117,580	Cash and cash equivalents at the beginning of the reporting period		170,302
170,302	**Cash and cash equivalents at the end of the reporting period**		**161,238**

8. PENSIONS

Fund Account

8.1 The value of the council's Pension Fund increased by £68m over the course of the year, rising from £1.268bn to £1.336bn. The table below summarises the major elements that comprise this net change.

2016/17 £'000		2017/18 £'000
38,715	Members Contributions Directly Paid in	**58,868**
(51,632)	Benefits Paid and Transfers Out	**(57,350)**
(5,052)	Management Expenses	**(5,734)**
9,891	Investment Income	**15,785**
209,356	Investment Returns	**56,708**
201,278		**68,277**

8.2 As part of the deficit recovery plan, increased contributions paid into the Fund have resulted in the Fund returning to a positive cash flow (contributions versus pensions paid) of £1.5m, meaning that investments no longer need to be sold to fund pension payments in the financial year.

8.3 The Fund has seen a sharp rise in investment income of 60%; this is due part way to the pooled property investments generating significant extra distributions to the Fund.

8.4 The Fund has continued to benefit from strong equity markets and a large asset allocation to this area; the total increase in assets available to pay benefits saw a 5.4% increase

8.5 Management costs have risen by 13.5% on the year, this is largely due to the increased value of the Fund over the last two years resulting in higher management fees, a transition to the London CIV in the Majedie portfolio and repositioning of the insight fixed income portfolio.

Net Asset Statement and Liability

8.6 The Pension Fund defined benefit obligation has fallen by £99m. This is due to both the fair value of scheme assets rising due to favourable equity market conditions and changes to the financial assumptions. Softening inflation and pension increases reduced the expectation of higher benefits being due in the future.

2016/17 £'000		2017/18 £'000
(2,052,314)	Present Value of Promised Retirement Benefits	**(2,014,651)**
1,274,628	Fair Value of Scheme Assets (bid value)	**1,335,977**
(777,686)	**Net Liability**	**(678,674)**

8.7 An analysis of the £1.365bn net assets shows is shown below:

2016/17 £'000		2017/18 £'000
173,673	Bonds	183,879
150	Equities	150
1,085,348	Pool Investment Vehicles	1,129,276
384	Futures & Forward Foreign Exchange	337
2,499	Income Due	2,790
	Debtors	13,218
1,726	Cash Deposits	10,321
(177)	Investment Liabilities	(229)
(1,710)	Amounts Due for Purchase investments	(9,663)
7,010	Other Current Assets	6,728
(1,204)	Other Current Liabilities	(831)
1,267,699		1,335,976

9. TREASURY

Interest Earnings

9.1 The Interest receivable against budget is shown below:

Budget Item	Actuals £000	Budget £000	Variance £000
1) Treasury Actuals on Agresso (31/03/18)	5,228	2,818	(2,410)
Subtotal Treasury Interest Receivable	5,228	2,818	(2,410)
2)Westminster Community Homes	522	522	0
3)Temporary Accommodation	852	852	0
4) Other	719	719	0
Other interest Items Receivables	2,093	2,093	0
Total	7,321	4,911	(2,410)

9.2 The average yield return for the year was 0.44%, compared with 0.62% for the prior year. This is due to the feeding through of the 0.25% base rate cut in August 2016. Yield expectations are starting to increase again looking forward, with the average return on investments currently 0.56% as at 31 March 2018.

9.3 The interest income earned in absolute terms has increased to £7.3m, significantly overachieving the budget figure of £4.9m. The main reason for this is the significant increase in cash reserves held throughout the year; the final year-end position has seen an increase of £83m on year-end investments from 31 March 2017 to £992.2m.

9.4 The Monetary Policy Committee's decision to raise the Bank of England base rate to 0.50% in November 2017 has also led to gradual increases in the interest rates paid on investments.

9.5 Decisions taken within the approved Treasury Management Strategy to increase the amount available to local authority borrowers in November 2017 have also meant there has been a wider choice of treasury investments and better opportunity to increase yields.

Breakdown of investments

9.6 The breakdown of investments as at 31 March 2018 is shown below:

Investment Type	Investment Balance 31 March 2017 (£m)	Investment Balance 31 March 2018 (£m)	Movement (£m)
Money Market Funds	143.4	129.6	**-13.8**
Notice Accounts	49.3	89.3	**40.0**
Term Deposits	310.0	385.0	**75.0**
Tradable Securities	374.6	336.1	**-38.5**
Enhanced Cash Funds	32.1	52.2	**20.1**
Total:	**909.4**	**992.2**	**82.8**

Interest Payable

9.6 The Interest Payable budget has stayed on target across the year as no new borrowing has been undertaken and the total borrowing for the full year was known at the start of the year.

Borrowing Type	Loans Balance 31 March 2017 (£m)	Loans Balance 31 March 2018 (£m)	Movement (£m)
PWLB	181.04	181.04	-
LOBO	70	70	-
Mortgage Annuity	0.26	0.23	**-0.03**
Total:	**251.30**	**251.27**	**-0.03**

9.7 The total interest payable is shown below:

Budget Item	Actuals £000	Budget £000	Variance £000
1) Treasury Actuals on Agresso (31/03/18)	**12,166**	**12,166**	**0**
Subtotal Treasury Interest Receivable	**12,166**	**12,166**	**0**

10. OBJECTIONS

10.1. All objections relating to prior years have now been cleared.

11. CLOSURE OF ACCOUNTS PROCESS AND FINANCE TRANSFORMATION

11.1. The earlier closure of the accounts in 2017/18 continues to derive from the Council's commitment to continual improvement in its financial management. Accelerated closure has given the Council an opportunity to play a primary role in the development of accounting practices that aim to simplify the accounts process and make them more transparent for the public.

11.2. The statutory deadline for publishing the accounts in 2017/18 has reduced from 30th June to 31st May meaning that the Council has anticipated and resolved many of the issues that may arise at other authorities due to the reduction in timeframe.

11.3. Further improvements that have taken place in 2017/18 are:

- lessons learned from the 2017/18 closure were identified and the frequency of "hard closure" was refined to maximise impact.
- further developments in Agresso processes have been simplified which reduced the timeframe for producing the Core Statements from the Trial Balance. The technical adjustments involved are quite complex for Local Government and automating this process has allowed more time to be spent reviewing and understanding the underlying data that underpin the statements.
- further improvements in the Quality Assurance process included the establishment of an Accruals Panel in the final month before year-end to provide additional level of scrutiny, not just for the accounts, but primarily to strengthen budgetary control. QA has also continued throughout the accounts process including during the audit period
- external audit planning throughout the year. This gave opportunity to submit some notes to the accounts for early sign-off. Additionally, improved audit planning allowed schools testing to take place late February/early March and reduced the resources required for the year-end audit.
- de-cluttering reduced the size of the accounts by a further 37 pages, or 16%, by removal of duplication across the accounts. This work will continue into and beyond 2017/18 to make the accounts as accessible as possible to the public.

11.4 Early closing has allowed the Council to embark on an ambitious programme of taking a lead role in the national development of Local Government accounting regulations. The main aim of this is to collaborate with the Local Government accounting body (CIPFA), the MHCLG and external auditors to simplify technical accounting standards to and make the accounts more meaningful to the public. This work will be on-going throughout the year and will significantly improve transparency of the financial accounts.

12. EXTERNAL AUDIT

12.1. The public inspection period for the accounts will take place between 2nd May and 14th June 2018, in line with the Accounts and Audit Regulations 2015. The accounts will be signed off on 15th June subject to the inspection period.

12.2. A separate report by the Council's external auditors, Grant Thornton, is on this committee's agenda. They will provide an update as to their interim findings in relation to the accounts and outturn position being presented in this report.

13. RECOMMENDATIONS

13.1. That the Audit and Performance Committee note the 2017/18 Draft Annual Accounts which will be re-submitted to the 15th June 2018 meeting, after which the statutory public inspection period will have lapsed.

BACKGROUND PAPERS

Westminster City Council - Statement of Accounts 2017/18

Westminster City Council - Pension Fund Accounts 2017/18

Grant Thornton Audit Findings Report Year ending 31 March 2018

Grant Thornton Audit Findings Report for City of Westminster Council Pension Fund Year ending 31 March 2018

Page 23

City of Westminster

City for All

Annual Accounts

Westminster City Council • 2017/18


MEET
500
YEARS
OF
BRITISH
ART
BRITISH
FOLK ART
10 JUNE –
31 AUGUST 2014
TATE
KENNETH
CLARK

Contents

The Statement of Accounts for Westminster City Council for the year ended 31 March 2018 has been prepared and published in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy. The Code is based on International Financial Reporting Standards, as adapted for the UK public sector under the oversight of the Financial Reporting Advisory Body.

1.
Preface

Chief Executive's Preface

INTRODUCTION TO THE 2017/18 STATEMENT OF ACCOUNTS BY CHIEF EXECUTIVE STUART LOVE

Westminster City Council's ambitious *City for All* plan is a plan for the Council and for the whole of the city. It invites each and every one of us to play a part in creating a City for All. 2017/18 was another successful year as the Council yet again demonstrated its ability to lead the industry in its pursuit of its City for All objectives.

Amongst many, these successes include a new Rough Sleeper Strategy, the opening of the Sir Simon Milton University Technical College and the launch of our new Social Value Strategy and Lion Awards. We have re-doubled our efforts to provide affordable, good quality homes for all of our residents and fit for purpose accommodation for all commercial businesses ranging from sole trader start-ups to established household names. The Council is also working hard to support front line services. 2017/18 saw the implementation of a fully digitised online planning service and the "Apprenticeship Levy" has enabled us to offer new types of apprenticeships and training schemes, tackling staff shortages and facilitating skills growth and talent development.

These achievements for our residents are equally matched by our success in managing the public funds with which we are entrusted. Since 2008 Westminster City Council has faced significant financial challenges due to reductions in funding from Central Government along with increasing demand for services. Between 2015 and 2018 we delivered approximately £130m of financial savings through efficiency programmes and income generation activities, with minimal cuts to front line services. In 2017/18 the Council took the necessary decision to implement a 1.90% general increase on Council Tax to fund services plus a fruther 2% Social Care levy to protect Adult Social Care budgets. Despite this increase, our Council Tax remained the lowest in the Country at £408.12 for a Band D property.

The process of identifying savings is on-going and will continue for the foreseeable future. The uncertainty and complexity of our financial landscape is magnified by the as yet unquantifiable impact of Brexit on both local government funding and future legislation. These impacts could turn out to be either positive or negative overall but are likely to affect key budget factors such as interest and inflation rates, labour costs and property and rental values.

Supporting the organisation to navigate these financial challenges is a sector leading department of finance which delivered this high quality Statement of Accounts in record time. This is truly a mark of sound and robust financial management. The Council prides itself on its ambition to remain at the leading edge of performance, delivering both value for money and high quality services to local residents, businesses and service users.

Going forward, I feel positive that the Council's Executive Team, our excellent staff and our strong sense of strategic direction will enable us to continue to navigate significant financial challenges whilst still delivering excellent services to our residents, businesses and customers. Investment in training continues to foster a strong sense of collaboration and passion throughout the organisation, empowering staff to think differently about how Westminster can deliver high quality in all that it does.

I would also like to take this opportunity to thank all of our staff who have worked throughout the year to balance the Council's budget, deliver efficiency savings and provide value for money, in addition to closing the accounts so promptly and to such a high standard. This continued innovation in our financial management enables us to to go forward with confidence and deliver the quality of services that residents, visitors and businesses have every right to expect.

Stuart Love

Chief Executive for Westminster City Council

Annual Governance Statement 2017/18

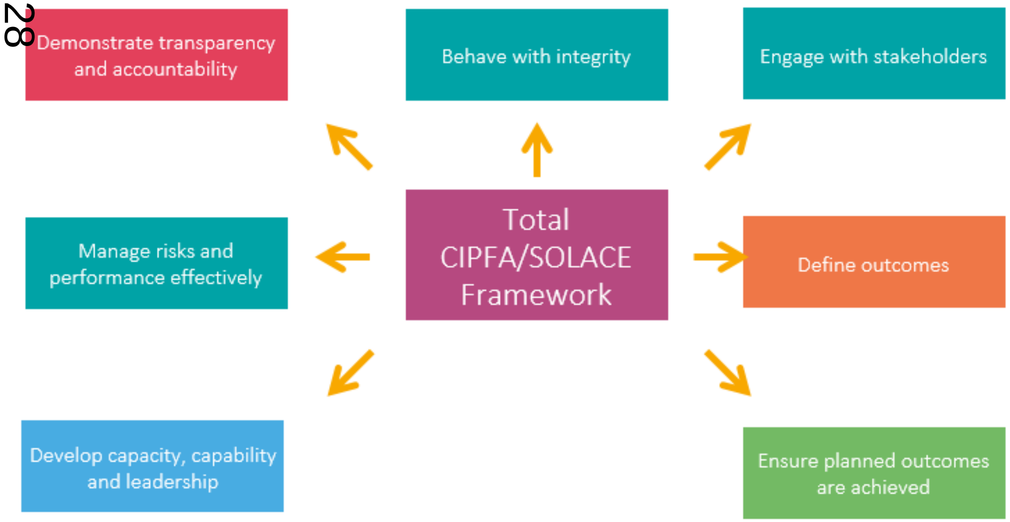
INTRODUCTION

The CIPFA/SoLACE Delivering Good Governance in Local Government Framework (2016) (the Framework) requires local authorities to publish an Annual Governance Statement, and to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations
- public money is safeguarded and properly accounted for
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

"Core principles" underpinning the CIPFA/SoLACE Framework are set out below together with an overview of the Council's own governance arrangements.

Appendix 1 sets out in more detail how the Council is meeting these seven requirements in practice.



KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

Key elements of the governance framework at Westminster City Council are summarised below:

Council, Cabinet and Leader

- Provide leadership, develop and set policy
- Develop and set policy to maintain the City's global standing
- Support the City's diverse communities and distinctive neighbourhoods to thrive and succeed

Decision making

- All meetings are held in public
- Decisions are recorded on the Council website

Risk management

- Risk registers identify both operational and strategic risks
- Key risks are considered by EMT every quarter
- Monitoring financial outcomes / governance of group companies and key partnerships

Scrutiny and review

- Scrutiny committees review Council policy and can challenge decisions
- Audit and Performance Committee reviews governance, costs vs budget and delivery of agreed plans

Executive Management Team (EMT)

- Head of Paid Service is the Chief Executive is responsible for all Council staff and leading an effective corporate management team (EMT)
- City Treasurer is the Council's s.151 Officer and is responsible for safeguarding the Council's financial position and ensuring value for money
- Monitoring Officer is the Council's Director of Law who with the City Treasurer is responsible for ensuring legality and promoting high standards of public conduct

REVIEW OF EFFECTIVENESS

The Council uses a number of ways to review the effectiveness of governance arrangements. One of the key assurance statements is the annual report and opinion of the Head of Internal Audit. During 2017/18 the Head of Internal Audit reported on 76 areas of which 66 (87%) were deemed satisfactory, including all key financial systems reviewed. Of the remaining 10 areas reviewed, none were core financial systems and only the four areas below were identified as high risk. The internal auditors' opinion for 2017/18 was that, based upon the areas audited, the Council's internal control environment and systems of internal control were adequate. Improvements in the following areas were recommended however:

Issues Identified for 2017/18	Planned action
Supplier resilience – contract monitoring should provide early warning of possible withdrawal or failure and the Council should establish agreed processes for ensuring business continuity if this occurs	A proposed way forward to improve contract management has been approved by senior management and will be implemented during 2018/19
Management and recording of staff absences	A new HR system is due to be implemented in 2018/19 which should address the weaknesses identified
Controls over payroll transactions and changes to standing data	Improvements in the processes for validating payroll data are being undertaken by HR and BT, which are due to be completed by June 2018
Monitoring and recovery of debts relating to Adult Social Care	A new financial management system due to be implemented in 2018/19 should improve debt recovery

Annual Governance Statement (continued)

Management Assurance statements signed by senior officers confirm that the Code of Conduct, Financial Regulations, and other corporate governance processes have been operating as intended throughout the year. Other governance outcomes are shown below:

Issues Identified	Performance in 2017/18
Formal reports by s151 or Monitoring Officer	None issued
Outcomes from Standards Committee or Monitoring Officer investigations	No significant breaches of member or officer Codes of Conduct have occurred
Proven frauds carried out by councillors or members of staff	Two cases identified in 2017/18 involving members of staff – investigation showed no loss to the Council
Objections received from local electors	None in 2017/18 at the time of publication
Local Government Ombudsman referrals upheld in line with the London average	122 cases were referred to the Ombudsman in 2016/17 (the latest full year of data) of which 82 were closed before investigation, and of the remaining 40 which were investigated 19 (47%) were rejected and 21 (53%) were upheld, in line with the London average of 60% upheld
Formal reports by s151 or Monitoring Officer	None issued, however, the council's monitoring officer has appointed an independent QC to work with her on an investigation.

Page 30

Last year's Annual Governance Report highlighted three key areas for improvement namely the operation of Housing Tenant Management organisations, IT disaster recovery and business continuity and controls over the use of agency staff and consultants. Follow up work by Internal Audit confirms that all these areas are being addressed with action plans are being implemented as agreed. Looking forward, the following significant issues have been identified for 2018/19:

Issues identified for 2018/19	Planned Action
Implementation of new HR and Finance system - SAP	The council is in the process of migrating from its current HR and finance system, Agresso, onto a SAP system which is provided by Hampshire County Council. While it is anticipated this will resolve a number of current risks and issues as highlighted above, implementation brings with it organisational risks that will need to be managed
Interest Rate Risk	In the event that interest rates rise in the longer term, there is a risk that the council's cost of borrowing could rise beyond the level that the council is planning to budget for in order to finance its capital programme. The council is investigating ways to mitigate this risk

Appendix 1 The CIPFA/SoLACE Framework

Principle 1 - Behaving with integrity, with commitment to ethical values, and respect for the rule of law

At Westminster, Codes of Conduct for members and officers re-inforce a public service ethos and high standards of behaviour. These are supported by more detailed guidance such as an Anti-Fraud and Corruption Policy, Whistleblowing Procedures and a Procurement Code. The Monitoring Officer and City Treasurer both have specific responsibilities to ensure that Council decisions meet legal requirements.

Principle 2 - Ensuring openness and comprehensive stakeholder engagement

The Council engages with stakeholders and partners through joint working arrangements, partnership boards and representation on external bodies' governing boards. The annual City Survey informs community engagement strategies as well as service and budget priorities. The Council publishes a quarterly magazine and utilises online communication channels such as e-bulletins, Twitter, Facebook, and YouTube.

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

The strategic vision for Westminster is set out in City for All. To deliver this Vision the Council defines specific outcomes and performance indicators for each service area. More specific strategies focus on sustainability and the environment eg the Greener Action Plan and Air Quality Strategy, and the Council carries out environmental impact assessments before undertaking major works.

Principle 4 - Determining the intervention necessary to achieve intended outcomes

A Quarterly Performance report tracks the performance of all Council activities in terms of key performance indicators and delivery of City For All pledges. The report also highlights remedial actions being taken where slippage does occur. Senior Management and Members (via Scrutiny committees and the Audit and Performance Committee), ensure the Council remains focussed on achieving its agreed objectives and priorities.

Principle 5 - Developing capacity, including the capability of leadership and individuals within the Council

Investment in training, including the Westminster Way leadership academy, apprenticeship schemes and an Online Learning Portal, is used to develop staff at all levels. The Council also works across a broad set of partnerships and collaborative arrangements, and uses external consultants, commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way.

Principle 6 - Managing risks and performance through strong internal control and financial management

Corporate risk registers are updated quarterly, with significant risks brought to the attention of senior management and members. Internal Audit assess the overall quality of internal control and make recommendations for improvement as necessary. The Council has a strong track record in financial management, delivering services within budget and producing 2017/18 accounts within 4 working days of the year end.

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

The Council follows the Government Communication Service guidance on providing clear and accurate information, and has developed both its website and the format of Council reports to improve transparency and accessibility. Minutes of meetings, key decisions, registers of interests, gifts and hospitality and all items of expenditure and contracts awarded over £500 are published on the Council's website.

CONCLUSION

The Council is satisfied that appropriate governance arrangements are in place however it remains committed to maintaining and where possible improving these arrangements, in particular by:

- Addressing the issues identified as requiring improvement
- Enhancing performance reporting to focus on key risks and areas for improvement
- Using the City Survey to enable directorates to plan how they will improve services for local people.

Cllr Nickie Aiken
Leader of Westminster City Council

Stuart Love
Chief Executive of Westminster City Council

2.

Written Statements and City Treasurer’s Narrative Report

City Treasurer's Narrative Report

1. WESTMINSTER AS A PLACE

Westminster is the UK's political and cultural centre, containing world-renowned theatres, restaurants, hotels and entertainment. Businesses in the city generate £55bn of the UK's economic output, more than any other single local authority area. Westminster is a unique place, home to the monarchy, government, over 11,000 listed buildings and Soho, one of the most creative locations in the world. Westminster is also home to nearly a quarter of a million people, living in distinctive and well-known neighbourhoods, which are an important part of this great city.

Westminster is seen as an affluent place, but it also faces significant challenges; responding to a highly mobile population, tackling wealth and other inequalities experienced by residents and managing an increasingly high demand for services. Approximately 900,000 people commute into Westminster every day, and whilst bringing significant benefit this level of daily movement creates a strain on the City's infrastructure, environment and resources.

2. WESTMINSTER CITY COUNCIL

Financially the Council faces a large number of challenges in the coming years, a selection of which are shown below:

- Central Government funding is falling year on year, with an estimated £9m per annum reduction through to 2024/25
- Changes to business rates retention regulations means that Westminster City Council will be further exposed to the level of appeals
- Demographic growth and an increasingly ageing population will continue to put pressure on the Council's budget
- The financial impact of Brexit is as yet uncertain. It could be positive or negative, but is likely to affect interest and inflation rates, labour costs and property and rental values.

3. CITY TREASURER'S DEPARTMENT – STEVEN MAIR

Best in class

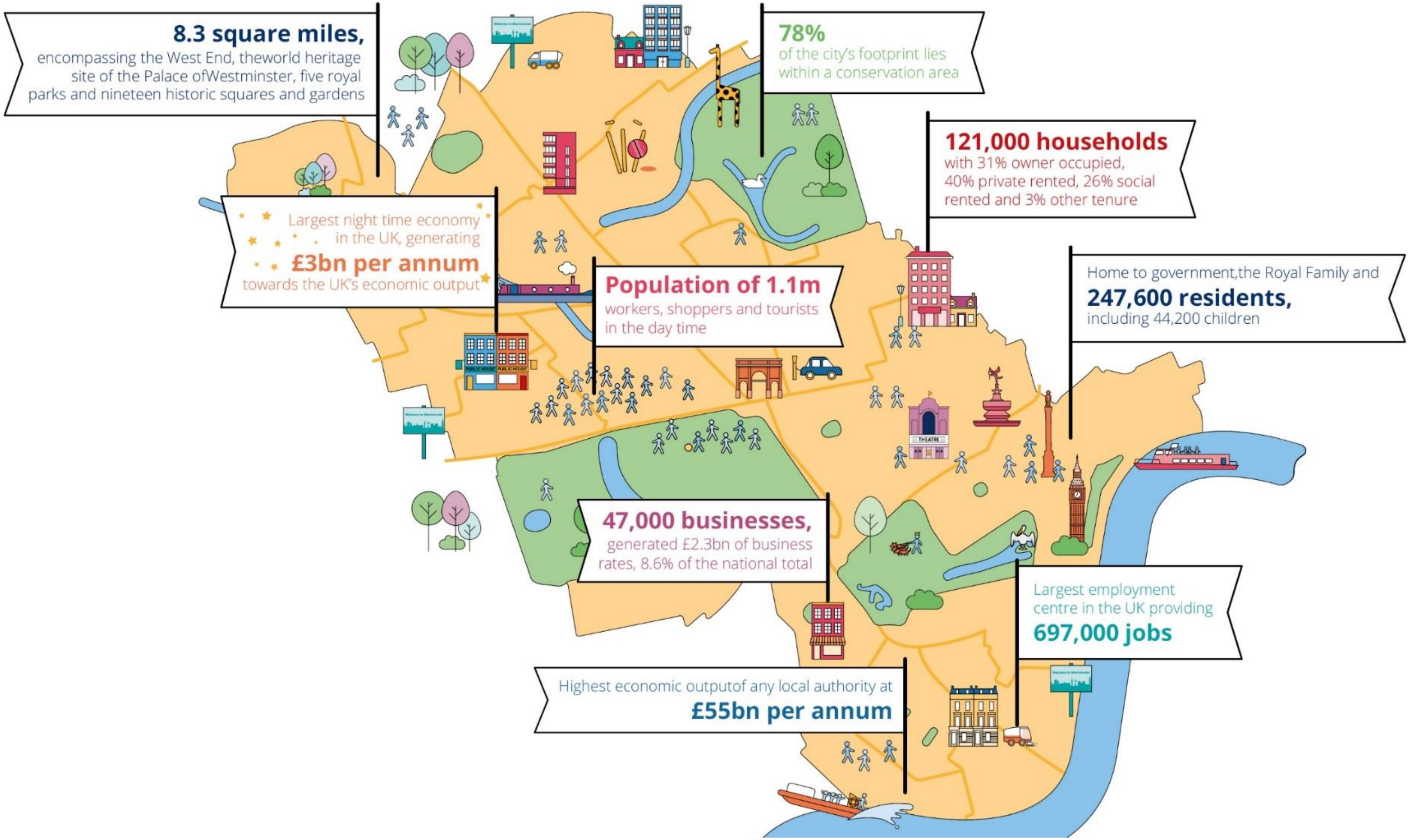
The City Treasurer's department continues on its journey to become 'Best in Class' and prides itself on producing financial information which is high quality, accurate, relevant and up to date to inform good decision making. This year's Statement of Accounts was prepared, completed and then issued to the auditors in advance of their audit visit on 3 April 2018, and the Council has maintained its position as not only the first local authority in the UK to produce its accounts but also completing the closedown and audit process more promptly than any other organisation, private, public or voluntary in the country.

This has been achieved through introducing radically more efficient working practices and adopting an ambitious and highly aspirational attitude to financial management and investment in staff development through the Westminster Way training programme to embed a culture of continuous improvement.

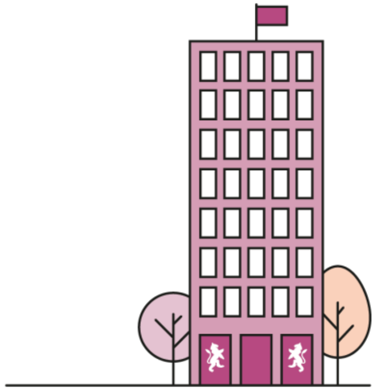
The Department is also leading the way by working with Government to streamline local government financial reporting. This will make accounts more understandable and accessible, thereby helping to improve services and value for money.

Steven Mair,
City Treasurer,
Section 151 Officer
Westminster City Council

About the City



About the Council



Delivering over
250 public services,
from planning, licensing and street cleansing to safeguarding vulnerable children and helping older people retain their independence

Named
"best performing area"
in the UK for social mobility by the Social Mobility and Child Poverty Commission in 2017

Overall resident satisfaction with the council at a record high of **87%**

73% of residents think the council is efficient and well run

The lowest Band D council tax in the UK at **£408.12**

Children's Services judged **"outstanding"** by Ofsted, one of only two in the country

97% of the city's schools judged **"good"** or **"outstanding"** by Ofsted

The busiest planning authority in the UK with applications in 2017/18 reaching **12,200**

4,500 new homes built in the city over the last five years

£2bn worth of investment throughout the city planned in the capital programme

4. CITY FOR ALL

Global City, strong neighbourhoods, and a thriving community

The council’s vision for Westminster is a City for All: an even fairer, stronger, and more cohesive city, underpinned by an open, working partnership between the council, residents, businesses and stakeholders. Our priorities are:

CIVIC LEADERSHIP AND RESPONSIBILITY AT THE HEART OF ALL WE DO

We will place a renewed focus on how the council acts as a custodian of the city and advocates for resident interests whilst also recognising the very important role the city’s businesses play in creating economic prosperity. At the heart of this will be a commitment from the council to be even more transparent about the decisions we take, whilst also providing our community with the tools needed to get involved in decision-making and take pride in the distinct neighbourhoods that make up the city.

OPPORTUNITY AND FAIRNESS ACROSS THE CITY

Providing more homes of all types and tenures, will be at the forefront of our priority to create opportunities for people to do the best for themselves and their families. Our extensive housing renewal programme includes providing more social and affordable homes so we can all take continued and genuine pride in our mixed community. Our Westminster Employment Service will help get people in to work. We will continue our commitment to outstanding schools and take a positive approach to adult social care in the face of increasing demand and despite the ongoing financial reality for UK public services. We will do this by providing quality services that give people the support they may need at key moments in life. We will work closely with partners including the NHS to encourage individuals and families to enjoy active, fulfilling, healthy and happy lives, whilst we quite rightly focus our increasingly scarce resources on the support needed for the most vulnerable in our city.

SETTING THE STANDARDS FOR A WORLD CLASS CITY

Westminster is a global city at the forefront of entertainment and culture, boasting one of the most popular night time economies in the world. That round the clock vibrancy places particular pressures on our residents and businesses. It is the role of the council to lead by example, setting the standards and working closely with partners to deliver a world class city. We will do more to highlight the benefits and good practice of businesses that operate responsibly, as well as directly tackling the negative impacts of the sharing economy and anti-social behaviour on residents and business. This will be supported through more proactive and transparent communications and relationships that hold the police, businesses and other partners to account in the best interests of our city.

OUR CORE OFFER

We run local services as efficiently and cost-effectively as we can, ensuring our council tax represents value for money and our residents get a fair deal, especially those who are only just about managing. Everyone feels the benefit of our high quality universal services like cleaning and maintaining the streets and collecting household refuse and recyclables, and the whole community is able to take advantage of our network of libraries, parks and sports facilities. At the same time, the council has a particular responsibility towards our most vulnerable residents. That means helping families with complex needs, safeguarding children at risk of harm, supporting people with disabilities to realise their potential and enabling older people to age well. The council also has an important regulatory role, administering the licensing and planning regimes for the city and taking enforcement action when people break the rules or cause a serious nuisance.

THE COUNCIL’S PERFORMANCE

Achievements 2017/18

Over the last year we have made substantial progress towards our goal of creating a City for All.

- ✓ Following the launch of the #DontbeIdle campaign to encourage drivers to switch off their engines when stationary, an average of over 500 pledges are being made every week.
- ✓ Our Stop Smoking service is one of the best in England, with the highest number of quit attempts (11,248) and the highest number of quitters (5,529) per 100,000 smokers.
- ✓ The Council has won the 'Council of the Year' top prize at the London in Bloom 2017 awards.
- ✓ The Council has successfully digitalised its planning function and became the first local authority in the UK to send weekly updates to residents on the status of their applications.
- ✓ 545 vulnerable residents have been helped to continue living independently in their homes.
- ✓ Over 93% (1,499) of vulnerable adults now receive a personal budget to meet their support needs.
- ✓ The rough sleeping count in September found 194 individuals sleeping rough; an 8% decrease from the last count in June.
- ✓ In September 2017 we launched the new 2017-2022 Rough Sleeper Strategy with specific action plans for each business district.
- ✓ The Perfect Pathways service has been successfully redesigned, in conjunction with parent’s groups and providers of Special Educational Needs & Disabilities (SEND) care.
- ✓ On October 18th we launched the annual Open Forum event with over 80 residents attending. In the year to date, there have been 8,800 views on the Open Forum website.
- ✓ MHCLG funding worth over £400,000 has been obtained to deliver better intelligence on the private rented sector and improved data on property conditions.
- ✓ The Sir Simon Milton University Technical College is now open for business and received its first cohort of 75 students on Wednesday 6th September 2017.
- ✓ The Westminster Employment team aims to get 500 unemployed residents into work and over 100 people attended the first annual #MyWestminster day.
- ✓ Our suppliers have made a commitment to providing 32 new apprenticeships.
- ✓ Since 1 April 2017, 50 new affordable homes have been built in Westminster and 1,000 sq. ft of new enterprise space has been created for business start-ups.
- ✓ 60 new Electric Vehicle charging points were installed in 2017/18.
- ✓ The pilot for the Licensing Charter was launched on 30th October, to encourage good licensing practice across the City.
- ✓ Contracts are being negotiated to ensure our waste vehicle fleet achieves Ultra-Low Emission Zone (ULEZ) compliance by the earlier start date of April 2019 (previously April 2020)

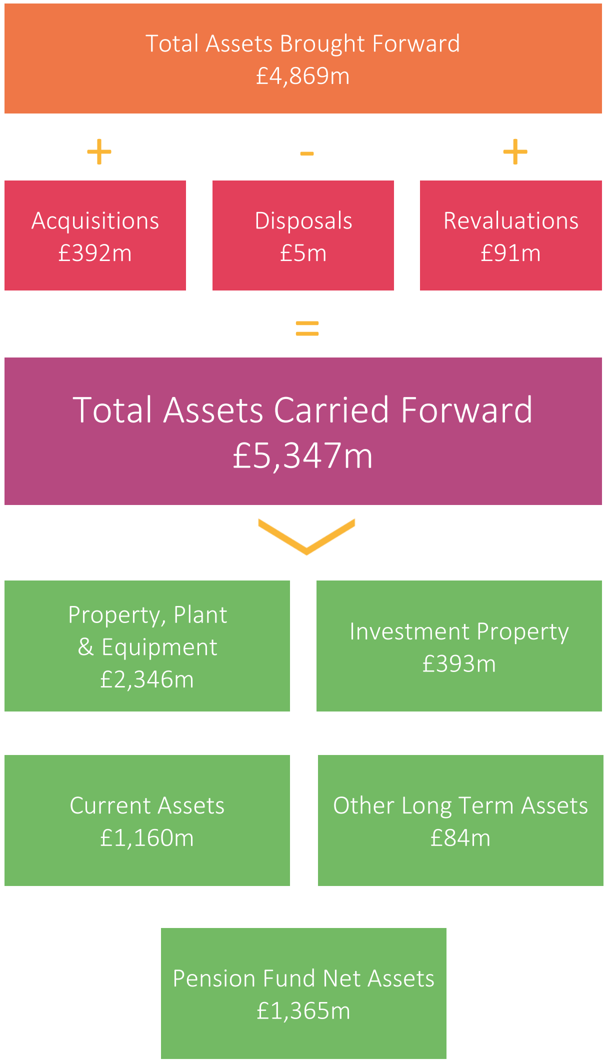
5. FINANCIAL PERFORMANCE

Financial Context of the Council

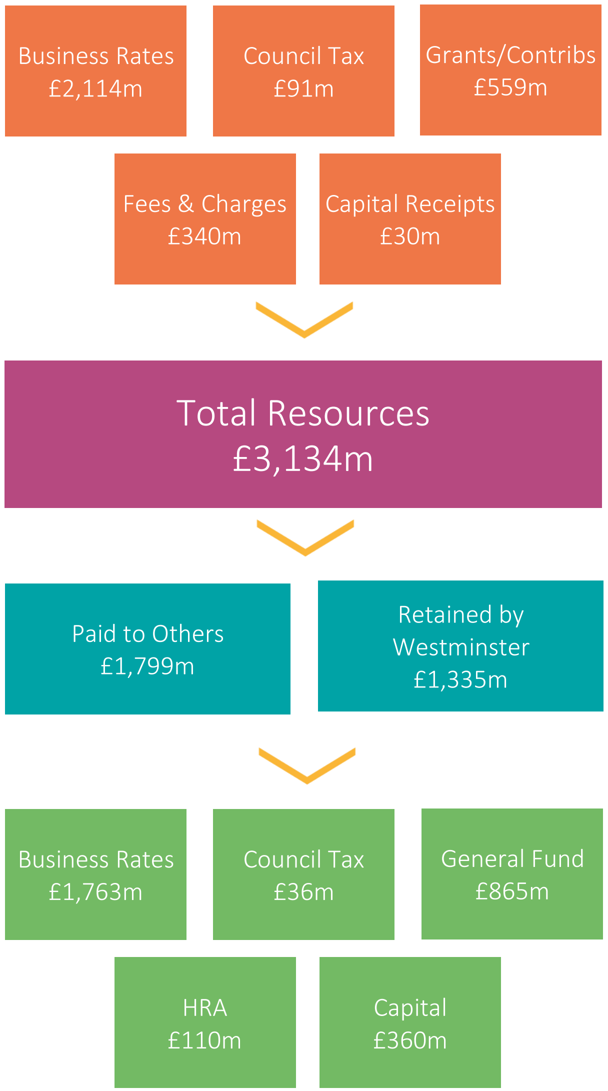
Westminster City Council manages cashflows and assets in excess of £7 billion by:

- collecting £2.3bn of business rates and Council Tax, the largest amount in the country. 94% of this is passed onto central government and other agencies, with the Council retaining £140m for service delivery in 2017/18.
- administering the £1.3bn City of Westminster Pension Fund which provides pensions to over 5,700 pensioners and has 4,200 active members.
- managing £2.8bn of land, buildings and other assets, including investment property generating rental income of £20m each year.
- spending a total of approximately £0.85bn each year on Council services.
- accounting for £0.9bn pa of fees, charges, rents, grant funding and capital receipts, which are used to help deliver services and keep council tax down.
- proactively investing cash balances to generate £6m interest each year.

Capital Cash Flows



Revenue Cash Flows



5. FINANCIAL PERFORMANCE (CONTINUED)

CORE FUNDING

In common with the rest of local government, the Council has seen a steady reduction in its core funding in recent years. The Government’s aim is to phase out non-specific grant funding altogether, instead allowing local authorities to retain a higher proportion of business rates collected locally.

ADDRESSING FUTURE CHALLENGES

The Medium Term Financial Plan has recently been updated, indicating that in addition to reductions in Government funding the Council also expects to see increasing demand for services over the next ten years. Population growth is estimated at 1% per annum overall, principally in the over 65 age range with consequent pressure on adult social care services, but also in the shorter term, increased numbers of school age children. Anticipated changes to the Better Care Fund and Universal Credit Scheme will also affect the Council’s finances together with more general economic changes brought about by Brexit.

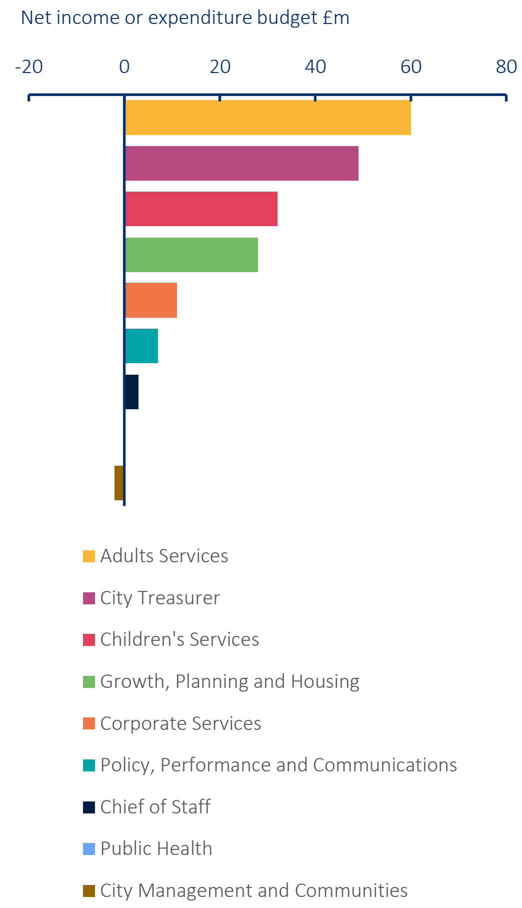
To balance the budget there will be a continuing need for transformation, efficiencies and other financial initiatives for the foreseeable future. In tackling these challenges, Westminster continues to lead the way in local government, balancing sound financial stewardship with innovative approaches to service delivery and cost-effective support functions. A new financial management system, due to go live in October 2018, will improve in-year financial reporting, speed of payment for suppliers’ invoices and debt collection processes

2017/18 COUNCIL TAX AND REVENUE SPENDING

Westminster continued to set the lowest Council Tax in the country at £408.12 for a Band D property in 2017/18 (£392.81 in 2016/17). The increase represented a 1.90% increase to fund general services and a further 2% to specifically fund adult social care costs.

To meet funding challenges in 2017/18, the Council needed to make total reductions to the net budget (spending) requirement of £35m. This has mainly been achieved by a combination of generating additional trading and investment income, support service efficiencies, better procurement practices and reducing accommodation costs. The net revenue spend of £176m across services is shown in the graph. Actual spending on services in 2017/18 was within 4% of budget overall, reflecting sound financial management and good budgetary control.

Service Spending 2017/18



5. FINANCIAL PERFORMANCE (CONTINUED)

PENSION LIABILITIES £684M

The value of what the Council owes across future years is offset by the value of assets invested in the pension fund.

The City of Westminster Pension Fund is independently revalued every three years (triennial valuation) to set future contribution rates. The most recent revaluation, as at 31 March 2016, assessed the funding level at 80% compared with 74% in 2013.

For City of Westminster, as an employer within the City of Westminster Pension Fund, a 17-year recovery plan from 1 April 2017 will make additional contributions in line with the Pension Funding Strategy Statement, to achieve 100% funding level by 2034.

HOUSING REVENUE ACCOUNT

The Council owns approximately 21,000 homes and is planning to spend over £600m in the next 5 years to increase and improve its housing stock

The housing stock is managed by City West Homes (wholly owned by Westminster City Council), which collected £76m in dwelling rents in 2017/18 (£76m in 2016/17).

This income is held in a ring-fenced account (the Housing Revenue Account) which can only be used for social housing purposes.

CONTINGENCIES

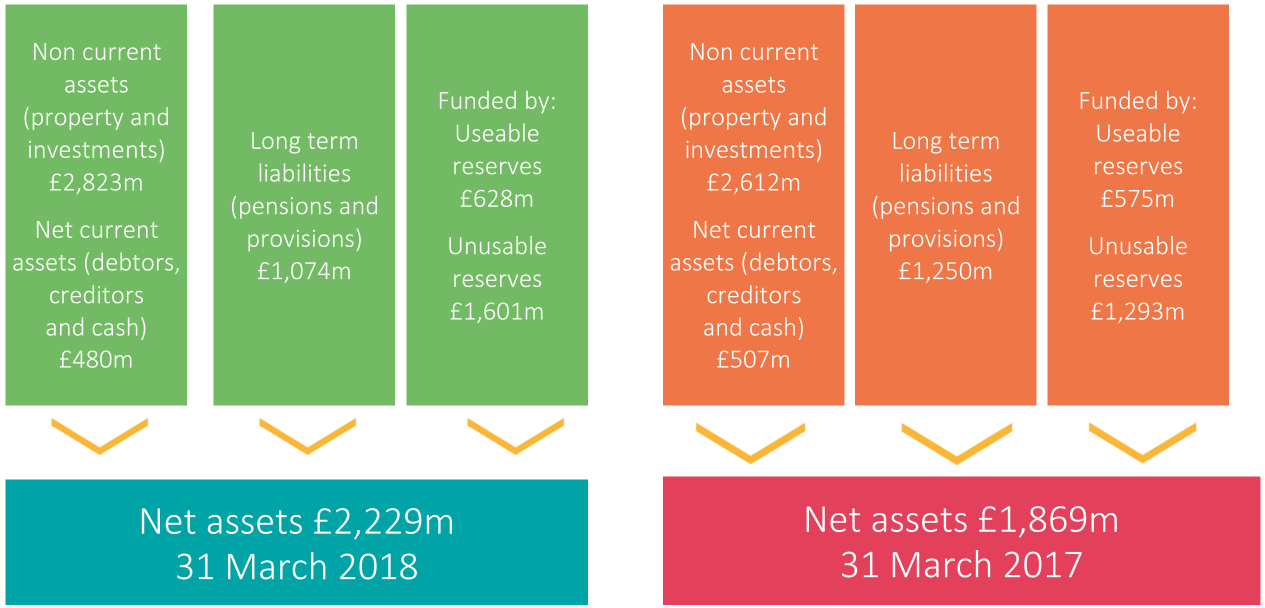
The Council has to set aside a provision for any appeals against business rate valuations. Westminster has the largest business rate income in the country and therefore the largest appeals provision. 8,500 appeals were outstanding at 31st March 2018 against which provisions have been made as follows:

	2016/17	2017/18
Appeals Provision	£75m	£66m

5. FINANCIAL PERFORMANCE (CONTINUED)

NET ASSETS £2,208M (£1,869M AT 31 MARCH 2017)

The Council maintains a strong balance sheet despite financial challenges



5. FINANCIAL PERFORMANCE (CONTINUED)

CAPITAL

The Council has an ambitious five year capital programme of £1.7bn plus £0.8bn for the Housing Revenue Account. This investment will deliver a range of City for All objectives, including:

- New and improved leisure, adult social care and education facilities
- More commercial space for new and established businesses
- Improved public spaces, transport and infrastructure.

But the top priority, which will account for almost 30% of total spending, will continue to be investment in new affordable housing, more temporary accommodation for homeless households, and improvements to our existing social housing stock.

Examples of major schemes and funding plans are set out opposite:

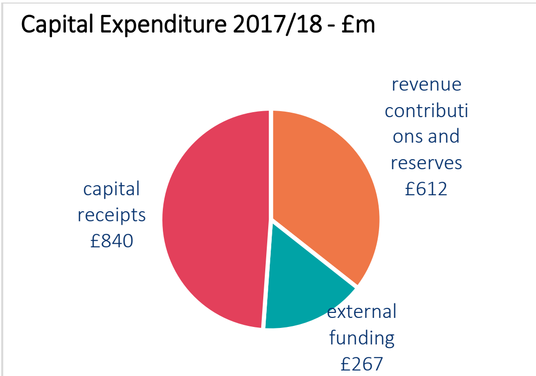
Page 43


£103m Huguenot House – mixed-use commercial and residential site

Lisson Grove - £80m regeneration work and public realm improvements


£80m investment in new accommodation at Beachcroft, Westmeads and Carlton Dene residential homes


Dudley House - £85m commercial and housing development includes new secondary school



£80m City Hall refurbishment

6. WHO WORKS FOR THE COUNCIL?

Westminster employs approximately 1,900 staff in full-time and part-time positions. This workforce reflects the diversity of the residents of the City.

The Council employs a number of apprentices in a wide variety of roles. From April 2017, Westminster Council now pays an apprenticeship levy at 0.5% of the Council's total pay bill. This money is used to pay for apprenticeship training and to implement an approved apprenticeship standard for both new recruits and existing employees. New types of apprenticeship standards will be available to accredit specific specialist roles to a professional standard, including degree level.

This wider scope allows us to focus on areas of skill shortage and future skills growth areas, as well as mitigate risks in services where a number of specialists may soon be reaching retirement age. Internal apprenticeships will be a key enabler of our investment in existing staff and talent development, alongside existing initiatives like the Westminster Way, the Leadership Academy, and various service specific training modules.

7. HEALTH AND WELLBEING

In December 2016, the Health and Wellbeing Board launched its strategy for the next five years. One of the clear priorities for the future is to improve the physical and mental health outcomes for Westminster's children and young people. The Board commits to ensuring front line workers are able to support families via a joined up approach to the provision of services and work in partnership with young people in the design and provision of health services.

A further element of the strategy is to reduce the risk factors for, and improve the management of, long-term conditions (such as dementia). The approach to tackle this issue ranges from encouraging active lifestyles in working age people and provides the local community with a range of local services to acknowledge the varied experience of those with long-term conditions. This will be underpinned by an agile and responsive workforce that can operate across of number of specialisms.

Another key aim of the plan is the improvement of mental health outcomes through prevention and self-management. This involves addressing the stigma of mental health and working with communities to address its wider determinants such as housing, employment and education. The strategy looks to deliver these commitments through a sustainable and effective local health and care system, ensuring that the budget and services of Westminster and its partners are "as one" in addressing health and wellbeing challenges. The Board will model the strategy's spend and priorities over the lifetime of this strategy, setting out how the finance will be used.

8. WORKING WITH THE VOLUNTARY SECTOR

The Council has a well-established track record of working with volunteers and the not for profit sector. We deliver a wide range of initiatives that support and recognise the sector but could do more at a strategic level to recognise the importance of the sector and work more collaboratively with them to support local priorities. Autumn 2017 therefore saw the launch of a new Social Value Strategy and Lion Awards, aimed at:

- unlocking the further potential for local businesses and Council suppliers to support the work of local voluntary and community groups
- providing a focus for much greater emphasis on corporate partnership working and an ethos of corporate responsibility.

We want to encourage over 2,400 people to volunteer during the next 12 months, and will be working with voluntary services to deliver a shared programme based on common goals and agreed priorities. We also plan to:

- level the playing field for voluntary organisations bidding for Council contracts
- increase spending on voluntary sector work supporting prevention and early intervention
- set up "Community Benefit" lease arrangements so that voluntary organisations can provide accommodation for local people at discounted rents.

9. TOP STRATEGIC RISKS FOR UPCOMING YEAR

A risk management strategy is in place to identify and evaluate risk. There are clearly defined steps to support better decision making through the understanding of risk, whether a positive opportunity or threat and the likely impact. The risk management processes are subject to regular review and updating. The 2018/19 Council Tax report identified 14 key risks in the upcoming year, which include:

Risk	Impact	Mitigation
Demographic Changes Customer needs and behaviours continue to change which brings new challenges and opportunities to the Council. There is the potential to see changes to population levels caused by uncertainty of status of existing overseas workers / residents as well as ability for new workers to come to the country.	Demographic changes have led to continuing pressures on social services budgets. The age profile is changing as the number of families leaving is reflected in falling numbers of children in some age groups. The children left are increasingly benefit dependent or in fee paying schools. Children's Services have been rated as outstanding so the main issues are likely to be housing costs and the cost and availability of childcare, as well as possibly community safety.	The Council is engaged in long-term planning and transformational programmes to mitigate the action of demographic changes on budgets and services.
Business Rates Reduction in funding and impact of backdating of appeals. Localising of Business Rates will increase this risk from 50% to 75% for Local Authorities.	Adverse financial outcome(s) for the Council in future years	Review data with Valuation Agency and other relevant stakeholders to reduce number of appeals. Continuing discussions with MHCLG and the Valuation Office on measures to resolve outstanding appeals.
General Data Protection Regulation The General Data Protection Regulation (GDPR) bill will come into effect on 25th May 2018. There may be changes to the bill over the coming months as it passes through parliament. Affected areas across the organisation include transformation programmes such as the One Front Door and Digital programmes.	Fines of up to 4% of annual turnover for serious infringements of compliance. Potential implications for the scope and ambition of some transformation initiatives. Implications for the way personal information is requested and stored by departments.	A working group has been set up by ICT and will include representatives from all departments as well as from corporate programmes. A data audit is also being carried out as is a review of the process for Privacy Impact Assessments. A data protection officer will be appointed in line with the requirements of the bill.
Reliance on Commercial Income Exploring alternative sources of income to offset core funding reductions and also ensure value for money for residents.	A recession or other unexpected/uncontrollable event could leave the Council exposed to under-funding or large losses in income. Competition - As well as individual factors influencing demand the Council has to consider competitive forces in certain service areas, especially trading activities.	Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets.
Major Incident Major incident in Westminster (terrorist attack, freak weather occurrence, etc.).	Major disruption to Westminster transport and roads; difficulties for staff getting to work. Potential injury or death to Westminster staff and/or residents.	Business continuity plan is in place (knowledge of staff routes to work, etc.). Crisis communications plan is in place and all staff are aware of how to respond to an emergency situation.

Page 45

10. 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 2018. 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 2017/18, 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. 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 "unusable" 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 **Group Accounts** report the full extent of the assets and liabilities of the Council and the companies and similar entities which the Council either controls of significantly influences. The Council has consolidated not only the interests which are financially material to the Council, but also the non-material interests to provide a full picture of the Council's arrangements for good governance.
- 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

Draft 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 Council (the ‘Authority’) and its subsidiaries (the ‘group’) for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves 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 Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement, notes to the financial statements, including the accounting policies.

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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2018 and of the group’s expenditure and income and the Authority’s expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.Respective responsibilities of the City Treasurer and auditor

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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 Authority’s 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.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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 Authority’s 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.

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

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

Other Information
The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Annual Accounts other than the group and Authority financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice
Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice
In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Annual accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 33, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer.

The Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Authority.

The Audit and Performance Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS - CONCLUSION ON THE AUTHORITY'S ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN ITS USE OF RESOURCES

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Draft Independent Auditor’s Report (continued)

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Annual Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2018. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Page 51

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 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 the Authority for the year ended 31 March 2018. 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 economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Grant Thornton UK LLP
30 Finsbury Square
LONDON
EC2P 2YU

15 June 2018

Draft Independent Auditor's Report – Pension Fund

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

Opinion

We have audited the pension fund financial statements of City of Westminster (the 'Authority') for the year ended 31 March 2018 which comprise the Fund Account, the Net Assets Statement for the year ended 31 March 2018 and notes to the pension fund financial statements, including a summary of significant accounting policies. 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 2017/18.

Page 52

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 2018 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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 Authority's 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.

Conclusions relating to going concern

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

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

Other information

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Annual Accounts, the Narrative Report and the Annual Governance Statement, other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Draft Independent Auditor’s Report – Pension Fund (continued)

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Annual Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 33, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs.

In this authority, that officer is the Section 151 Officer The Section 151 officer is responsible for the preparation of the Statement of Accounts, which includes 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 2017/18, which give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Section 151 Officer is responsible for assessing the pension fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Audit and Performance Committee is Those Charged with Governance.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Grant Thornton UK LLP
30 Finsbury Square
LONDON
EC2P 2YU

15 June 2018

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

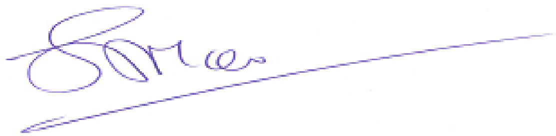
The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts and of its Pension Fund Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code'), are required respectively to present fairly the financial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

APPROVAL OF STATEMENT OF ACCOUNTS

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

Councillor Ian Rowley

Chairman of the Audit and Performance Committee

3.

Core Financial Statements

Comprehensive Income and Expenditure Statement

The **Comprehensive Income and Expenditure Statement (CIES)** records all of the Council's revenue income and expenditure for the year. Expenditure represents a combination of statutory duties and discretionary spend focused on local priorities and needs. The CIPFA Code of Local Authority Accounting regulates how expenditure and income relating to services is classified in the CIES.

The (surplus)/deficit on revaluation of financial assets was restated in 2016/17 because the Council's change in policy to consolidate all its interests in its companies and related entities.

		2016/17 Restated				2017/18
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
26,328	(7,997)	18,331	City Treasurer	19,454	(27,066)	(7,612)
15,424	(8,048)	7,376	Policy, Performance and Communications	9,306	(9,181)	125
143,674	(86,245)	57,429	Adults' Services	154,077	(95,806)	58,271
151,030	(106,620)	44,410	Children's Services	150,712	(109,904)	40,808
175,570	(130,541)	45,029	City Management and Communities	171,840	(134,302)	37,538
478,965	(413,453)	65,512	Growth, Planning and Housing (including HRA)	495,389	(403,505)	91,884
6,664	(4,203)	2,461	Chief of Staff	5,290	(4,083)	1,207
33,256	(4,638)	28,618	Corporate Services	9,099	(9,544)	(445)
1,030,911	**(761,745)**	**269,166**	**Cost of Services**	**1,015,167**	**(793,391)**	**221,776**

Page 57

Comprehensive Income and Expenditure Statement (continued)

		2016/17 Restated					2017/18
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	**£'000**	**£'000**			**£'000**	**£'000**	**£'000**
-	-	491	Other operating income and expenditure	Note 5	-	-	(18,543)
-	-	(16,095)	Financing and investment income and expenditure	Note 6	-	-	21,608
-	-	(298,008)	Taxation and non-specific grant Income	Note 7	-	-	(388,401)
-	-	(44,446)	(Surplus)/Deficit on Provision of Services	Note 8	-	-	(163,560)
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
-	-	(99,933)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets		-	-	(92,567)
-	-	158,742	Remeasurement of the net defined benefit liability		-	-	(91,378)
			Items that will be reclassified to the (Surplus) or Deficit on the Provision of Services				
-	-	(109)	(Surplus)/deficit on revaluation of financial assets (Available for sale)		-	-	1,135
		58,700	Other Comprehensive Income and Expenditure				(182,810)
-	-	14,254	Comprehensive Income and Expenditure (Surplus)/Deficit		-	-	(346,370)

Movement in Reserves Statement

The **Movement in Reserves Statement** shows the movement in year on reserve balances held by the Council.

2016/17 Restated						Revenue Reserves			Capital Reserves	Total Usable Reserves*	Total Unusable Reserves*	Total Council Reserves
	General Fund Balance	Earmarked GF Reserves	Schools Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016	41,575	246,856	5,603	294,034	31,606	13,162	44,768	90,079	223,776	652,658	1,230,725	1,883,383
Movement in reserves during 2016/17												
Surplus/(Deficit) on provision of services (accounting basis)	31,908	-	-	31,908	12,540	-	12,540	-	-	44,448	-	44,448
Other Comprehensive Income and Expenditure	-	-	-		-	-	-	-	-	-	(58,700)	(58,700)
Total Comprehensive Income and Expenditure	31,908	-	-	31,908	12,540	-	12,540	-	-	44,448	(58,700)	(14,252)
Adjustments between accounting basis and funding basis under regulations	(128,578)	-	-	(128,578)	(3,392)	-	(3,392)	(2,917)	13,501	(121,386)	121,386	-
Net increase/(decrease) before Transfers to Earmarked Reserves	(96,671)	-	-	(96,671)	9,149	-	9,149	(2,917)	13,501	(76,938)	62,686	(14,252)
Transfers to/(from) Earmarked Reserves	103,872	(101,973)	(1,899)	-	831	(831)	-	-	-	-	-	-
Increase/(Decrease) In Year	7,201	(101,973)	(1,899)	(96,671)	9,980	(831)	9,149	(2,917)	13,501	(76,938)	62,686	(14,252)
Balance at 31 March 2017	**48,777**	**144,883**	**3,704**	**197,364**	**41,586**	**12,331**	**53,917**	**87,162**	**237,277**	**575,719**	**1,293,412**	**1,869,131**

*For further detail, please refer to Note 17 – Transfers to and from Earmarked Reserves and Note 29 – Unusable Reserves.

Movement in Reserves (continued)

2017/18						Revenue Reserves			Capital Reserves	Total Usable Reserves*	Total Unusable Reserves*	Total Council Reserves
	General Fund Balance	Earmarked GF Reserves	Schools Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated Balance at 31 March 2017	48,777	144,883	3,704	(197,364)	41,586	12,331	53,917	87,162	237,277	575,719	1,293,412	1,869,131
Movement in reserves during 2017/18												
Surplus/(Deficit) on provision of services (accounting basis)	148,595	-	-	148,595	14,965	-	14,965	-	-	163,560	-	163,560
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	182,810	182,810
Total Comprehensive Income and Expenditure	148,595	-	-	148,595	14,965	-	14,965	-	-	163,560	182,810	346,370
Adjustments between accounting basis & funding basis under regulations	130,422	-	-	130,422	34,346	-	34,346	25,549	(79,435)	110,882	(110,882)	-
Net increase/(decrease) before Transfers to Earmarked Reserves	18,173	-	-	18,173	(19,382)	-	(19,382)	(25,549)	79,435	52,678	293,694	346,370
Transfers to/(from) Earmarked Reserves	(8,085)	6,146	1,939	-	3,162	(3,162)	-	-	-	-	-	-
Increase/(Decrease) In Year	10,088	6,146	1,939	18,173	(16,220)	(3,162)	(19,382)	(25,549)	79,435	52,678	293,694	346,370
Balance at 31 March 2018	**58,865**	**151,029**	**5,643**	**215,537**	**25,366**	**9,169**	**34,535**	**61,613**	**316,711**	**628,395**	**1,587,106**	**2,215,501**

*For further detail, please refer to Note 17 – Transfers to and from Earmarked Reserves and Note 29 – Unusable Reserves.

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.

The balance sheet was restated in 2016/17 because the Council's change in policy to consolidate all its interests in its companies and related entities.

Page 61

31 March 2016 Restated	31 March 2017 Restated		Note	31 March 2018
£'000	£'000			£'000
		ASSETS		
		Non-current		
1,952,377	2,070,430	Property, plant and equipment	Note 18c	2,345,818
42,746	42,746	Heritage assets	Note 19	42,846
405,269	454,840	Investment property	Note 20	393,312
1,830	1,077	Intangible assets		875
30,925	27,386	Long-term investments	Note 21a	2,433
12,394	15,229	Long-term debtors	Note 26	38,015
2,445,541	**2,611,708**	**Total long term assets**		**2,823,299**
		Current		
514,833	742,980	Short-term investments	Note 21a	864,800
235	179	Inventories		94
137,666	73,369	Short-term debtors	Note 26	93,843
117,580	170,302	Cash and other cash equivalents	Note 21b	161,238
2,250	2,250	Assets held for sale	Note 20	40,000
772,564	**989,080**	**Current assets**		**1,159,975**

Balance Sheet (continued)

Certification by the Chief Financial Officer

I certify that the statement of accounts presents a true and fair view of the financial position as at 31 March 2018 and its income and expenditure for the year then ended.

Steven Mair

City Treasurer, Section 151 Officer

Page 62

31 March 2016 Restated	31 March 2017 Restated		Note	31 March 2018
£'000	£'000			£'000
		LIABILITIES		
2,109	2,069	Short-term borrowing	Note 21a	32,069
259,931	471,584	Short-term creditors	Note 27	642,430
6,151	8,341	Revenue receipts in advance	Note 13	5,635
268,191	**481,993**	**Current Liabilities**		**680,134**
202	204	Long-term creditors	Note 27	2,917
153,936	121,504	Provisions	Note 28	81,451
251,465	251,269	Long-term borrowing	Note 21a	221,230
605,540	786,898	Other long-term liabilities	Note 30	710,551
55,388	89,789	Capital receipts in advance	Note 13	71,490
1,066,531	**1,249,665**	**Long-term liabilities**		**1,087,639**
1,883,383	**1,869,131**	**Net assets**		**2,215,501**
652,657	575,719	Total Usable Reserves	MiRS	628,395
1,230,726	1,293,412	Total Unusable Reserves	Note 29	1,587,106
1,883,383	**1,869,130**	**Total Reserves**		**2,215,501**

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 Council 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).

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.

2016/17		Note	2017/18
£'000			**£'000**
44,448	Net surplus/(deficit) on the provision of services		163,560
415,165	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	Note 31	218,797
(99,259)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	Note 31	(126,636)
360,354	**Net Cash Flows from Operating Activities**		**255,721**
(301,547)	**Net Cash Flows from Investing Activities**	Note 32	**(288,750)**
(6,085)	**Net Cash Flows from Financing Activities**	Note 33	**23,965**
52,722	**Net increase/(decrease) in cash and cash equivalents**		**(9,064)**
117,580	Cash and cash equivalents at the beginning of the reporting period		170,302
170,302	**Cash and cash equivalents at the end of the reporting period**		**161,238**

4.

Notes to the Accounts

Note 1 Accounting Policies

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18, 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.

Further accounting policies can be found throughout these accounts with the notes to which they relate.

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.
- Revenue relating to Council Tax and Business Rates is 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.
- Accruals are recognised where the value exceeds £10,000.

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.

CHANGES IN ACCOUNTING POLICY

As a result of the decision to produce Group Accounts, the valuation of the Council's interests in its companies has changed from fair value to historic cost. Consequently the unrealised gain in value is recognised in the Available for Sale Reserve has been reversed to the value of long-term investments. This change in accounting policy is set out in the Prior Period Adjustment note.

Note 1 Accounting Policies (continued)

INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has national interests in companies and other entities that have the nature of subsidiaries and require it to prepare group accounts. In the Council single entity accounts, it's interest in companies and other entities are classified as financial assets and measured at cost less provision for any losses

INVESTMENT PROPERTY

Investment properties are measured initially at cost and subsequently at fair value. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end.

Revaluation gains and losses are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement. However, regulations do not permit unrealised gains and losses to impact the General Fund balance. Therefore, gains and losses are reversed via the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Rental income is recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement on a straight-line basis.

LEASES

The Council as Lessee

Finance Leases

Leases are classified as finance leases where the terms of the agreement transfer substantially all the risks and rewards of ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, present value of the minimum lease payments in relation to the asset's fair value and whether the Council obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the land and building elements are considered separately for classification.

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at 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.

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets and is subject to depreciation which is 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 interest element of finance leases is charged to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement. The amount of the finance lease payment to write down the liability is included within the Minimum Revenue Provision in line with statutory guidance.

Operating Leases

All other leases are treated as 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 assets. 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 and replaced by a long-term debtor in the Balance Sheet valued on the future income due under the finance lease.

Note 1 Accounting Policies (continued)

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 recognised in the Comprehensive Income and Expenditure Statement 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 premium paid at the commencement of the lease).

SUPPORT SERVICES AND OVERHEADS

Where support services are a department in their own right, the Comprehensive Income and Expenditure Statement (CIES) will display them separately in line with the Council's departmental management structure. Otherwise overheads are recharged to services in accordance with the Council's arrangements for accountability and financial performance.

REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE

Legislation requires defined items of revenue expenditure charged to services within the Comprehensive Income and Expenditure Statement to be treated as capital expenditure. All such expenditure is transferred from the General Fund balance via the Movement in Reserves Statement to the Capital Adjustment Account and is included in the Capital Expenditure and Financing disclosure at Note 23.

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.

Where expenditure has been incurred which is to be financed from an earmarked reserve, the expenditure is charged to the relevant service within the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement. An amount is then transferred from the earmarked reserve to the General Fund Balance via an entry in the Movement in Reserves Statement.

SCHOOLS

Under the Code, local authority maintained schools are considered to be separate entities with the balance of control lying with the Council. The Code requires that the income, expenditure, assets and liabilities of maintained schools be accounted for in the single entity accounts of the Council rather than requiring consolidation in the Group Accounts.

Schools within the Council's group fall into the following categories:

- Community– 12 schools
- Voluntary Aided – 16 schools

Academies and Free Schools are outside the Council's control

VALUE ADDED TAX

The Comprehensive Income and Expenditure Statement 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 statement.

Note 2 Accounting standards issued but not yet adopted

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- **IFRS 9 Financial Instruments**, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council's financial assets does not anticipate any impairment.

- **IFRS 15 Revenue from Contracts with Customers** presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.

- **IAS 7 Statement of Cash Flows (Disclosure Initiative)** will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed at Note 33) in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.

- **IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses)** applies to deferred tax assets related to debt instruments measured at fair value. Neither of the Council's subsidiary companies in the Group Accounts has such debt instruments.

- **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

Note 3 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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Consequences if actual results differ from assumption
Valuation of operational property	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provided valuations as at February 2018 for all of the Council's investment portfolio and approximately 20% of its operational portfolio. The remaining balance of operational properties was also reviewed to ensure values reflect current values. The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers.	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 operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £234m. 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. Depreciation charges for operational buildings will change in direct relation to changes in estimated current value. The net book value of non-current assets subject to potential revaluation is over £2 billion.

Note 3 Assumptions made about the future and other major sources of estimation uncertainty (continued)

Items	Uncertainties	Consequences if actual results differ from assumptions
Fair value measurement of investment property	The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available.	Estimated fair values may vary from the actual prices that could be achieved in an arm's length transaction at the reporting date.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments. The Council has engaged Barnett Waddingham as its consulting actuary to provide expert advice about the assumptions to be applied.	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: • A 0.1% increase in the discount rate will reduce the net pension liability by £27.3m; • A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £26.1m; • An increase of one year in longevity will increase the net pension liability by £57.8m.

Note 3 Assumptions made about the future and other major sources of estimation uncertainty (continued)

Items	Uncertainties	Consequences if actual results differ from assumptions
Business Rates	2017/18 is the fifth year of the Business Rates Retention Scheme whereby Westminster City Council retains 30% of the business rates income it collects (£616m out of £2.05bn), but is subject to a 2017/18 post revaluation £544m 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 (73% when determined) being back dated to 2010. As at the end of February 2018, 5,060 appeals remain outstanding with the Valuation Office Agency. Following the 2017 revaluation, where average rateable values rose by 17%, a new check, challenge, appeal process has been introduced, the impact of which is highly uncertain with only 20 challenges lodged to date. A provision has been made for the estimated success of future appeals for losses for the period to the end of March 2018. A safety net system protects the Council from losses below baseline funding levels of £6.3m.	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 for the provision for appeals by £22m.
Impairment allowance for doubtful debts	As at 31 March 2018, the Council had an outstanding balance of short term debtors totalling £169m. Against this debtors balance there is an impairment allowance of £75m. It is not certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not.	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances 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 impairment allowance for doubtful debts.
Valuation of Group housing dwellings	The value of the dwellings held by the Council's subsidiaries have been revalued from depreciated historic cost to existing use value-social housing (EUV-SH) on consolidation. In revaluing the dwellings, the value at 1 April 2016 was estimated using an average of valuation indices for dwellings in the relevant area. The indices used were the Land Registry, Acadata and the Nationwide.	A variation of +/- 1% in the indexed value would be £0.5m on the EUV-SH of £49m

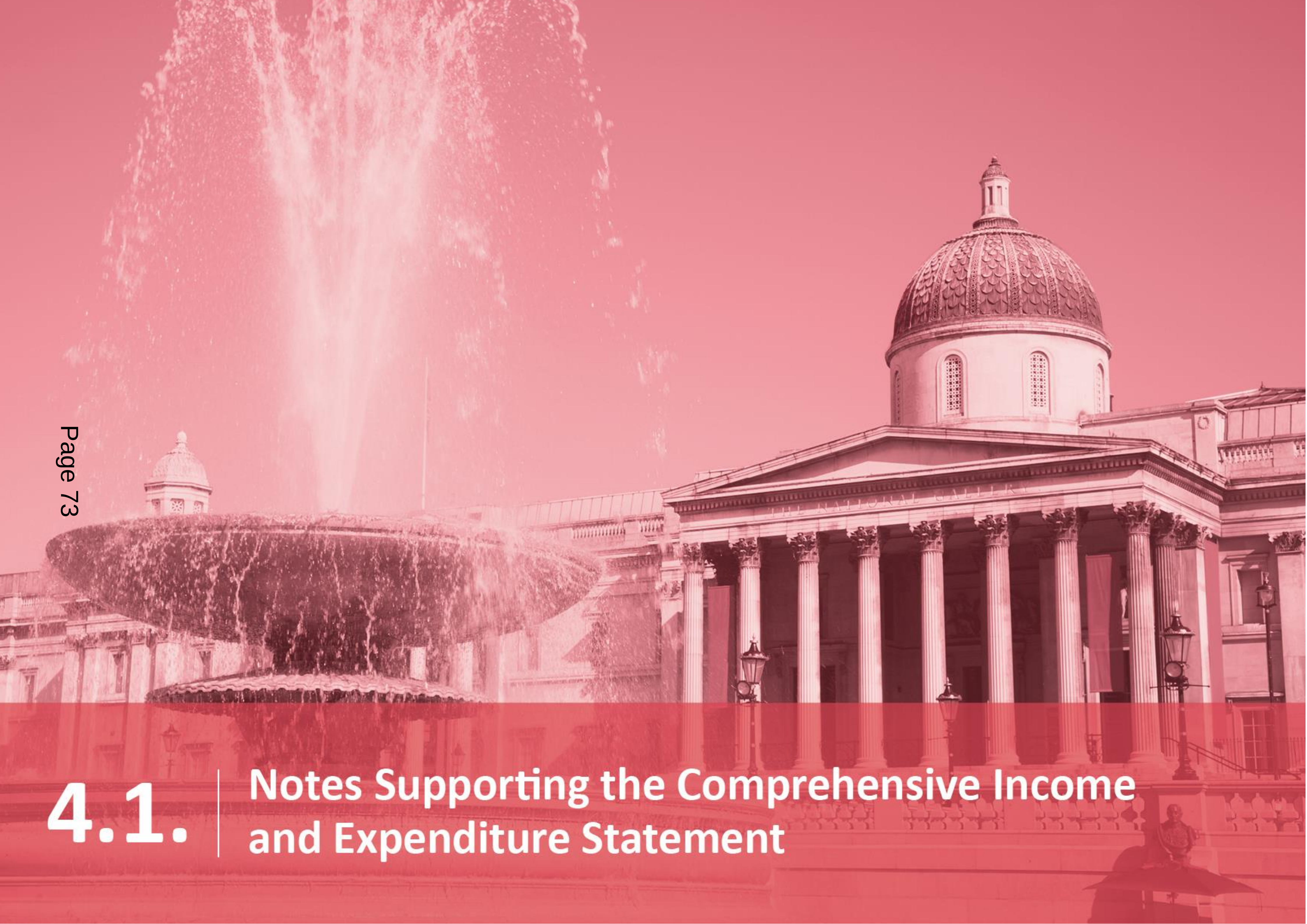
Note 4 Critical judgements in applying accounting policies

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

- 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. The Council's interests in two subsidiaries (City West Homes Ltd and Westminster Community Homes Ltd) are now material to the Council's overall financial position. Therefore group accounts have been prepared to consolidate the Council's interests in subsidiaries and other entities within the group boundary into the Council's Group Accounts
- The Council has assessed the legal framework underlying each type of school and determined the treatment of non-current assets within the financial statements on the basis of whether it owns or has some responsibility for, control over or benefit from the service potential of the premises and land occupied. The Council has considered its accounting classification for each school on a case by case basis in conjunction with relevant dioceses for voluntary aided and voluntary controlled schools. As a result, the Council:

1. recognises school assets for community schools on its balance sheet because the rights and obligations associated with such schools rest with the Council;
2. has concluded that the assets relating to academies, voluntary aided (VA), voluntary controlled (VC) or free schools 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 has committed to enter into a London-wide business rate pooling pilot from 2018/19. The governance arrangements set in place for this pilot pool guarantee no detriment compared with what the Council's position would otherwise be for the years whilst in a pooling arrangement than if it had not entered into such an arrangement – this is backed by MHCLG. All financial impacts of events relating to years before 2018/19 are specifically to be excluded from the potential share of the surplus to be distributed to London Boroughs from the pool. The Council's accounts as at 31 March 2018 are therefore totally unaffected by the commitment to enter into a pooling arrangement as either a result of future changes in our assumptions in closing the 2017/18 Collection Fund, nor are they affected by future decisions of other local authorities.
- Collecting in excess of £2bn in 2017/18, the assumptions around the outcome of appeals against the NNDR valuations (either received to date or expected to be received in future years) represent a material and critical judgement applied to the accounts. The appeals provision is empirically derived from past experience of both the 2005 and 2010 Lists as well appeals determinations so far made against the 2017 List. A 1% variance in the determined appeals provision would alter the net locally retained income to the Council by £0.66m. Due to the technical adjustment relating to the Collection Fund Adjustment Account this would not result in any change to the level of General Reserves.
- Dwellings held by Westminster Community Homes Ltd have been re-valued to Existing Use Value-Social Housing on consolidation into the Council's Group Accounts to align with the Council's valuation of council dwellings. This reflects that the dwellings held by the company are occupied on assured tenancy terms similar to those of council dwellings except for the Right to Buy.



4.1. Notes Supporting the Comprehensive Income and Expenditure Statement

Note 5 Other operating income and expenditure

Other operating income and 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.

2016/17		2017/18
£'000		**£'000**
2,830	Levies, Precepts and Special Expenses	3,029
2,941	Payments to the Government Housing Capital Receipts Pool	2,913
(5,280)	(Gains)/losses on the disposal of non-current assets	(24,485)
491	**Total**	**(18,543)**

Note 6 Financing and investment income and expenditure

Financing and investment income and expenditure includes interest receivable and payable on the Council's investment portfolio. The Council's net rental income on the properties it holds purely for investment purposes is also included.

It also includes the interest element of the pension fund liability.

2016/17		2017/178
£'000		**£'000**
12,818	Interest payable and similar charges	12,466
20,912	Net interest on the net defined benefit liability (asset)	20,359
(6,606)	Interest receivable and similar income	(7,321)
(42,809)	Income and expenditure in relation to investment properties and changes in their fair value	(3,153)
(410)	Other investment income	(744)
(16,095)	**Total**	**21,608**

Note 7 Taxation and non-specific grant income

This note consolidates all non-specific grants and contributions receivable that cannot be identified to particular service expenditure and therefore cannot be credited to the gross income amount relevant to the 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.

2016/17		2017/18
£'000		**£'000**
(50,062)	Council Tax Income	(52,801)
(91,490)	Non-Domestic Rates income	(88,456)
(74,430)	Non-ringfenced government grants	(65,914)
(82,062)	Capital grants and contributions	(181,230)
(298,008)	**Total**	**(388,401)**

Note 8 Expenditure and funding analysis

The Expenditure and Funding Analysis demonstrates how the Council has used available funding for the year (i.e. government grants, rents, council tax and business rates) in providing services, in comparison with those resources that the Council has consumed or earned in accordance with generally accepted accounting practices. It also shows how the Council has allocated this expenditure for decision making purposes between the Council's Executive Management Teams. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Table A

		2016/17				2017/18
Expenditure chargeable to GF and HRA balances	**Adjustments between funding and accounting basis**	**Net Expenditure in the CIES**		**Expenditure chargeable to GF and HRA balances**	**Adjustments between funding and accounting basis (see Table C)**	**Net Expenditure in the CIES**
£'000	£'000	£'000		£'000	£'000	£'000
19,296	965	18,331	City Treasurer	(7,448)	165	(7,613)
7,039	(337)	7,376	Policy, Performance and Communications	367	242	125
56,374	(1,055)	57,429	Adults' Services	58,565	294	58,271
38,190	(5,426)	44,410	Children's Services	33,337	(7,470)	40,808
4,742	(40,287)	45,029	City Management and Communities	9,564	(27,975)	37,538
16,658	(48,854)	65,512	Growth, Planning and Housing (including HRA)	20,568	(71,315)	91,884
2,185	(276)	2,461	Chief of Staff	1,162	(45)	1,207
25,822	(2,796)	28,618	Corporate Services	(2,273)	(1,829)	(444)
171,100	-98,066	269,166	Net Cost of Services	113,845	(107,933)	221,776

Note 8 Expenditure and funding analysis (continued)

Table B

		2016/17				**2017/18**
Expenditure chargeable to GF and HRA balances	**Adjustments between funding and accounting basis**	**Net Expenditure in the CIES**		**Expenditure chargeable to GF and HRA balances**	**Adjustments between funding and accounting basis**	**Net Expenditure in the CIES**
£'000	£'000	£'000		£'000	£'000	£'000
3,400	2,909	491	Other operating income and expenditure	10,823	29,365	(18,543)
(2,529)	13,565	(16,095)	Financing and investment income and expenditure	15,872	(5,736)	21,608
(84,451)	213,561	(298,008)	Taxation and non-specific grant income and expenditure	(139,331)	249,071	(388,401)
(83,580)	230,036	(313,612)	Other Income and Expenditure	(112,636)	272,700	(385,336)
87,521	**131,970**	**(44,446)**	**(Surplus)/Deficit on Provision of Services**	**1,209**	**164,770**	**(163,560)**

Note 8 Expenditure and funding analysis (continued)

Table C

		2016/17				2017/18
Opening Balance	Surplus or Deficit on the Provision of Services	Closing Balance		Opening Balance	Surplus or Deficit on the Provision of Services	Closing Balance
£'000	£'000	£'000		£'000	£'000	£'000
(41,575)	(7,202)	(48,777)	General Fund Balance	(48,777)	(10,088)	(58,865)
(31,606)	(9,980)	(41,586)	Housing Revenue Account Balance	(41,586)	16,220	(25,366)
(73,181)	**(17,182)**	**(90,363)**	**Sub-Total General Fund and Housing Revenue Account Balance**	**(90,363)**	**6,132**	**(84,231)**
(246,856)	101,973	(144,883)	General Fund Earmarked Reserves	(144,884)	(6,146)	(151,031)
(13,162)	831	(12,331)	Housing Revenue Account Reserves	(12,331)	3,162	(9,169)
(5,603)	1,899	(3,704)	Schools Reserves	(3,704)	(1,939)	(5,643)
(265,621)	**104,703**	**(160,918)**	**Sub-Total Earmarked and Schools Reserves**	**(160,920)**	**(4,923)**	**(165,843)**
(338,802)	**87,521**	**(251,281)**	**Total Reserves**	**(251,283)**	**1,209**	**(250,074)**

Note 8 Expenditure and funding analysis (continued)

Table D

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:

			2016/17					2017/18
Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments		Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
1,280	(323)	8	965	City Treasurer	-	165	-	165
-	(334)	(3)	(337)	Policy, Performance and Communications	(38)	280	-	242
(631)	(415)	(9)	(1,055)	Adults' Services	(440)	734	-	294
(4,964)	(415)	(46)	(5,426)	Children's Services	(8,142)	672	-	(7,470)
(39,331)	(611)	(345)	(40,287)	City Management and Communities	(29,547)	1,572	-	(27,975)
(47,773)	(464)	(617)	(48,854)	Growth, Planning and Housing (including HRA)	(72,140)	824	-	(71,315)
-	(274)	(2)	(276)	Chief of Staff	-	(45)	-	(45)
(2,430)	(341)	(24)	(2,796)	Corporate Services	(2,170)	341	-	(1,829)
(93,850)	(3,177)	(1,038)	(98,066)	Net Cost of Services	(112,475)	4,543	-	(107,933)
2,909	-	-	2,909	Other Operating Income and Expenditure	29,365	-	-	29,365
34,384	(20,912)	93	13,565	Financing and Investment Income and Expenditure	1,120	(20,359)	13,503	(5,736)
81,823	-	130,864	213,561	Taxation and Non-Specific Grant Income and Expenditure	178,833	-	70,238	249,071
25,266	**(24,089)**	**129,919**	**131,970**	**Difference Between Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services**	**96,843**	**(15,816)**	**83,741**	**164,770**

Note 8 Expenditure and funding analysis (continued)

Adjustments for Capital purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line. For other operating expenditure, it adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. For financing and investment income and expenditure, it adjusts for the statutory charges for capital financing and investment i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices. For taxation and non-specific grant income and expenditure, capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net change for the pensions adjustments

This column adjusts for the net change for the renewal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income. For services, this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs. For financing and investment income and expenditure, this adjusts for the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Other differences

Other differences between amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payable / receivable to be recognised under statute. For services, this represents removal of the annual leave accrual adjustment. For financing and investment income and expenditure the other differences column recognises adjustments to General Fund for the timing differences for premiums and discounts and financial instruments. The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Non-Domestic Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 8 Expenditure and funding analysis (continued)

EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed by type in the table opposite:

2016/17		2017/18
£'000		£'000
177,623	Employee Benefit Expenses	175,136
773,555	Other Service Expenses	766,555
33,731	Interest Payments	32,492
2,786	Precepts and Levies	2,765
2,940	Payments to the Housing Capital Receipts Pool	2,913
74,154	Depreciation, Amortisation, Impairment	94,794
1,064,790	Total Expenditure	1,071,655
(515,723)	Grants and Contribution	(631,070)
(439,667)	Fees, Charges and other service income	(431,307)
(141,553)	Income from Council Tax, business rates	(141,256)
(5,280)	Gains on Disposals	(24,845)
(7,016)	Interest and Investment Income	(7,732)
(1,109,239)	Total Income	(1,235,210)
(44,448)	**Surplus on the Provision of Services**	**(163,555)**

Note 9 Better Care Fund

Pooled Budget for Social Care

The Council has entered into a non-pooled partnership arrangement under section 75 of the National Health Service Act 2006 with the Central London and West London Clinical Commissioning Groups for the provision of Adult Social Care and Health Services with primary support needs of physical support, mental health support, learning disability support, support with memory and cognition, social support and services to safeguard adults.

The aim is to meet the needs of people living in the Westminster City Council area. Expenditure funded from this budget includes the provision of care in residential settings, community services enabling people to remain in their own homes and a community independence service which supports the re-ablement of residents.

Only expenditure under the Council's remit is recognised in the Comprehensive Income and Expenditure Statement.

Any surplus or deficit generated from the arrangement is the responsibility of the respective partner to whom it is attributed. The partnership arrangement includes all income and expenditure relating to the Better Care Fund, whether funded by Council or by the NHS partners. The partner authorities are responsible for managing the individual schemes for which they have lead responsibility.

Gross expenditure of the Better Care Fund was £40.7m in 2017/18 (£60.0m in 2016/17) and gross income was £40.7m in 2017/18 (£58.9m in 2016/17) of which the Council's contribution was £25.7 m (£20.3m in 2016/17), summarised below.

		2016/17				2017/18
WCC	CCGs	Total	Programme area	WCC	CCGs	Total
£000s	£000s	£000s		£000s	£000s	£000s
8,759	4,264	13,023	Learning Disabilities Support	15,500	5,813	21,313
-	-	-	Improved Better Care Fund	8,721	-	8,721
4,925	4,029	8,954	Mental Health	4,587	3,865	8,452
-	6,816	6,816	Existing NHS Community Services	-	6,988	6,988
-	6,065	6,065	Re-ablement and social care Services	-	6,277	6,277
998	6,961	7,959	Community Independence Service	1,100	4,783	5,883
1,002	4,076	5,078	Physical Support Total	959	2,727	3,686
1,193	1,664	2,857	Social Care Activities	1,684	1,668	3,352
1,369	636	2,005	Support with Memory and Cognition	1,842	556	2,398
-	19	19	Personal Health Budgets	-	1,374	1,374
1,182	-	1,182	Disabled Facilities Grant	1,297	-	1,297
574	498	1,072	Carers' Support	845	392	1,237
-	1,855	1,855	Community Neurological Rehabilitation Beds	-	1,203	1,203
-	706	706	Care Act Implementation	-	734	734
161	383	544	Information and Early Intervention	172	381	553
104	1,333	1,437	Other	123	317	440
20,267	**39,305**	**59,572**		**36,830**	**37,078**	**73,908**

Note 10 Officers' remuneration (including termination benefits and members' allowances)

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

2016/17	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	226,561	32,541	-	-	-	-	259,102
Executive Director of City Management & Communities – S Love	137,699	15,104	-	37,491	-	-	190,294
Executive Director Growth, Planning and Housing	130,164	2,864	5,684	34,007	-	-	172,719
Director of Policy, Performance and Communications – J Corkey	141,615	13,258	2,105	38,617	-	-	195,595
City Treasurer (Section 151 Officer)	120,602	12,591	5,684	34,143	310	-	173,330
Her Majesty's Coroner – Inner West London	145,446	-	5,684	32,110	-	-	183,240
Director of Public Health	133,292	-	4,210	14,741	-	-	152,243
Executive Director of Corporate Services	118,078	-	4,210	-	-	-	122,288

* Salary, Fees and Allowances include elements such as market forces supplement, honorarium and allowances for election responsibilities.

Note 10 Officers' remuneration (including termination benefits and members' allowances) (continued)

2017/18	Notes	Salary, Fees and Allowances*	Deferred Pay	Private Health Insurance / Benefits in Kind	Pension Contributions	Expenses	Compensation for Loss of Office	Total
		£	£	£	£	£	£	£
Chief Executive - Charlie Parker (ex)	A	165,886	61,578	-	-	-	-	227,464
Chief Executive - S Love	B	33,449	-	-	7,628	-	-	41,077
Executive Director of City Management & Communities (ex) – S Love	C	129,677	15,255	-	36,253	-	-	181,185
City Treasurer (Section 151 Officer)		130,568	13,391	5,581	36,718	310	-	186,568
Executive Director the West End Partnership (ex) – E Watson	D	76,335	-	-	18,694	-	52,600	147,629
Executive Director Growth, Planning and Housing (ex) – E Watson	E	54,778	10,847	-	16,144	-	-	81,769
Executive Director Growth, Planning and Housing	F	83,992	-	-	20,662	-	-	104,654
Bi-borough Executive Director of Adult Social Care	G	66,888	-	1,017	16,705	-	-	84,610
Director of Communication and Strategy		128,487	10,713	1,421	34,593	-	-	175,215
Her Majesty's Coroner - Inner West London - F Wilcox	H	166,735	-	4,808	37,334	-	-	208,877
Executive Director of Corporate Services	I	119,689	12,717	4,032	-	-	-	136,438
Director of Public Health	J	134,554	12,052	4,716	-	-	-	151,322
Interim Executive Director of City Management & Communities	K	41,550	-	-	10,222	-	-	51,772
Bi-borough Executive Director of Children's Services	L	97,578	-	-	24,004	-	-	121,582

* Salary, Fees and Allowances include elements such as market forces supplement, honorarium and allowances for election responsibilities. Deferred Pay is the full amount of this element paid in 2017/18

Page 85

Note 10 Officers' remuneration (including termination benefits and members' allowances) (continued)

A) The post holder ceased on 7 January 2018 and was succeeded by post holder B) on 1 January 2018
B) The post holder commenced on 1 January 2018.
C) The post holder ceased on 31 December 2017.
D) The post holder commenced on 1 September 2017 and ceased on 30 March 2018.
E) The post holder ceased on 31 August 2017.
F) The post holder commenced on 1 September 2017.
G) The Bi-Borough Executive Director of Adult Social Care is employed by Westminster City Council. The costs of this post are shared between the Royal Borough of Kensington & Chelsea and Westminster City Council (2016/17 shared between the Royal Borough of Kensington & Chelsea, the London Borough of Hammersmith & Fulham, and Westminster City Council.) The share was 47% RBKC, 47% WCC and 6% WCC Public Health (2016/17: 21.2% RBKC; 46.3% LBHF; 32.5% WCC). The post holder commenced on 17 October 2017.
H) 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. The post of Bi-Borough Executive Director of Children's Services is funded 50% WCC and 50% RBKC. The post holder commenced 1st April 2017.
I) This post is funded 60% WCC and 40% RBKC.
J) The Director of Public Health is employed by Westminster City Council. The costs of this post are shared equally between the Royal Borough of Kensington & Chelsea, the London Borough of Hammersmith & Fulham, and Westminster City Council. The share was 30.9% RBKC; 29.1% LBHF; 40.0% WCC.
K) The post holder commenced on 1 December 2017.
L) The Bi-Borough Executive Director of Children's Services (2016/17 Tri-Borough Executive Director of Children's Services) is employed by Westminster City Council (2016/17 the Royal Borough of Kensington & Chelsea). The costs of this post are shared between the Royal Borough of Kensington & Chelsea and Westminster City Council (2016/17 shared between the Royal Borough of Kensington & Chelsea, the London Borough of Hammersmith & Fulham, and Westminster City Council). The share in 2017/18 was 50% RBKC; 50% WCC (2016/17: 33.3% RBKC; 33.3% LBHF; 33.3% WCC). The post holder commenced 1 August 2017.

Note 10 Officers' remuneration (including termination benefits and members' allowances) (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:

2016/17 Restated		2017/18
No of Employees		No of Employees
159	£50,000 - £54,999	189
94	£55,000 - £59,999	83
55	£60,000 - £64,999	51
41	£65,000 - £69,999	33
41	£70,000 - £74,999	30
26	£75,000 - £79,999	26
23	£80,000 - £84,999	20
13	£85,000 - £89,999	12
3	£90,000 - £94,999	6
3	£95,000 - £99,999	6
4	£100,000 - £104,999	2
3	£105,000 - £109,999	5
1	£110,000 - £114,999	-
2	£115,000 - £119,999	4
1	£120,000 - £124,999	-
3	£125,000 - £129,999	-
1	£130,000 - £134,999*	1
2	£135,000 - £139,999	-
-	£140,000 - £144,999	1
-	£145,000 - £149,999	-
475	**Total**	**469**

* The 2016/17 officers' remuneration has been restated as one officer receiving remuneration in the £130,000 - £134,999 bracket was shown in the £125,000 - £129,999 bracket.

Note 10 Officers' remuneration (including termination benefits and members' allowances) (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:

2016/17					2017/18			
(b) Number of compulsory redundancies	(c) Number of other departures agreed	(d) Total number of exit packages by cost band [(b) + (c)]	Total cost of exit packages in each band	(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)]	Total cost of exit packages in each band
			£'000					£'000
188	-	188	1,134	£0 - £20,000	39	-	39	320
25	-	25	648	£20,001 - £40,000	17	-	17	529
8	-	8	385	£40,001 - £60,000	8	-	8	401
4	-	4	284	£60,001 - £80,000	5	-	5	319
-	-	-	-	£80,001 - £100,000	1	-	1	82
5	-	5	675	£100,001 - £150,000	3	-	3	365
3	-	3	478	£150,001 - £200,000	1	-	1	179
233	**-**	**233**	**3,604**	**Total**	**74**	**-**	**74**	**2,195**

TERMINATION BENEFITS

Termination benefits are payable following a decision by the Council to terminate an officer's employment before their normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. Costs are charged on an accruals basis to the respective Service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of the benefits or when the Council recognises costs for a restructuring.

Where termination benefits include the enhancement of pension benefits, regulations require the General Fund to be charged with the amount payable to the pension fund rather than the amount calculated under accounting standards. Entries are made in the Movement in Reserves Statement to transfer the accounting standards based entries to the Pension Reserve and replace these with the amount payable to the pension fund.

The Council terminated the contracts of 70 employees in 2017/18. Of the total payment of £2.063m there were no enhancements of retirement benefits.

MEMBERS' ALLOWANCES

The Council paid allowances to its members in 2017/18 of £0.932m (2016/17 – £0.944m).

Note 11 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:

2016/17		2017/18
£'000		**£'000**
186	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	186
22	Fees payable to external auditors for the certification of grant claims and returns for the year	25
0	Fees payable in respect of other services provided by external auditors during the year relating to objections*	8
4	Fees payable in respect of Teacher's Pension audit	4
0	Fees payable in respect of audit of pooling of capital receipts	9
10	Fees payable in respect of CFO Insights toolkit	10
0	Public Sector Audit Appointments (PSAA) rebate	(28)
222	**Total**	**214**

* The total fees of £217k in 2017/18 includes £8k that is in respect of 2016/17.

Note 12 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 ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools and Early Years Finance (England) Regulations 2017. There were some changes to DSG for 2017/18 following the removal of the Education Services Grant in September 2017. 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, and funding for early years providers, and for high needs payments to providers.

Details of the schools budget funded by DSG receivable for 2017/2018 are as follows:

	Central Expenditure	Individual Schools Budget	Total 2017/18	Total 2016/17
	£'000	£'000	£'000	£'000
Final DSG before Academy Recoupment	-	-	152,049	148,552
Academy figure recouped	-	-	(66,938)	(66,108)
Total DSG after Academy recoupment	-	-	85,111	82,444
Brought forward	-	-	5,275	6,288
Carry forward projected	-	-	(5,275)	-
Agreed initial budgeted distribution	3,628	81,483	85,111	82,444
In year adjustments	-	(455)	(455)	(587)
Final budgeted distribution	3,628	81,028	84,656	81,857
Less Actual central expenditure	(4,566)	-	(4,566)	(15,918)
Less Actual ISB deployed to schools	-	(81,285)	(81,285)	(66,952)
	-			
(Drawdown from)/Contribution to DSG Reserve	(938)	(257)	(1,195)	(1,013)
Carry Forward	-	-	4,080	5,275

Note 13 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

2016/17		2017/18
£'000	**Credited to Taxation and Non Specific Grant Income**	**£'000**
57,851	Revenue Support Grant	46,166
13,371	New Homes Bonus	9,889
3,208	Collection Allowance – Business Rates and Business Rates Supplement	3,409
-	Section 31 Grant	6,389
-	Other Grants Credited to Taxation and Non Specific Grant Income	61
74,430	**Sub-Total**	**65,914**

Note 13 Grant Income (continued)

2016/17 Restated*		2017/18
£'000	**Credited to Services**	**£'000**
218,606	Housing Benefits Subsidy	210,953
81,857	Dedicated Schools Grant	84,656
32,886	Public Health Grant	32,075
2,611	Discretionary Housing Payments Grant	1,293
559	Education Services Grant	788
5,345	Pupil Premium Grant	5,063
-	Improved Better Care Funding Programme	9,730
1,609	Housing Benefit Subsidy Administration Grant	1,481
-	Flexible Housing Support Grant	7,221
4,362	Education and Skills Funding Agency Grant	5,399
985	Troubled Families grants	751
794	Unaccompanied Asylum Seeking Children Grant	1,557
755	Partners in Practice Grant	917
1,197	Universal Infant Free School Meals	1,150
8,831	Other Government Grants	8,570
1,876	Other Non-Government grants and contributions	1,896
362,273	Sub-Total	373,500
436,703	Total	439,414

* The 2016/17 figures have been broken down to provide comparators with 2017/18. Furthermore, as a result of in-depth analysis of coding in 2017/18, grants in 2016/17 have been restated from £426.507m to £436.703m.

Note 13 Grant Income (continued)

2016/17		2017/18
£'000	**Capital Grants Receipts in Advance (Non-Current)**	**£'000**
63,564	S106 / S278 Contributions	56,881
16,348	Affordable Housing Fund	337
3,258	Transportation and Infrastructure External Funding	2,378
4,414	Transport for London Grants	6,339
805	Other Government Grants	1,954
1,400	Other Grants and Contributions	3,601
89,789	**Total**	**71,490**

2016/17		2017/18
£'000	**Revenue Grants and Contributions Receipts in Advance (Current)**	**£'000**
1,338	New Homes Bonus	1,244
4,753	Other Non-Government Grants and Contributions	2,462
2,250	Other Grants and Contributions	1,929
8,341	**Total**	**5,635**

Note 14 Trading Operations

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

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

		2016/17				2017/18
Turnover	Expenditure	(Surplus) /Deficit	Trading Unit	Turnover	Expenditure	(Surplus) /Deficit
£'000	£'000	£'000		£'000	£'000	£'000
(2,226)	2,217	(9)	Street Markets	(2,053)	2,221	168
(614)	1,383	769	Building Control	(529)	1,286	757
(256)	805	549	Cemeteries	(234)	643	409
(16,994)	16,971	(23)	Trade Refuse	(17,370)	17,482	112
(20,090)	21,376	1,286	Net deficit on trading operations	(20,186)	21,632	1,446

Note 15 Agency Services

2016/17	2016/17		2017/18	2017/18
£'000	£'000		£'000	£'000
		Transport for London		
(7,781)		Contributions	(11,108)	
7,781		Expenditure	11,108	
	-	(Surplus)/ Deficit		-
		Inner West London Coroner's District		
(1,057)		Contributions	(1,035)	
1,424		Expenditure	1,394	
	367	(Surplus)/ Deficit		359
		Collection of Mayoral CIL		
(13,460)		Contributions	(16,661)	
	(538)	Proportion retained by WCC (see note)		(666)
		Thames Water		
(4,350)		Contributions	(4,311)	
3,373		Expenditure	3,266	
	(977)	(Surplus)/ Deficit		(1,045)
	(1,148)	Net Surplus		(1,352)

Page 95

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. During 2017/18 £11.11m of works were undertaken for TFL.

INNER WEST LONDON CORONER'S DISTRICT

The Inner West London Coroner's District was set up by statute and provides services to four local authorities (Kensington & Chelsea, Merton, Wandsworth and Westminster City Council).

During the year £1.39m of expenditure was incurred by the Coroner's Service towards which contributions were received or accrued totalling £1.04m from the other three local authorities this year. The balance of £0.36m is Westminster's contribution to the service.

Note 15 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 29th February 2012 and applies to developments agreed after 1st 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.

During 2017/18, Mayoral CIL contributions of £16.66m were received this year. The balance of £0.67m has been retained by Westminster to cover administrative costs.

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 impairment allowance for doubtful debt, all at fixed percentages based on the total water charge.

Water Rate receipts at the end of 2017/18 amounted to £4.31m, of which £3.27m was transferred to Thames Water. The commission element is £1.04m.

4.2. Notes Supporting the Movement in Reserves Statement

Note 16 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.

Page 98

2016/17					Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation of non-current assets	(51,039)	(23,225)	-	-	-	74,264
Revaluation losses on Property, Plant and Equipment	637	-	-	-	-	(637)
Impairment losses on Property, Plant and Equipment	1,830	(18,839)	-	-	-	17,008
Movements in the market value of Investment Properties	25,868	-	-	-	-	(25,868)
Amortisation of intangible assets	(928)	-	-	-		928
Revenue expenditure funded from capital under statute	(24,799)	-	-	-	-	24,799
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	(9,878)	(5,553)	-	-	-	15,431

Note 16 Adjustments between accounting basis and funding basis under regulations (continued)

2016/17					Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	4,107	-	-	-	-	(4,107)
Capital expenditure charged against the General Fund and HRA balances	-	4,409	-	-	-	(4,409)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	81,823	-	-	-	(81,823)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	68,322	(68,322)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,905)	23,281	(20,376)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	17,945	-	-	(17,945)
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	(2,940)	-	2,940	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	2,511	-	-	(2,511)
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	(104)	-	-	104

Page 99

Note 16 Adjustments between accounting basis and funding basis under regulations (continued)

2016/17	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	23,225	-	(23,225)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	23,225	-	(23,225)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
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	-	93	-	-	-	(93)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(43,453)	-	-	-	-	43,453
Employer's pensions contributions and direct payments to pensioners payable in the year	19,623	-	-	-	-	(19,623)
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	130,864	-	-	-	-	(130,864)
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	(232)	-	-	-	-	232
Total Adjustments	**128,578**	**3,392**	**2,916**	**-**	**(13,501)**	**(121,386)**

Note 16 Adjustments between accounting basis and funding basis under regulations (continued)

2017/18				Usable Reserves		Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation of non-current assets	(46,342)	(23,371)	-	-	-	69,695
Revaluation losses on Property Plant and Equipment	(2,960)	(1)	-	-	-	2,961
Impairment losses on Property Plant and Equipment	-	(6,600)	-	-	-	6,600
Movements in the market value of Investment Properties	(15,171)	274	-	-	-	14,897
Amortisation of intangible assets	(640)	-	-	-	-	640
Capital grants and contributions applied	86,083	2,000	-	-	-	(88,083)
Prior year adjustments	(2,748)	-	-	-	-	2,748
Movement in the Donated Assets Account	100	-	-	-	-	(100)
Revenue expenditure funded from capital under statute	(56,301)	-	-	-	-	56,301
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,550)	(5,145)	-	-	-	7,695
Other capital expenditure written to the Comprehensive Income and Expenditure Statement	10,312	-	-	-	-	(10,312)
Prior year error correction	333	-	-	-	-	(333)

Note 16 Adjustments between accounting basis and funding basis under regulations (continued)

2017/18	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	6,594	-	-	-	-	(6,594)
Direct Revenue Financing	804	-	-	-	-	(804)
Capital expenditure charged against the General Fund and HRA balances	-	15,781	-	-	-	(15,781)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	94,756	-	-	-	(94,756)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	15,322	(15,322)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,937	27,943	(31,880)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	54,549	-	-	(54,549)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(78)	-	78	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2,913)	-	2,913	-	-	-

Note 16 Adjustments between accounting basis and funding basis under regulations (continued)

2017/18				Usable Reserves		Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustment primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on the disposal to the Comprehensive Income and Expenditure Statement	217		(110)			(107)
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	23,371	-	(23,371)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	23,371	-	(23,371)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year according to statutory requirements	2,549	93	-	-	-	(2,642)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(55,313)	-	-	-	-	55,313
Employer's pensions contributions and direct payments to pensioners payable in the year	39,357	-	-	-	-	(39,357)
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	70,238	-	-	-	-	(70,238)
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	140	-	-	-	-	(140)
Total Adjustments	**130,422**	**34,345**	**25,550**	**-**	**(79,434)**	**(110,883)**

Note 17 Transfer to/from earmarked reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure.

Earmarked Reserves	31 March 2016	Transfers Out	Transfers In	31 March 2017	1 April 2017	Transfers Out	Transfers In	31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adults Services Reserve	(2,817)	721	-	(2,096)	(2,096)	1,880	(6,335)	(6,551)
Transformation Reserve	-	-	-	-	-	-	(14,843)	(14,843)
Infrastructure Reserve	-	-	-	-	-	-	(24,799)	(24,799)
Modernisation Reserve	-	-	-	-	-	-	(8,000)	(8,000)
Corporate Risks Reserve	(7,849)	537	(734)	(8,046)	(8,046)	8,246	(200)	-
Economy and Enterprise Reserve	(5,302)	2,239	-	(3,063)	(3,063)	1,070	-	(1,993)
Revenue Support Grant Damping Reserve	-	-	(5,500)	(5,500)	(5,500)	5,500	-	-
Income Pressures Reserve	(10,620)	8,500	-	(2,120)	(2,120)	2,120	-	-
Insurance Reserve	(11,263)	-	(766)	(12,030)	(12,030)	-	(572)	(12,602)
Invest to Save Reserve	(14,632)	-	-	(14,632)	(14,632)	14,632	(24,907)	(24,907)
Refurbishment/Transformation of Estate Reserve	(10,000)	-	-	(10,000)	(10,000)	10,000	-	-
Redundancy & Re-organisation Reserve	(4,017)	1,243	-	(2,774)	(2,774)	70	-	(2,704)
Safety Net Equalisation Reserve	(117,228)	117,227	(13,671)	(13,671)	(13,671)	13,671	-	-
Troubled Family Programme Reserve	(473)	-	(848)	(1,322)	(1,322)	-	(34)	(1,356)
Housing Benefit Reserve	(661)	100	(439)	(1,000)	(1,000)	-	-	(1,000)
Minimum Revenue Provision Equalisation Reserve	(3,587)	-	(2,001)	(5,589)	(5,589)	-	(1,598)	(7,187)

Page 104

Note 17 Transfer to/from earmarked reserves (continued)

Earmarked Reserves	31 March 2016	Transfers Out	Transfers In	31 March 2017	1 April 2017	Transfers Out	Transfers In	31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
West End Partnership Reserve	-	-	(1,199)	(1,199)	(1,199)	786	-	(413)
Service Realignment and Transformation Reserve	-	-	(3,000)	(3,000)	(3,000)	3,000	-	-
Receipts In Advance Reserve	(21,658)	1,821	-	(19,837)	(19,837)	17,579	-	(2,258)
Statues and Monuments Reserve	(313)	26	(86)	(373)	(373)	17	-	(356)
Children's Transformation Reserve	(3,196)	1,157	(1,229)	(3,268)	(3,268)	1,224	(1,834)	(3,878)
Pensions Reserve	-	-	(10,000)	(10,000)	(10,000)	10,000	-	-
Contracts Risk Reserve	-	-	-	-	-	-	(11,713)	(11,713)
Other Council Reserves	(18,418)	11,302	(3,501)	(10,617)	(10,617)	3,649	(7,470)	(14,438)
Total Earmarked Reserves	**(232,034)**	**144,873**	**(42,974)**	**(130,137)**	**(130,137)**	**93,444**	**(102,305)**	**(138,998)**

Note 17 Transfer to/from earmarked reserves (continued)

Earmarked Reserves – General Fund	31 March 2016	Transfers Out	Transfers In	31 March 2017	1 April 2017	Transfers Out	Transfers In	31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Ring Fenced Revenue Schemes								
Learning Skills Council Reserve	(288)	-	(630)	(918)	(918)	-	(755)	(1,673)
Dedicated Schools Grant	(6,288)	1,013	-	(5,275)	(5,275)	1,196	-	(4,079)
Public Health Reserve	(8,246)	-	(308)	(8,554)	(8,554)	2,265	-	(6,289)
Total Ring Fenced Reserves	(14,822)	1,013	(938)	(14,747)	(14,747)	3,461	(755)	(12,041)
Total Earmarked and Ring-fenced Revenue Reserves	(246,856)	145,886	(43,912)	(144,884)	(144,884)	96,905	(103,060)	(151,039)
HRA earmarked reserves	(13,162)	831	-	(12,331)	(12,331)	3,162	-	(9,169)
Total General Fund and HRA Earmarked Reserves	**(260,018)**	**146,717**	**(43,912)**	**(157,215)**	**(157,215)**	**100,067**	**(103,060)**	**(160,208)**

Note 17 Transfer 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 **Transformation Reserve** is provided to finance the transformation of the Council's services as required to achieve leading edge service and financial provision

The **Infrastructure Reserve** is provided to support improvements to the Council' buildings, estates and related matters allowing more flexible and industrious use of these premises

The **Economy and Enterprise Reserve** supports the creation of innovative economic development projects to deliver growth and regeneration within Westminster.

The **Modernisation Reserve** is provided to support bringing the Council, where necessary, up to modern standards

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 **Redundancy and Re-organisation 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 DCLG'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.

The **Troubled Family Programme Reserve** relates to the carry forward of grant funding to match forecast commitments in future years.

The **Housing Benefit Earmarked Reserve** relates to the carry forward of an unspent budget to support HB payments while options to absorb the planned reduction in Discretionary Housing Benefit payment from government are considered.

The **Minimum Revenue Provision Equalisation Reserve** is funding to support costs associated with the Council's significant capital programme.

The **West End Partnership Reserve** is funding set aside to support key projects in the wider programme of works which is central to plans to maintain the West End as a world class centre of commerce and tourism.

The **Receipts in Advance Reserve** relates to grant monies received in prior years, which do not have conditions but which is planned to be spent on its original purpose.

The **Statues and Monuments Reserve** is in place to provide the funds to maintain some of the many statues within Westminster.

The **Children's Transformation Reserve** supports projects within Children's services.

The **Pensions Deficit Recovery Reserve** relates to money set aside to reduce the Council's pension deficit.

The **Contracts Risk Reserve** is held to protect the Council from any impact should any of its contracted services go into administration.

Other Council Reserves represent minor balances.

Ring-Fenced Revenue Reserves represent carried forward funding, including 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.

4.3. Notes Supporting the Balance Sheet

Note 18a Capital Contractual Commitments

At 31 March 2018, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years. The major commitments amounting to £1m or more are as follows and equivalent figures have been provided for 31 March 2017:

31 March 2017		31 March 2018
£'000		**£'000**
11,175	Various Public Realm Schemes	15,868
3,338	Sir Simon Milton University Technical College	-
4,826	Amey Community Ltd	3,843
-	Dudley House	40,751
-	City Hall Refurbishment	39,523
10,921	Moberly and Jubilee Leisure Centres Project	493
30,260	**Total**	**100,478**

In 2017/18 the Council signed two significant contracts for:

- the development of Dudley House, a commercial and housing development including a new secondary school
- the refurbishment of City Hall which will realise savings by reducing the relatively high running costs associated with the current, and not fit for purpose, City Hall as well as generating future income to support front line services through letting high quality office accommodation.

Note 18b 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. Sanderson Weatherall undertook valuations on behalf of the Council in 2017/18 for operational property and investment property. HRA stock was valued at 1 April 2017.

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.

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Investment Property	Heritage Assets	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Investment Assets held for Sale	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Held at Historical Cost and at Depreciated Historic Cost	-	1,242	22,277	-	100	70,396	477,269	21,302	-	592,586
Different Valuations are applied to different asset classes										
31st March 2018	63,733	130,357	384,944	393,311	-	-	-	-	40,000	1,012,345
31st March 2017	1,383,055	10	9,677	-	-	-	-	-	-	1,392,742
31st March 2016	-	-	-	-	-	-	-	-	-	-
31st March 2015	-	-	-	-	-	-	-	-	-	-
31st March 2014	-	-	978	-	42,745	-	-	-	-	43,723
Total Cost or Valuation	**1,446,788**	**131,609**	**417,877**	**393,311**	**42,845**	**70,396**	**477,269**	**21,302**	**40,000**	**3,041,396**

Note 18c 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.

Property, plant and equipment is recognised where the initial cost or value exceeds £10,000.

Measurement
Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

The cost of assets acquired other than by purchase is deemed 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;
- Council Dwellings - current value, determined using the basis of existing use value for social housing (EUV-SH);
- Vehicles, plant, furniture and equipment – depreciated historical cost

All other assets - current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. 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.

Where there is a balance of revaluation gains on the Revaluation Reserve for the relevant asset, the impairment loss is charged against that balance until it is used up. The loss debited to the Revaluation Reserve should be recognised in Other Comprehensive Income and Expenditure as a reduction in the net worth of the authority, it should be presented in the Comprehensive Income and Expenditure Statement.

Thereafter, or if there is no balance of revaluation gains (i.e. the asset is being carried at depreciated historical cost), the impairment loss is charged against the relevant service line(s) in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Note 18c Property Plant and Equipment

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 and the component accounting threshold is over £5m for non HRA dwelling properties. In the year of disposal a full year's depreciation is charged to the accounts and nothing in the year of acquisition;

- Vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer;

- Infrastructure - straight-line allocation over 10 - 15 years.

Where an asset is material and has major components whose cost is significant to the total cost of the asset and have markedly different useful lives, the components are depreciated separately.

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

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.

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
- 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 with 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 18c Property, Plant and Equipment – Movement of balances 2016/17

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost of Valuation									
At 1 April 2016	1,280,300	104,682	308,544	67,578	403,335	19,841	33,817	**2,218,097**	13,523
Additions	33,575	11,418	29,748	1,949	25,555	561	24,588	**127,394**	-
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	47,616	24,286	(28,019)	-	12	-	-	**99,933**	(6,725)
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(11,232)	-	693	-	(1,626)	(8)	-	**(12,173)**	(275)
Derecognition – disposals	(5,553)	(637)	(8,600)	-	(55)	-	-	**(14,845)**	-
Derecognition	-	-	-	-	-	-	(3,138)	**(3,138)**	-
Assets reclassified	16,468	(16,468)	10,495	-	-	-	(10,495)	**-**	-
Other movement in Cost or Valuation	(21,039)	(3,786)	(11,653)	-	1,845	(54)	-	**(34,687)**	-
At 31 March 2017	**1,340,134**	**119,495**	**357,246**	**69,527**	**429,066**	**20,340**	**44,772**	**2,380,580**	**6,523**

Note 18c Property, Plant and Equipment – Movement of balances 2016/17 (continued)

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment									
At 1 April 2016	(21,187)	(4,673)	(4,475)	(57,626)	(177,753)	-	-	**(265,715)**	(627)
Depreciation Charge	(20,801)	(2,424)	(9,218)	(4,566)	(37,255)	-	-	**(74,264)**	(853)
Depreciation written out to the Revaluation Reserve	21,187	3,767	11,653	-	974	-	-	**37,581**	212
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(7,755)	-	-	-	-	-	-	**(7,755)**	-
Derecognition – Disposals	-	-	-	-	(4)	-	-	**(4)**	-
Other Movements in Depreciation and Impairments	-	-	-	-	7	-	-	**7**	(1,880)
At 31 March 2017	**(28,555)**	**(3,330)**	**(2,040)**	**(62,192)**	**(214,031)**	**-**	**-**	**(310,150)**	**(3,148)**
Net Book Value:									
At 31 March 2017	**1,311,579**	**116,165**	**355,206**	**7,335**	**215,035**	**20,340**	**44,772**	**2,070,430**	**3,375**
At 31 March 2016	**1,259,113**	**100,009**	**304,068**	**9,951**	**225,578**	**19,841**	**33,817**	**1,952,377**	**12,896**

Page 114

Note 18c Property, Plant and Equipment – Movement of balances in 2017/18

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community 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**
Cost of Valuation									
At 1 April 2017	1,340,134	119,495	357,246	69,527	429,066	20,340	44,772	2,380,580	6,523
Additions	63,732	1,124	56,930	869	48,202	961	72,467	244,285	-
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	48,066	9,484	(13,585)	-	-	-	-	43,965	38
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(1)	(4,181)	-	-	-	-	(4,182)	61
Derecognition – disposals	(5,145)	-	-	-	-	-	-	(5,145)	-
Other movement in Cost or Valuation		(1,439)	13,385	-	-	-	(37)	11,909	-
At 31 March 2018	**1,446,787**	**128,663**	**409,795**	**70,396**	**477,268**	**21,301**	**117,202**	**2,671,412**	**6,622**

Page 115

Note 18c Property, Plant and Equipment – Movement of balances in 2017/18 (continued)

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community 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
Accumulated Depreciation and Impairment									
At 1 April 2017	(28,555)	(3,330)	(2,040)	(62,192)	(214,031)	-	-	(310,148)	(3,148)
Depreciation Charge	(18,378)	(4,993)	(12,399)	(4,156)	(29,769)	-	-	(69,695)	(679)
Depreciation written out to the Revaluation Reserve	20,801	7,080	12,966	-	-	-	-	40,847	-
Accumulated Impairment written out to the Revaluation Reserve	7,755	-	-	-	-	-	-	7,755	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(6,600)	-	1,221	-	-	-	-	(5,379)	-
At 31 March 2018	(24,977)	(1,243)	(252)	(66,348)	(243,800)	-	-	(336,620)	(3,827)
Net Book Value:									
At 31 March 2018	1,421,810	127,420	409,543	4,048	233,468	21,301	117,202	2,334,792	2,795
At 31 March 2017	**1,311,579**	**116,165**	**355,206**	**7,335**	**215,035**	**20,340**	**44,772**	**2,070,430**	**3,375**

Note 19 Heritage Assets

The Council's heritage assets fall into two categories:

- 86 statues and monuments located throughout the city the most notable of which are Cleopatra's Needle and Sphinxes on Victoria Embankment and the statue Shaftesbury Memorial Fountain (commonly known as Eros) in the West End, and
- A collection of civic regalia, including the Mayor's chain, and works of art comprising 112 paintings largely of past mayors and aldermen of the borough.

The Council's heritage assets have been donated to the Council and its predecessor bodies over the past two centuries. The latest addition was the donation during the year of a war memorial commemorating the 82 members of staff of the Council who lost their lives in the First World War, which is located adjacent to City Hall at 64 Victoria Street.

Where assets are donated for nil consideration they are recognised at valuation. All heritage assets were valued in 2013/14 on an insurance basis supplemented with a specialist valuation of the collection of civic regalia and works of art. Heritage assets are deemed to have infinite lives and are not subject to depreciation but the carrying amounts are reviewed where there is evidence of impairment such as physical damage. Any impairment is recognised and measured in accordance with the Council's general accounting policy on impairment. Heritage assets have indefinite lives.

	Statues and Monuments	Civic Regalia, Works of Art, Trophies and the like	Total Assets
	£'000	**£'000**	**£'000**
Balance at 1 April 2017	38,674	4,071	42,745
Additions	100	-	100
Balance at 31 March 2018	**38,774**	**4,071**	**42,845**

The valuation has been based upon an Insurance Valuation by Zurich Municipal.

All statues and monuments are accessible to members of the public as they form part of the public realm. The Council's collection of civic regalia and works of art is held at City Hall – access is by application.

Note 20 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:

		2016/17				2017/18
HRA Commercial Properties	**General Fund Investment Properties**	**Total**		**HRA Commercial Properties**	**General Fund Investment Properties**	**Total**
£'000	£'000	£'000		£'000	£'000	£'000
7,823	12,900	20,723	Rental income from investment property	7,704	14,570	22,274
(912)	(2,869)	(3,781)	Direct operating expenses arising from investment property	(1,649)	(2,575)	(4,224)
6,911	**10,031**	**16,942**	**Net gain**	**6,055**	**11,995**	**18,050**

Page 118

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 20 Investment Property (continued)

Investment properties are measured initially at cost and subsequently at fair value. Investment Properties are not depreciated but are revalued annually according to market conditions at the year-end.

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

		2016/17				2017/18
HRA Commercial Properties	**General Fund Investment Properties**	**Total**		**HRA Commercial Properties**	**General Fund Investment Properties**	**Total**
£'000	£'000	£'000		£'000	£'000	£'000
177,165	228,104	405,269	Balance at 1 April	189,544	265,296	454,840
			Additions:	-	-	-
-	23,130	**23,130**	Purchases	-	15,734	**15,734**
476	97	**573**	Subsequent expenditure	24	546	**570**
-	-	**-**	Disposals			
11,903	13,965	**25,868**	Net gains/losses from fair value adjustments	3,219	(18,116)	(14,897)
-	-	**-**	Other movements			
			Transfers:			
-	-	**-**	Assets reclassified (to)/from Assets Held for Sale	-	(40,000)	**(40,000)**
-	-	**-**	Assets reclassified (to)/from Property, Plant and Equipment	(2,610)	(9,299)	**(11,908)**
189,544	**265,296**	**454,840**	**Balance at 31 March**	**190,177**	**214,161**	**404,338**

Note 21a Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument.

Financial Liabilities
Financial liabilities are initially measured at fair value and are subsequently carried at amortised cost.

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

The fair value of Public Works Loan Board (PWLB) loans is calculated using the certainty rate published by the PWLB on 31 March 2018.

For non-PWLB loans the fair value is deemed to be the standard new loan rate also published by the PWLB on 31 March 2018.

Financial Assets

Financial assets classed as loans and receivables are measured at amortised cost as this is considered to be commensurate with the purchase price.

Financial assets classed as available for sale have been valued at fair value – for further details please refer to Note 37. The Council's available for sale assets comprise treasury instruments only. Available for Sale assets are carried in the Balance Sheet at fair value as follows:

1. Instruments with quoted market prices – the market price;
2. Other instruments with fixed and determinable payments – discounted cash flow analysis;

Unrealised gains and losses in the fair value of available for sale assets are reported in the Other Comprehensive Income and Expenditure section of the CIES and held on the balance sheet in the Available for Sale Reserve until the assets are derecognised. Interest and dividend income is reported in the Financing and Investment Income and Expenditure line within the CIES.

The fair value of the loans and receivables and 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 21a Financial Instruments (continued)

* The value of long term available for sale financial assets as at 31 March 2017 has been reduced by £13.898m from £41.284m to £27.386m because of the change in accounting policy to consolidate the council's interests in its companies and the change in valuation from fair value to historic cost.

** The value of debtors and creditors reported in the table opposite are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes 26 and 27 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

	31 March 2017 Restated			31 March 2018
Long term	Short term		Long term	Short term
£'000	£'000		£'000	£'000
		Loans and receivables		
1,210	392,599	Investments	2,203	528,929
14,020	62,004	Debtors**	38,015	83,428
-	170,301	Cash and Cash Equivalents	-	161,238
15,230	**624,904**		**40,218**	**773,595**
		Available for sale financial assets		
27,386	350,714	Investments*	230	335,872
42,616	**975,618**	**Total Financial Assets**	**40,448**	**1,109,466**
		Financial liabilities at amortised cost		
251,270	2,069	Borrowing	221,230	32,069
143	93,610	Creditors**	-	122,849
16,872	2,995	Service concession and finance lease liabilities	17,178	1,753
268,285	**98,674**		**238,408**	**156,671**
268,285	**98,674**	**Total Financial Liabilities**	**238,408**	**156,671**

Note 21a Financial Instruments (continued)

Income, Expense, Gains and Losses

Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale		Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale
		2016/17 Restated				2017/18
£'000	£'000	£'000		£'000	£'000	£'000
(12,153)	-	-	Interest Expense	(12,166)	-	-
-	-	-	Impairment Losses	-	-	(300)
(12,153)	-	-	Total Expense in Surplus/Deficit on the Provision of Service	(12,166)	-	(300)
-	3,545	2,658	Interest Income	-	5,130	2,192
-	3,545	2,658	Total income in Surplus/Deficit on the Provision of Services	-	5,130	2,192
-	-	747	Gains on Revaluation*	-	-	1,507
-	-	(316)	Losses on Revaluation*	-	-	(2,641)
-	-	431	Surplus/Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income And Expenditure	-	-	(1,135)
(12,153)	**3,545**	**3,089**	**Net Gain/(Loss) for the Year**	**(12,166)**	**5,130**	**757**

* Gains on available for investments have been reduced by £0.376m from £1.123m to £0.747m and losses on available for sale investment have been reduced by £1.468m from £1.784m to £0.316m for 2016/17 because of the change in accounting policy to consolidate the Council's interests in its companies and the change in valuation from fair value to historic cost.

Note 21a Financial Instruments (continued)

Fair value of assets and liabilities

Financial liabilities and financial assets classed as loans and receivables and financial liabilities at amortised cost are carried in the balance sheet at amortised cost.

Their fair values can be estimated by calculating the present value of cash flows that will take place over the remaining term of the instruments.

Page 123

31 March 2017 Restated			31 March 2018	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
		Loans and receivables		
393,809	393,809	Investments	531,131	531,131
76,024	76,024	Debtors	121,443	121,443
170,301	170,301	Cash and Cash Equivalents	161,238	161,238
640,134	640,134	Total Financial Assets	813,812	813,812
		Financial liabilities at amortised cost		
		Borrowing:		
182,524	214,777	Public Works Loan Board	182,486	208,482
70,815	97,364	Lender Option Borrower Options	70,813	96,915
253,339	312,141		253,299	305,397
93,753	93,753	Creditors	122,849	122,849
19,868	30,367	Service concession and finance lease liabilities	18,931	21,216
366,960	436,261	Total Financial Liabilities	395,079	449,462

* The value of investments has been reduced by £13.898m because of the change in accounting policy to consolidate the Council's interests in its companies and the change in valuation from fair value to historic cost.

Note 21b Cash and Cash Equivalents

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

31 March 2017		31 March 2018
£'000		£'000
4,029	Cash held by the Authority	1,076
22,841	Cash at bank	30,522
143,431	Short-term liquid deposits	129,640
170,302	**Total Cash and Cash Equivalents**	**161,238**

Note 22 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.

Note 22 Nature and Extent of Risk (continued)

A summary of the credit quality of the Council's investments at 31 March 2018 is shown below:

31 March 2017	Restated*		31 March 2018	
Available for Sale	**Loans and receivables**	**Fitch Rating**	**Available for Sale**	**Loans and receivables**
£'000	**£'000**		**£'000**	**£'000**
75,932	175,555	AAA	81,935	181,878
-	-	AA+	-	-
99,242	70,037	AA	143,678	240,383
130,498	109,568	AA-	90,134	59,318
50,310	75,484	A+	20,124	111,873
20,046	100,344	A	-	95,428
-	5,042	BBB+	-	-
2,073	104,104	NA*	230	124,932
378,101	**640,134**	**Total**	**336,101**	**813,812**

* The value of available for sale investments in 2016/17 has been reduced by £13.898m from £15.971m to £2.073m because of Council's the change in accounting policy to consolidate all its interests in its companies and related entities.

Page 126

The credit quality of debtors is reflected in the level of the impairment allowance for trade debtors shown In Note 26.

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 2017 Restated		31 March 2018
£'000		**£'000**
58,139	Less than three months	80,029
1,349	Three to six months	221
921	Six months to one year	1,483
1,595	More than one year	1,695
62,004	**Total**	**83,428**

Note 22 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 2017		31 March 2018
£'000		**£'000**
2,069	Less than one year	32,070
30,040	Between one and two years	42
20,535	Between two and five years	20,542
31,050	Maturing in five to ten years	35,000
169,645	Maturing in more than ten years	165,645
253,339	**Total**	**253,299**

A £30m PWLB loan has moved from 'between one and two years' into 'less than one year'.

Note 22 Nature and Extent of Risk (continued)

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 investment 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 borrowing would not impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest receivable on a particular investment class, namely, variable floating rate notes in the sum of £10m, will be posted to the surplus or deficit on the Provision of Services and will affect the General Fund Balance.

Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure.

Price Risk

The Council holds some financial instruments of which the 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.

Note 23 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 Authority, 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.

2016/17		2017/18
£'000		**£'000**
471,265	Capital Financing Requirement at 1 April	521,086
(5,443)	Adjustment to opening CFR	
465,822	Revised Opening CFR	521,086
	Capital investment	
127,393	Property, Plant and Equipment	244,287
23,703	Investment Properties	16,304
175	Intangible Assets	438
24,799	Revenue Expenditure Funded from Capital under Statute (REFCUS)*	56,301
	Sources of finance	
(18,563)	Capital Receipts	(54,549)
(67,006)	Government grants and other contributions	(103,406)
	Sums set aside from revenue	
(4,409)	Direct revenue contributions	(16,585)
(23,296)	Major Repairs Allowance	(23,371)

*Revenue Expenditure Funded from Capital Under Statute (REFCUS) increased in 2017/18 compared with 2016/17 principally through increased use of the government's flexible use of capital receipt initiative which was used as follows:

£10m additional contributions to the pension fund to meet the funding deficit

£9.8m for the City Hall refurbishment

£2.6m for the transformation project

Note 23 Capital Expenditure and Capital Financing (continued)

2016/17		2017/18
£'000		£'000
	Debt repayment	
(2,511)	Capital Receipts applied to reduce existing Capital Financing Requirement	-
(4,107)	Minimum Revenue Provision	(5,669)
(914)	Minimum Revenue Provision PFI and Finance Lease	(925)
521,086	Capital Financing Requirement at 31 March	633,913
	Explanation of movements in year	
62,796	Increase /(decrease) in underlying need for borrowing (unsupported by government financial assistance)	119,418
(2,511)	Capital Receipts applied to reduce existing Capital Financing Requirement	-
(4,107)	Statutory provision for repayment of debt (Minimum Revenue Provision)	(5,670)
(914)	Statutory provision for PFI and Finance Lease debt (Minimum Revenue Provision)	(925)
55,264	**Total**	**112,823**

Note 24 Leases

COUNCIL AS LESSEE

Finance Leases

Property, Plant and Equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at 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.

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 has two properties under a finance lease arrangement. The assets acquired under these leases are carried as Other Land and Buildings in the Balance Sheet.

31 March 2017		31 March 2018
£'000		£'000
33,169	Other Land and Buildings	30,790
33,169	**Total**	**30,790**

Minimum Lease Payments

The Council is committed to making minimum lease payments under these leases to settle the long-term liability for the interest in the properties acquired by the Council. The table below reconciles the future minimum lease payments to their present values.

31 March 2017				31 March 2018		
Minimum Lease Payment*	Finance Charges	Present Value		Minimum Lease Payment	Finance Charges	Present Value
£'000	£'000	£'000		£'000	£'000	£'000
887	70	817	Not later than one year	887	70	817
3,549	880	2,669	Later than one year and not later than five years	3,549	880	2,669
42,588	35,890	6,698	Later than five years	41,701	35,015	6,686
47,024	**36,840**	**10,184**	**Total**	**46,137**	**35,965**	**10,172**

The minimum lease payments do not include rents that are contingent on event taking place after the lease was entered into, such as adjustment following rent reviews and potential hurdles linked to turnover rents or profit share.

31 March 2017		31 March 2018
£000		£000
1,563	Contingent Rent due within 1 Year	2,695

Note 24 Leases (continued)

Operating Leases

The Council has a number of properties and equipment held under operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2017		31 March 2018
£'000		**£'000**
43,384	Not later than one year	44,561
16,048	Later than one year and not later than five years	19,277
600,019	Later than five years	591,702
659,451	**Total**	**655,540**

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

31 March 2017		31 March 2018
£'000		**£'000**
41,642	Minimum lease payments	50,228
2,147	Contingent rents	1,212
(27,022)	Sublease payments receivable	(25,976)
16,767	**Total**	**25,464**

Note 24 Leases (continued)

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:

31 March 2017		31 March 2018
£'000		**£'000**
21,874	Not later than one year	21,991
81,873	Later than one year and not later than five years	76,149
735,517	Later than five years	718,209
839,264	**Total**	**816,349**

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 25 Service Concessions

Service concessions are contracts to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. The Council recognises the assets used under the contracts on its Balance Sheet within Property, Plant and Equipment, because it both controls the services that are provided under the contracts, and ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge.

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.

Veolia Waste Disposal Contract
2017/18 was the final year of a seven year service concession contract for waste and recycling collection, street cleansing and ancillary services, however the contract has been extended for a further two years.

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.

Sport and Leisure Management Ltd contract
2017/18 was the second year of a ten year service concession contract with Sport and Leisure Management Ltd. Under the contract, which started 1 July 2016, the contractor operates and maintains the Council’s eight leisure centres and upgrades the facilities over the first two years of the contract. The contract provides that the contractor retain all income generated, but in addition there is a profit share in the event that financial performance targets are exceeded. The contractor will pay a management fee of £35.3m to the Council over the life of the contract.

The Council has rights under the contract to specify the activities and services to be provided and regulate the prices charged. The contract specifies minimum standards to be met by the contractor, with penalties payable if the facilities or performance are below minimum standards.

Note 25 Service Concessions (continued)

The Council is responsible for maintaining the structure of the leisure centres and the contractor for internal maintenance and redecoration, including equipment replacement. The buildings, plant and equipment provided by the Council at the start of the contract remain the Council's assets, together with the planned enhancement works. In addition the Council has the right to buy any plant and equipment supplied by the contract at the end of the contract at its written down value.

The Council has an option to extend the contract for a further five years. Also the Council has the option to terminate the contract either for poor performance, or in the event that the Council wishes to reconfigure leisure services, it may terminate the contract subject to paying compensation to the contractor

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 18c.

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 service concession contracts (i.e. Veolia, Haven and Penfold) at 31 March 2018 (including an estimate of inflation) are as follows:

2017/18	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable within 1 year	44,133	936	103	45,172
Payable within 2 to 5 years	73,655	1,994	164	75,813
Payable within 6-10 years	885	460	2	1,347
Payable within 11-15 years	-	363	-	363
Payable within 16 - 20 years	-	363	-	363
Payable within 21+ years	-	4,643	-	4,643
Total	**118,673**	**8,759**	**269**	**127,701**

Note 25 Service Concessions (continued)

The total amount payable of £127.7m is an £83.5m increase compared with 2016/17, which reflects the Council's decision to extend the contract with Veolia for two years.

2016/17	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	**£'000**	**£'000**	**£'000**
Payable in 2017/18	19,979	2,179	115	22,273
Payable within 2 to 5 years	10,506	1,314	217	12,037
Payable within 6-10 years	3,622	750	22	4,394
Payable within 11-15 years	-	363	-	363
Payable within 16 - 20 years	-	363	-	363
Payable within 21+ years	-	4,716	-	4,716
Total	**34,107**	**9,685**	**354**	**44,146**

Page 136

Whilst the unitary payments made to the contractors have been calculated to compensate the contractor for the fair value of the services provided, the financing costs arising from the capital expenditure incurred remain to be reimbursed as set out below:

	31 March 2017	31 March 2018
	£'000	**£'000**
Balance outstanding at start of the year	10,598	9,684
Payments made during the year	(914)	(925)
Balance outstanding at year end	**9,684**	**8,759**

Note 26 Debtors

31 March 2017				31 March 2018		
Long Term	Short Term	Total		Long Term	Short Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
-	14,676	**14,676**	Central government bodies	-	17,739	**17,739**
-	6,291	**6,291**	NHS bodies	-	3,039	**3,039**
-	8,964	**8,964**	Other local authorities	-	6,767	**6,767**
-	5	**5**	Public corporations and trading funds	-	-	**-**
			Other entities and individuals:			
-	17,408	**17,408**	Westminster share of Business Rates debt	-	17,325	**17,325**
-	22,746	**22,746**	Parking fines	-	23,371	**23,371**
-	19,022	**19,022**	Housing Benefits overpayments	-	17,654	**17,654**
15,229	55,094	**70,323**	Other	38,015	83,879	**121,044**
-	(70,837)	**(70,837)**	Less: Impairment allowance for doubtful debts (see below)	-	(74,931)	**(74,931)**
15,229	**73,369**	**88,598**	**Total**	**38,015**	**93,843**	**132,008**

Impairment allowance for doubtful debts

31 March 2017		31 March 2018
£'000		**£'000**
(20,081)	Parking fines	(20,167)
(18,035)	Housing General Fund (incl. benefits overpayments)	(17,347)
(32,720)	Other provisions	(37,417)
(70,837)	**Total**	**(74,931)**

Page 137

Note 27 Creditors

31 March 2017				31 March 2018		
Long Term	Short Term	Total		Long Term	Short Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
-	232,531	232,531	Central government bodies	-	244,676	244,676
-	93,832	93,832	Other local authorities	-	204,473	204,473
-	4,204	4,204	NHS bodies	-	734	734
-	-	-	Public corporations and trading funds	-	-	
204	141,017	141,221	Other entities and individuals	2,917	192,546	195,463
204	**471,584**	**471,788**	**Total**	**2,917**	**642,429**	**645,346**

Note 28 Provisions

Provisions are recognised where the Council has a legal or constructive obligation arising from a past event that will probably require settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Where some or all of the payment required to settle a provision is expected to be recovered from a third party, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

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.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

The table below sets out the provisions for 2017/18.

	1 April 2017	Additional provisions made in 2017/18	Amounts used in 2017/18	Unused amounts reversed in 2017/18	31 March 2018
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Compensation, Property and Contractual Claims	5,570	2,342	(2,809)	(3,337)	1,766
Insurance Claims	7,937	1,592	(2,135)	-	7,394
Business Rates Appeals	74,400	46,394	(54,794)	-	66,000
Other	20,171	38	(9,218)	(4,700)	6,291
London Pension Fund Authority	13,427	-	-	(13,427)	-
Total	**121,505**	**50,366**	**(68,956)**	**(21,464)**	**81,451**

Note 28 Provisions (continued)

Closing provisions include the following elements:

Compensation, Property and Contractual Claims
This provision relates to a range of smaller claims against the Council for which financial resources have been set aside.

Ill-health Pension Contributions
This provision provides for employer's pension contribution obligations arising from Regulation 68(1) of the Local Government Pension Scheme 2013, payable to the pension fund when employees retire early on ill-health grounds.

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.

Business Rates Appeals
Due to the localisation of Business Rates, which became effective from 1 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, and the Ministry for Housing, Communities and Local Government and the Greater London Authority are responsible for a 50% and 20% share respectively.

The provision includes an amount for appeals lodged to date but yet to be determined by the Valuation Office Agency (VOA) plus an amount for appeals expected but not yet lodged with VOA which has been estimated based on experience and analysis of the appeals listing from the VOA. It is expected that the majority of appeals will be settled by the VOA by 2010/21, but the Council cannot be certain as to when the appeals will be resolved because the timing of resettlement depends on the VOA.

Other
Other provisions include those relating to property search fees, the cost of staff redundancies scheduled as a consequence of moving back office processes to a managed service model, planning decisions and other potential liabilities.

Apart from the Business Rates Appeals provision, all other provisions are expected to be used within the next two years.

London Pension Fund Authority

This provision is to fund the pension deficit arising from the Former Pensioner sub-fund operated by the London Pension Fund Authority.

Note 29 Unusable Reserves

31 March 2017 Restated		31 March 2018
£'000		£'000
352,200	Revaluation Reserve	420,492
1,711,245	Capital Adjustment Account	1,789,042
(5,376)	Financial Instrument Adjustment Account	(2,725)
2,364	Deferred Capital Receipts Reserve	2,470
5,964	Collection Fund Adjustment Account	76,202
(772,989)	Pensions Reserve	(697,567)
(1,170)	Accumulated Absences Account	(1,031)
1,357	Available for Sale Financial Instruments Reserve	223
1,293,411	**Total Unusable Reserves**	**1,587,106**

Page 141

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 2017		31 March 2018
£'000		£'000
268,879	Balance at 1 April	352,200
-	Upward revaluation of assets	122,350
83,321	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(41,738)
352,200	Surplus/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	432,812
-	Difference between fair value depreciation and historical cost depreciation	(10,602)
-	Accumulated gains on assets sold or scrapped	(1,718)
-	Amount written off to the Capital Adjustment Account	(12,320)
352,200	**Balance at 31 March**	**420,492**

Note 29 Unusable 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 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 2017		31 March 2018
£'000		**£'000**
1,679,966	Balance at 1 April	1,711,053
(192)	Group Accounting Adjustment	-
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(96,046)	Charges for depreciation and impairment of non-current assets	(76,295)
-	Revaluation gains/(losses) on Property, Plant and Equipment	7,641
(928)	Amortisation of intangible assets	(640)
(24,799)	Revenue expenditure funded from capital under statute	(56,301)
1,075	Write-out of other capital expenditure	(2,519)
(15,718)	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	0
(136,609)		(7,694)
21,023	Adjusting amounts written out of the Revaluation Reserve	
(115,586)	**Net written out amount of the cost of non-current assets consumed in the year**	**(135,808)**
		13,673
5,020	Minimum Revenue Provision	6,595
-	Loan Payment	

Note 29 Unusable Reserves (continued)

Capital Adjustment Account

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.

Page 143

31 March 2017		31 March 2018
£'000		£'000
	Capital financing applied in the year:	
18,562	Use of the Capital Receipts Reserve to finance new capital expenditure	54,549
2,511	Use of the Capital Receipts Reserve to reduce capital financing requirement	105
23,296	Use of the Major Repairs Reserve to finance new capital expenditure	23,371
67,006	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	103,405
4,409	Capital expenditure charged against the General Fund and HRA balances	16,585
-	Loan repayment	10,312
5,020	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	6,594
120,804		214,921
25,868	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(14,897)
-	Value of donated asset credited to the Comprehensive Income and Expenditure Statement	100
1,711,245	**Balance at 31 March**	**1,789,042**

Note 29 Unusable Reserves (continued)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates 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 2017		31 March 2018
£'000		**£'000**
646	Balance at 1 April - Council Tax	655
9	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	89
655	Balance at 31 March	744
(125,546)	Balance at 1 April – Business Rates	5,309
130,855	Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Business Rates income calculated for the year in accordance with statutory requirements	70,149
5,309	Balance at 31 March	75,458
5,964	**Grand Total**	**76,202**

Page 144

Note 29 Unusable 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 2017		31 March 2018
£'000		£'000
(5,460)	Balance at 1 April	(5,367)
93	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	2,642
(5,367)	**Balance at 31 March**	**(2,725)**

Note 29 Unusable Reserves (continued)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent 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 2017		31 March 2018
£'000		£'000
2,445	Balance at 1 April	**2,364**
(81)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	106
2,364	**Balance at 31 March**	**2,470**

Note 29 Unusable 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 Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31 March 2017		31 March 2018
£'000		**£'000**
(590,417)	Balance at 1 April	(772,989)
(158,742)	Re-measurement of net defined benefit liability	91,378
(23,830)	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	(15,956)
(772,989)	**Balance at 31 March**	**(697,567)**

Note 29 Unusable 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 2014. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from this Account.

31 March 2017		31 March 2018
£'000		£'000
(911)	**Balance at 1 April**	**(1,171)**
(1)	Group accounting adjustment	-
(911)	Settlement or cancellation of accrual made at the end of the preceding year	1,641
(912)	Amounts accrued at the end of the current year	**470**
(259)	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	(1,501)
(1,171)	**Balance at 31 March**	**(1,031)**

Note 29 Unusable Reserves (continued)

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 2017		31 March 2018
£'000		£'000
16,347	Balance at 1 April	1,358
(13,898)	Group accounting adjustment	-
(1,091)	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(1,135)
1,358	**Balance at 31 March**	**223**

Note 30 Defined Benefit Pension Schemes

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 Pensions 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.

Page 150

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. Children's Services and Adults' Services 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 respectively in the year.

THE LOCAL GOVERNMENT PENSION SCHEME

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

The liabilities of the City of Westminster City Council Pension scheme Fund 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 the City 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.

Service cost on the LGPS defined benefits scheme is recognised as a charge in the Comprehensive Income and Expenditure Statement (CIES) to the services for which employees worked. Net interest expense on the defined liability is included in the Financing and Investment Income and Expenditure line within the CIES.

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.

Note 30 Defined Benefit Pension Schemes (continued)

TEACHERS' PENSIONS SCHEME

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement and the Council contributes towards the cost by making contributions based on a percentage of scheme members' pensionable salaries. The Scheme itself is a defined benefit scheme but however is unfunded. The Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The notional fund is valued every four years. However, this is a multi-employer scheme and the number of participating employers makes it impossible to identify the Council's share of the financial position and performance attributable to its own employees with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, they are therefore accounted for on the same basis as a defined contribution scheme. In 2017/18, the Council paid £3.807m (£3.924m in 2016/17) to the Teachers Pensions Agency in respect of teachers' retirement benefits. The expected contributions to the Teachers' Pension Scheme for 2018/19 are £3.807m, unchanged from 2017/18.

NHS STAFF PENSION SCHEME

Former NHS employees that work for The Council can choose to maintain their membership of the NHS Pension Scheme. The Scheme provides these employees with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. As a result, for the purposes of this Statement of Accounts, the Council accounts for the scheme on the same basis as a defined contribution scheme. In 2017/18, the Council paid £0.086m (£0.111m in 2016/17) to the NHS Pension Scheme in respect of former NHS staff retirement benefits. The Council expects contributions to the NHS Pension scheme for 2018/19 to remain unchanged from 2017/18, at £0.086m.

Note 30 Defined Benefit Pension Schemes (continued)

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.

DESCRIPTION OF THE WESTMINSTER FUND

The Council administers a defined benefit final 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 schemes which make up the overall Westminster Scheme are: The Local Government Pension Scheme (LGPS) administered locally by Westminster City Council (WCC) which is a funded defined benefit final salary scheme meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets, and; the London Pensions Fund Authority (LPFA) Pension Fund administered by the London Pension Fund Authority.

Note 30 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 2017	LPFA Pension Scheme 31 March 2017		WCC Pension Scheme 31 March 2018	LPFA Pension Scheme 31 March 2018
£'000	**£'000**	**Comprehensive Income and Expenditure Statement**	**£'000**	**£'000**
		Cost of Services		
		Service Cost Comprising:		
20,478	34	Current service cost	33,470	32
1,696	-	Past service cost	1,105	-
308	25	Administration Expenses	318	29
		Finance and investment income and expenditure:		
20,824	88	Net interest expense	20,341	18
43,306	**147**	**Total Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services**	**55,234**	**79**

Note 30 Defined Benefit Pension Schemes (continued)

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.

WCC Pension Scheme 31 March 2017	LPFA Pension Scheme 31 March 2017		WCC Pension Scheme 31 March 2018	LPFA Pension Scheme 31 March 2018
£'000	**£'000**	**Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement**	**£'000**	**£'000**
(112,653)	(3,291)	Return on plan assets (excluding the amount included in the net interest expense)	(17,020)	(726)
29,740	(712)	Actuarial gains and (losses) arising on changes in demographic assumptions	(73,347)	-
316,086	3,063	Actuarial gains and (losses) arising on changes in financial assumptions	-	(721)
-	-	Actuarial gains/(losses) arising from changes in asset ceiling	-	434
(32,920)	(174)	Other actuarial (gains) and losses	-	-
(39,382)	(1,015)	Experience (gain)/loss on defined benefit obligation	-	-
160,871	(2,129)	Total Post-Employment Benefits Charged to other Comprehensive Income and Expenditure Statement	(90,367)	(1,013)
204,177	**1,982**	**Total Charged to Comprehensive Income and Expenditure Statement**	(35,133)	(934)
		Movement in Reserves Statement		
(43,306)	(147)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(55,234)	(79)
19,600	23	Employers contributions payable to scheme	**39,336**	**21**

Note 30 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:

WCC Pension Scheme 31 March 2017	LPFA Pension Scheme 31 March 2017		WCC Pension Scheme 31 March 2018	LPFA Pension Scheme 31 March 2018
£'000	£'000		£'000	£'000
(1,572,620)	(23,010)	Present value of the defined benefit obligation	(1,538,703)	(21,441)
800,464	22,176	Fair value of plan assets	841,016	21,996
(772,156)	(834)	Sub-Total	(697,687)	555
-	-	Other movements in the liability (asset)	-	(434)
(772,156)	**(834)**	**Net liability arising from the funded defined benefit obligation**	**(697,687)**	**121**

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.

WCC Pension Scheme 31 March 2017	LPFA Pension Scheme 31 March 2017		WCC Pension Scheme 31 March 2018	LPFA Pension Scheme 31 March 2018
£'000	**£'000**		**£'000**	**£'000**
647,445	19,517	Opening fair value of scheme assets	800,464	22,176
23,036	584	Interest income	21,642	473
		Remeasurement gain/(loss):		
112,653	3,291	Return on plan assets, excluding the amount included in the net interest expense	17,020	726
32,920	174	Other actuarial gains and losses	-	-
(308)	(25)	Administration Expenses	(318)	(29)
19,600	23	Contributions from employer	39,336	21
6,743	6	Contributions from employees into the scheme	6,363	4
(41,625)	(1,394)	Benefits paid	(43,491)	(1,375)
800,464	**22,176**	**Closing fair value of assets**	**841,016**	**22,996**

Note 30 Defined Benefit Pension Schemes (continued)

RECONCILIATION OF PRESENT VALUE OF THE SCHEME LIABILITIES (DEFINED BENEFIT OBLIGATION)

WCC Pension Scheme 31 March 2017	LPFA Pension Scheme 31 March 2017		WCC Pension Scheme 31 March 2018	LPFA Pension Scheme 31 March 2018
£'000	**£'000**		**£'000**	**£'000**
(1,235,024)	(22,356)	Balance at 1 April	(1,572,620)	(23,010)
(20,478)	(34)	Current Service Cost	(33,470)	(32)
(43,860)	(672)	Interest Cost	(41,983)	(491)
(6,743)	(6)	Contributions from Scheme Participants	(6,363)	(4)
		Remeasurement of the net defined benefit liability:		
(29,740)	712	Remeasurement arising from changes in demographic assumptions	-	-
(316,086)	(3,063)	Remeasurement arising from changes in financial assumptions	73,347	721
-	-	Actuarial loss re:asset ceiling	-	(434)
39,382	1,015	Experience loss/(gain) on defined benefit obligation	-	-
(1,696)	-	Losses/(gains) on curtailment (where relevant)	(1,105)	-
41,625	1,394	Benefits Paid	43,261	1,375
-	-	Unfunded Pensions Payments	230	-
(1,572,620)	**(23,010)**	**Balance at 31 March**	**(1,538,703)**	**(22,875)**

Note 30 Defined Benefit Pension Schemes (continued)

LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPRISED

31 March 2017			31 March 2018	
WCC Pension Scheme			WCC Pension Scheme	
£'000	%		£'000	%
18,411	2%	Gilts - UK	12,615	1.5%
2,401	0%	Gilts - Overseas	14,297	1.7%
0	0%	Gilts - Index Linked	841	0.1%
49,629	6%	Corporate Bonds - UK	52,984	6.3%
41,624	5%	Corporate Bonds - Overseas	31,959	3.8%
0	0%	Equities - UK	1,682	0.2%
0	0%	Equities - Overseas	2,523	0.3%
367,413	46%	Unlisted Equities - UK	388,549	46.2%
242,541	30%	Unlisted Equities - Overseas	254,828	30.3%
72,842	9%	Property	73,168	8.7%
6,404	1%	Cash	5,887	0.7%
0	0%	Net Current Assets - debtors	1,682	0.2%
(800)	0%	Net Current Assets - creditors	0	0.0%
800,465	**100%**	**Total**	**841,016**	**100%**

Note 30 Defined Benefit Pension Schemes (continued)

LPFA Pension Scheme 31 March 2017			LPFA Pension Scheme 31 March 2018	
£'000	**%**		**£'000**	**%**
13,139	59%	Equities	13,450	61%
4,686	22%	Target Return Portfolio	4,930	22%
1,168	5%	Infrastructure	962	4%
1,131	5%	Property	1,583	7%
2,052	9%	Cash	1,071	5%
22,176	**100%**	**Total**	**21,996**	**100%**

All scheme assets have quoted prices in active markets with the exception of property.

Note 30 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 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 are based on the latest full triennial valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary are in the table opposite.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table opposite. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assume for each change that particular assumption 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 did not change from those used in 2016/17.

WCC Pension Scheme 31 March 2017	LPFA Pension Scheme 31 March 2017		WCC Pension Scheme 31 March 2018	LPFA Pension Scheme 31 March 2018
		Mortality assumptions:		
		Longevity at 65 for current Pensioners (years):		
24.4	20.5	Men	24.5	20.6
26.0	23.5	Women	26.1	23.6
		Longevity at 65 for future Pensioners (years):		
26.6	22.8	Men	26.8	22.9
28.3	25.7	Women	28.4	25.9
3.6%	3.3%	Rate of Inflation (RPI)	3.3%	3.4%
2.7%	2.4%	Rate of Inflation (CPI)	2.3%	2.4%
4.2%	3.9%	Rate of Increase in salaries	3.8%	3.9%
2.7%	2.4%	Rate of increase in pensions	2.3%	2.3%
2.7%	2.2%	Rate for discounting scheme liabilities	2.6%	2.45%

Note 30 Defined Benefit Pension Schemes (continued)

IMPACT ON THE DEFINED BENEFIT OBLIGATION IN THE SCHEME:

	WCC Pension Scheme	WCC Pension Scheme
	Increase in Assumption	Decrease in Assumption
	£'000	**£'000**
Longevity (increase or decrease in 1 year)	(58,772)	56,541
Rate of inflation (increase or decrease by 0.1%)	(26,538)	26,060
Rate of increase in salaries (increase or decrease by 0.1%)	(1,909)	1,896
Rate of increase in pensions (increase or decrease by 0.1%)	(26,538)	26,060
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	27,862	(28,405)

Note 30 Defined Benefit Pension Schemes (continued)

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 22 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

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.

The Council anticipated paying £40.030m in employer contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for the WCC scheme members is 19 years, 2017/18 (19 years 2016/17).

The weighted average duration of the defined benefit obligation for the LPFA scheme members is 12 years, 2017/18 (12 years 2016/17).

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 31 Cash Flows from Operating Activities

The cash flows for operating activities include the following items:

2016/17		2017/18
£'000		**£'000**
3,630	Interest Received	7,697
(6,544)	Interest Paid	(12,168)
	Adjust net surplus or deficit on the provision of services for non-cash movements	
112,631	Depreciation	126,636
(3,543)	Impairment	(1,465)
(25,869)	Movement in Investment Property Values	25,923
252,912	Increase/(Decrease) in Creditors	127,632
64,297	(Increase)/Decrease in Debtors	(20,477)
(2,835)	(Increase)/Decrease in Long Term Debtors	(22,786)
56	(Increase)/Decrease in Inventories	86
23,830	Movement in Pension Liability	15,956
(32,432)	Contributions to/(from) Provisions	(40,052)
25,738	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	5,145
380	Other non-cash items	2,199
415,165	Sub-total of non-cash movements	218,797
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(81,823)	Capital Grants credited to surplus or deficit on the provision of services	(94,756)
(17,436)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(31,880)
(99,259)	Sub-total of adjustments included in the net surplus or deficit on the provision of services that are investing or financing activities	(126,636)
(315,906)	**Total Cash Flows from Operating Activities**	**92,161**

Page 164

Note 32 Cash Flows from Investing Activities

2016/17		2017/18
£'000		**£'000**
(175,895)	Purchase of property, plant and equipment, investment property and intangible assets	(317,333)
(1,823,538)	Purchase of short and long-term investments	(2,813,009)
17,436	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	31,880
1,599,719	Proceeds from short and long-term investments	2,714,452
80,731	Other receipts from investing activities*	95,261
(301,547)	**Total Cash Flows from Investing Activities**	**(288,750)**

*The £95,251m primarily relates to capital grants initially credited to the surplus/deficit on the provision of services, reversed out in note 31

Page 165

Note 33 Cash Flows from Financing Activities

2016/17		2017/18
£'000		**£'000**
(268)	Repayment of short and long-term borrowing	(37)
65	Cash receipts of short and long-term borrowing	-
(4,968)	Billing authorities - council tax and NNDR adjustments	24,928
(914)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet service concession contracts	(925)
(6,085)	**Total Cash Flows from Financing Activities**	**23,965**

4.5. Other Notes

Note 34 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 senior 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 13.

.

MEMBERS

Following disclosures received from Members and a review of the register of interests, there are third party organisations that Members have declared an interest in and to which the Council has provided financial support or which the Council has provided services to or received services from.

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

Councillor Aziz Toki is a director of the Central London Youth Development Trust and the chair for the Lisson Green over 50's community club, both of which received ward funding from the Council in 2017/18.

Councillors Robert Davis, Lady Christabel Flight and Daniel Astaire all served as trustees of the Sir Simon Milton Foundation during the year. The Foundation staff are co-located with the Council and have benefited from the use of Council support services (IT, Finance, use of desk space) which up to the end of December 2017 were received in kind. During 2017/18 the value of in-kind services provided was £20,847 (2016/17: £17,462), while the chargeable cost of services provided since 1 January 2018 amount to £9,104 and remain outstanding at the year-end (31 March 2017: £nil).

Councillors Barbara Arzymanow , Susie Burbridge and Ruth Bush all served as trustees of the Paddington Recreation Ground Trust during the year.

Councillors Gotz Mohindra declared an interest in the Chromex Group, GMM Trading Ltd and Palladium Property Management.

Note 34 Related Party Transactions (continued)

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. The Council's subsidiary companies and related transactions are summarised below:

31 March 2017

Name	Loan	Expenditure	Income	Income outstanding to WCC (WCC debtor balance)	Balance outstanding (WCC creditor balance)
	£'000	£'000	£'000	£'000	£'000
CityWest Homes Ltd	-	33,912	(1,102)	98	1,187
Westminster Community Homes	10,283	4,872	(1,287)	-	-
WestCo Trading Ltd	-	832	(1,842)	1,075	-
Paddington Recreation Ground Trust		542	688		

31 March 2018

Name	Loan	Expenditure	Income	Income outstanding to WCC (WCC debtor balance)	Balance outstanding (WCC creditor balance)
	£'000	£'000	£'000	£'000	£'000
CityWest Homes Ltd	-	39,532	(431)	34	6,854
Westminster Community Homes	10,177	7,506	(215)	45	-
WestCo Trading Ltd	-	1,789	(2,348)	1,696	8
Westminster Procurement Services Ltd	-	-	(113)	113	-
Paddington Recreation Ground Trust		566	542		

Note 34 Related Party Transactions (continued)

The Following officers hold positions on boards of entities controlled or significantly influenced by the Council:

Westco trading Limited – Julia Corkey, Dai Williams
Westminster Procurement Services - Anthony Oliver, Dai Williams
The Sir Simon Milton Foundation – Julia Corkey
Westminster Community Homes – James Green

The Council has the following associate:

Hub Make Lab CIC

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, providing 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.

Loans outstanding at 31 March 2018 and due to the Council are £0.180m (£0.155m at 31 March 2017).

c) Financial performance

For 2017/18, the company's results showed a loss of £0.122m. (£0.099m loss in 2016/17), and net liabilities of £0.281m (net liabilities of £0.193m at 31 March 2017).

d) Council Officers/Members on the Board

The following Council representatives are directors of the Company: Councillor Peter Freeman and Greg Ward.

Note 35 Contingent Liabilities

The Council has entered into an agreement with Veolia ES (UK) 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 the Council may be required to purchase the vehicles. As at 31 March 2018 these vehicles had a net book value of £1.253m (£1.880m in 2016/17 - NBV restated to 31 March 2017 from 15 September 2017).

The main Paddington Long Term Vehicle Access construction scheme completed in 2014/15 but there are a number of issues which result in a contingent liability of £0.900m (£0.690m in 2016/17). 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 36 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.

Following the decision of the Supreme Court to allow in part the City Council's appeal in relation to the recovery of costs through licence fees, the European Court of Justice has now issued a ruling on matters referred to it by the Supreme Court. The City Council is now seeking an order from the Administrative Court for the return of the sum of approximately £1.4m paid to the claimants. It is considered that there is a good prospect that the Court will agree to do so.

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 loan £13.5m to 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.

The Council previously engaged with an external contractor to undertake improvement works at an estate held within the Housing Revenue Account. The works were not completed to a satisfactory standard and so the Council has been holding negotiations with the contractor to find a resolution to the matter. The expected outcome is that the contractor will agree to financial compensation in favour of the Council in full and final settlement. The estimated value of the settlement is in the order of £1.2m and is expected to be concluded early in the next financial year.

Note 37a Fair Value – Basis of Valuation

The basis of the valuation of each class of asset and liability measured at fair value is set out below. There has been no change in the valuation techniques used during the year. All assets and liability have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

Description of asset or liability	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Borrowing from Public Works Loan Board (PWLB) and Lender Option Borrower Option (LOBOs), Service Concession and Finance Leases	Level 1	The fair values have been estimated by discounting the remaining cashflows of the borrowing investments using the PWLB certainity rate for new loans.	Not required	Not required
Fixed income securities	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds using forward pricing.	Not required
Investment property	Level 3	Valued at Fair Value at the year-end using the investment method of valuation by Sanderson Weatherall. The valuations have been prepared in accordance with the RICS Valuation – Global Standards 2017 ("the Red Book") ¬ Professional Standards UK January 2014 (revised April 2015) and in particular VPS 4 and UKVS 1, 2 and 4. This report also takes account of the requirements of the CIPFA Code of Practice on Local Authority Accounting.	Assumed void periods Estimated Rental Value (ERV) Capitalisation Rate (Equivalent Yield)	All variables listed are observable inputs and susceptible to market change. The portfolio experiences high occupancy levels with most assets capable of generating good levels of tenant demand in the current market. Consequently, the total Fair Value reported for the portfolio has a low level of sensitivity to significant changes in the assumed void period input. In contrast, the total Fair Value of the portfolio has a much higher level of sensitivity to significant change to both the ERV and Equivalent Yield inputs. We have prepared sensitivity analysis based on significant changes made to these two inputs, which is summarised as follows:
Investment property held for sale	Level 3	Valued at fair value using the investment metod of valuation by Sanderson Weatherall in accordance with the RICS Valuation - Global Standards 2017	Existing lease terms and rentals	The valuation is sensitive to both assumptions

Note 37a Fair Value – Basis of Valuation (continued)

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Council has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out opposite the consequent potential impact on the closing value of investments held at 31 March 2018.

Description of asset	Assessed Valuation Range (+/-)	Value at 31 March 2018	Value on increase	Value on decrease
		£'000	**£'000**	**£'000**
Investment property, assets held for sale	+16.9%/-12.9%	393,312	459,782	342,575
Total		**393,312**	**459,782**	**342,575**

Page 173

Note 37b Valuation of assets and liabilities measured at fair value

The valuation of assets and liabilities measured at fair value 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 is based on the market quotation of the relevant stock exchange.

Page 174

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 2017 Restated				**31 March 2018**
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**
			Assets			
-	377,570	-	Available for sale*	-	336,102	-
-	-	454,839	Investment property	-	-	393,312
-	-	2,250	Assets held for sale	-	-	40,000
-	377,570	457,089	Total Assets	-	336,102	433,312
			Liabilities			
214,777	-	-	Borrowing: Public Works Loan Board (PWLB)	208,482		
97,364	-	-	Lender Option Borrower Option loan	96.915		
4,875	-	-	Service Concessions	5,768		
317,016			Total Liabilities	383,165		

*The value of available for sale financial instruments at level 3 has been reduced by £14.428m from £14.428m to £nil because of the change in accounting policy to consolidate the council's interests in its companies and the change in valuation from fair value to historic cost.

Note 37c Transfers between Levels 1 and 2

There were no transfers of assets between levels 1 and 2 during the year.

Note 37d Reconciliation of Fair Value Measurements within Level 3

2016/17 Restated	1 April 2016	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/(losses)	31 March 2017
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Investment property	405,269	-	-	23,703	-	25,868	454,840
Assets held for sale	2,250	-	-	-	-	-	2,250
	407,519	**-**	**-**	**23,703**	**-**	**25,868**	**457,090**

The reconciliation of fair value measurements has been restated to remove the line for available for sale investments in unquoted companies because of the change in accounting policy to consolidate the council's interest in its companies and the change in valuation from fair value to historic cost.

2017/18	1 April 2017	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/(losses)	31 March 2018
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Investment property*	454,840	-	(51,909)	16,304	-	(25,923)	393,312
Assets held for sale**	2,250	40,000	-	-	(2,250)	-	40,000
	457,090	**-**	**(51,909)**	**16,304**	**(2,250)**	**(25,923)**	**433,312**

* During the year £11.909m of investment property was transferred to operational property following a review of the classification of investment property

** In March 2018, property was re-classified to Assets held for sale pending imminent sale

Note 38 Prior Period Adjustment

In 2017/18 the turnover and the value of the assets of the companies which the Council controls was such that in order to present a true and fair view of the Council's activities, the Council has revised its accounting policy from previous years and has prepared group accounts to consolidate all its interests. In previous years the Council's interests in companies were not deemed sufficiently material to require consolidation and were therefore treated as financial instruments and valued at fair value, with the unrealised gain being recognised in the Available for Sale Reserve.

As a result of the change of accounting policy, the valuation of the companies has been amended from fair value to historic cost.

The effect of the prior period adjustment is to:

- reduce the value of the Council's interests in companies included in the balance of long-term Investments from £14.428m at 31 March 2017 to the historic cost of the investments of £0.530m, by writing back the unrealised gain in the value of Long-Term Investments against the Available for Sale Reserve.
- reduce the value of the Council's interests in companies at 1 April 2016 from £15.521m to the historic cost of the investments of £0.530m.
- reduce the deficit on the revaluation of available for sale assets recorded within Other Comprehensive Income and Expenditure reported in the Comprehensive Income and Expenditure statement in 2016/17 by £1.093m from a deficit of £0.984m to a surplus of £0.109m.

The above restatements are summarised below:

EFFECT ON THE OPENING BALANCE SHEET AT 1 APRIL 2016

	Opening balances at 1 April 2016	Restatement	Restated balances at 1 April 2016
	£'000	£'000	£'000
Long-term investments	45,916	(14,991)	30,925
Total Long-term assets	**2,460,532**	**(14,991)**	**2,445,541**
Total Net Assets	**1,898,374**	**(14,991)**	**1,883,383**
Total Unusable Reserves	(1,245,717)	14,991	(1,230,726)
Total Reserves	**(1,898,374)**	**14,991**	**(1,883,383)**

EFFECT ON COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2016/17

	As previously stated 2016/17	Restatement	Restated 2016/17
	£'000	£'000	£'000
(Surplus)/deficit on revaluation of financial assets (Available for sale)	984	(1,093)	(109)
Comprehensive Income and Expenditure (Surplus)/Deficit	**15,345**	**(1,093)**	**14,252**

Note 38 Prior Period Adjustment (continued)

MOVEMENT IN RESERVES STATEMENT - UNUSABLE RESERVES

	As previously stated 2016/17	Restatement	Restated 2016/17
	£'000	£'000	£'000
Balance at 31 March 2016	(1,245,717)	14,991	(1,230,726)
Other Comprehensive Income and Expenditure	59,793	(1,093)	58,700
Total Comprehensive Income and Expenditure	59,793	(1,093)	58,700
Net increase/(decrease) before Transfers to Earmarked Reserves	(61,593)	(1,093)	(62,686)
Increase/(Decrease) in Year	(61,593)	(1,093)	(62,686)
Balance at 31 March 2017	(1,307,310)	(13,898)	(1,293,412)

MOVEMENT IN RESERVES - TOTAL RESERVES

	As previously stated 2016/17	Restatement	Restated 2016/17
	£'000	£'000	£'000
Balance at 31 March 2016	(1,898,374)	14,991	(1,883,383)
Other Comprehensive Income and Expenditure	59,793	(1,093)	58,700
Total Comprehensive Income and Expenditure	15,345	(1,093)	14,252
Net increase/(decrease) before Transfers to Earmarked Reserves	15,345	(1,093)	14,252
Increase/(Decrease) in Year	15,345	(1,093)	14,252
Balance at 31 March 2017	(1,883,029)	13,898	(1,869,131)

Note 38 Prior Period Adjustment (continued)

EFFECT ON BALANCE SHEET AT 31 MARCH 2017

	As previously stated 2016/17	Restatement	Restated 2016/17
	£'000	£'000	£'000
Long-term investments	41,284	(13,898)	27,386
Total Long-term assets	**2,625,606**	**(13,898)**	**2,611,708**
Total Net Assets	**1,883,028**	**(13,898)**	**1,869,130**
Total Unusable Reserves	(1,307,310)	13,899	(1,293,412)
Total Reserves	**(1,883,029)**	**13,899**	**(1,869,130)**

Note 39 Events after the reporting period

The Statement of Accounts was authorised for issue by the City Treasurer on 1 April 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

It has been agreed that there are no non-adjusting events after the Balance Sheet date.

5.

Supplementary Accounts and Explanatory Notes

Housing Revenue Account (HRA) Statements and Explanatory Notes

HRA INCOME AND EXPENDITURE STATEMENT 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.

HRA Income and Expenditure Statement

2016/17		2017/18
£'000		£'000
	Expenditure	
20,267	Repairs and Maintenance	19,053
50,374	Supervision and Management	56,474
404	Rents, Rates, Taxes and Other Charges	777
850	Increase/(decrease) in Impairment Allowance for Doubtful Debts	3,070
42,063	Depreciation, Impairment and Revaluation losses in relation to non-current assets	29,972
113	Debt Management Cost	123
114,071	Total HRA Expenditure	109,469
	HRA Income	
(76,046)	Dwellings Rents	(75,230)
(1,199)	Non-dwellings Rents	(1,421)
(7,856)	Charges for Services and Facilities	(7,414)
(27,742)	Contributions towards Expenditure	(19,411)
(112,843)	Total HRA Income	(103,476)
1,228	**Net Cost of HRA services as included in the whole-authority Income and Expenditure Statement**	**5,993**

HRA Income and Expenditure Statement (continued)

2016/17		2017/18
£'000		**£'000**
45	HRA services share of Corporate and Democratic Core	45
1,273	Net Cost of HRA services including HRA share of costs not allocated to specific services	6,038
(17,728)	(Gain) or loss on sale of HRA non-current assets	(22,799)
-	Capital grants and contributions	(2,000)
-	Movements in the fair value of investment properties	(275)
12,474	Interest payable and similar charges	12,089
(7,898)	HRA Investment Property income	(7,531)
(660)	HRA Investment Income	(487)
(12,539)	**(Surplus) or deficit for the year on HRA services**	**(14,965)**

2016/17		2017/18
£'000		**£'000**
	Movement on the Housing Revenue Account Statement	
(31,606)	Balance on the HRA at the end of the previous reporting period	(41,586)
(12,540)	(Surplus) or deficit for the year on the HRA Services	(14,965)
	Adjustments between the accounting basis and funding basis:	
23,225	Transfer to Major Repairs Reserve	23,371
17,728	(Gain) or loss on sale of HRA non-current assets	22,799
-	Movements in the fair value of investment properties	275
4,408	Capital expenditure funded by the HRA	17,781
93	Financial Instrument Adjustment	93
(42,063)	Transfer (to) the Capital Adjustment Account (CAA)	(29,972)
(9,149)	**Net (increase) or decrease before transfers to or from reserves**	**19,382**
(831)	Transfers (to) or from earmarked reserves	(3,162)
(9,980)	**Increase or (decrease) in year on the HRA**	**16,220**
(41,586)	Balance on the HRA at the end of the current reporting period	(25,366)
(12,331)	Earmarked Reserves	(9,169)
(53,917)	**Total HRA Reserves**	**(34,535)**

HRA 1 Housing Stock

31 March 2017		31 March 2018
735	Rented Houses	735
11,098	Rented Flats	11,110
57	Shared Ownership	59
9,134	Leasehold Properties	9,063
21,024	**Total stock**	**20,967**

HRA 2 Housing Asset Valuation

a) The vacant possession value of HRA tenanted dwellings is £5,368m.

b) The difference between the vacant possession value and the Balance Sheet value of dwellings within the HRA adjusts for 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 3 Capital Expenditure and Funding

Further details of the value of property held within the HRA and relevant depreciation is shown in Note 18. Details of HRA capital expenditure and funding is shown in Note 23.

Collection Fund Accounts and Explanatory Notes

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).

The Council's share of council tax and business rates income is reflected in the Comprehensive Income and Expenditure Statement on an accruals basis in line with the Code. However the amount to be reflected in the General Fund is determined by regulation. Therefore there is an adjustment for the difference between the accrued income and the statutory credit made through the Movement in Reserves Statement and the Collection Fund Adjustment Account.

			2016/17					2017/18
Business Rates	Business Rates Supplement	Council Tax	Total	Collection Fund	Business Rates	Business Rates Supplement	Council Tax	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				INCOME				
-	-	(86,978)	**(86,978)**	Council Tax	-	-	(90,986)	**(90,986)**
(1,778,936)	-	-	**(1,778,936)**	Business Rates	(2,007,612)	-	-	**(2,007,612)**
-	-	-	-	Transitional protection payments - Business Rates	(113,086)	-	-	**(113,086)**
-	(62,842)	-	**(62,842)**	Income collectable in respect of Business Rates Supplements	-	(79,741)	-	**(79,741)**
				Contributions towards previous year's Collection Fund deficit:				
(148,468)	-	-	**(148,468)**	Central Government	(75,511)	-	-	**(75,511)**
(89,081)	-	-	**(89,081)**	City of Westminster Council	(45,306)	-	-	**(45,306)**
(59,387)	-	-	**(59,387)**	Greater London Assembly	(30,204)	-	-	**(30,204)**
(2,075,872)	**(62,842)**	**(86,978)**	**(2,225,692)**	**Total amounts to be credited**	**(2,271,719)**	**(79,741)**	**(90,986)**	**(2,442,446)**

Collection Fund Accounts and Explanatory Notes (continued)

2016/17								2017/18
Business Rates	**Business Rates Supplement**	**Council Tax**	**Total**	**Collection Fund**	**Business Rates**	**Business Rates Supplement**	**Council Tax**	**Total**
£'000	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
				EXPENDITURE				
18,719	-	-	**18,719**	Transitional protection payments - non-domestic rates	-	-	-	-
				Precepts, demands and shares				
877,820	-	-	**877,820**	Central Government	677,465	-	-	677,465
526,692	-	49,350	**576,042**	City of Westminster Council	615,877	-	52,021	667,898
351,128	-	34,550	**385,678**	Greater London Assembly	759,582	-	35,556	795,138
				Business Rate Supplement:				
-	62,360	-	**62,360**	Payment to levying authority's Business Rate Supplement Revenue Account	-	79,374	-	79,374
-	111	-	**111**	Administrative Costs	-	102	-	102
				Charges to Collection Fund				
11,334	371	1,361	**13,066**	Write-offs of uncollectable amounts	7,860	265	2,598	10,723
(4,100)	-	500	**(3,600)**	Increase/(decrease) in allowance for impairment	1,800	-	(500)	1,300
(145,000)	-	-	**(145,000)**	Increase/(decrease) in allowance for appeals	(28,000)	-	-	(28,000)
3,097	-	-	**3,097**	Charge to General Fund for allowable collection costs for non-domestic rates	3,306	-	-	3,306

Page 186

Collection Fund Accounts and Explanatory Notes (continued)

			2016/17					2017/18
Business Rates	**Business Rates Supplement**	**Council Tax**	**Total**	**Collection Fund**	**Business Rates**	**Business Rates Supplement**	**Council Tax**	**Total**
£'000	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
				Apportionment of previous year's estimated Collection Fund surplus:				
-	-	-	-	Central Government	-	-	-	-
-	-	703	703	City of Westminster Council	-	-	690	690
-	-	550	550	Greater London Assembly	-	-	485	485
1,639,690	62,842	87,014	1,789,546	Total amounts to be debited	2,037,890	79,741	90,850	2,208,481
				Movements on the Collection Fund				
(436,182)	-	36	(436,146)	(Surplus) /deficit arising during the year	(233,829)	-	(136)	(233,965)
418,489	-	(1,153)	417,336	(Surplus)/deficit b/f at 1 April	(17,693)	-	(1,117)	(18,810)
(17,693)	**-**	**(1,117)**	**(18,810)**	**(Surplus)/deficit c/f at 31 March**	**(251,522)**	**-**	**(1,253)**	**(252,775)**

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 2017/18, the proportions were as follows:

	Council Tax	Business Rates
Ministry of Housing, Communities and Local Government	-	33.0%
Greater London Authority	40.7%	37.0%
Westminster City Council (General Fund)	59.3%	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 2017 and is summarised in the table below:

Band	Range of property values (£)		Number of chargeable dwellings	2016/17 Band D equivalent dwellings	Multiplier	Number of chargeable dwellings	2017/18 Band D equivalent dwellings
	£	**£**					
A	-	40,000	1,717	962	6/9	1,730	966
B	40,001	52,000	6,813	4,251	7/9	6,817	4,267
C	52,001	68,000	15,915	12,119	8/9	15,932	12,125
D	68,001	88,000	22,647	19,778	9/9	22,691	19,816
E	88,001	120,000	22,617	24,299	11/9	22,702	24,371
F	120,001	160,000	17,221	22,101	13/9	17,425	22,251
G	160,001	320,000	22,173	33,384	15/9	22,480	33,761
H	320,001		14,963	28,081	18/9	15,250	28,658
			124,066	144,975		125,027	146,215
Adjustment for Council Tax Reduction Scheme				(15,025)			(14,403)
Ministry of Defence Adjustment				447			455
Total				130,397			132,267
Westminster Council Share (96%)				125,181			126,976

Page 189

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:

Standard Multiplier	47.9p / £ Rateable Value (49.7p in 2016/17)
Small Business Multiplier	46.6p / £ Rateable Value (48.4p in 2016/17) (RV less than £51,000)

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:

2016/17		2017/18
£'000		**£'000**
877,820	Central Government	677,465
526,692	Westminster City Council	615,877
351,128	Greater London Assembly	759,582
1,755,640		**2,052,924**

The total rateable value for business premises as at 31 March 2018 was £5.157bn (£5.193bn for the prior year).

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 (£538m in 2017/18 - £465m in 2016/17, significantly increased due to the 2017 revaluation) is subsequently top-sliced and returned to MHCLG 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 50% levy on localised business rate receipts in excess of their Baseline Funding level. In 2017/18, the Council estimated it would be due a Safety Net payment of £0.067m in 2017/18 before the start of the year, but due to the settlement of a significant number of historic appeals and underlying growth in the tax base has ended the year £15.7m (but subject to a 50% Levy) above Baseline Funding levels. The operation of the Collection Fund Adjustment Account defers the benefits of this upturn being realised until 2019/20.

COLL 4 Business Rates Supplements – Crossrail

Business Rates Supplement (BRS) is levied by the Greater London Authority on non-domestic properties with a rateable value of £70,000 or more and is subject to certain allowances and exemptions.

The aggregate rateable value of properties liable for BRS at 31 March 2018 was £4.628bn (the equivalent figure at 31 March 2017 being £3.720bn). The multiplier has remained at 2.0p / £ since the BRS was introduced.

Group Accounts and Explanatory Notes

INTRODUCTION

The purpose of the Group Accounts is to provide a picture of Westminster City Council and the group of companies and other entities, which are either controlled or are significantly influenced by the Council. The Group Accounts show the full extent of the Authority's wider assets and liabilities. While the Group Accounts are not primary statements, they provide transparency and enable comparison with other entities that have different corporate entities.

The Group Accounts include the following:

- Group Comprehensive Income and Expenditure Statement - summarises the resources that have been generated and consumed in providing services and managing the Group during the year. It includes all day-to-day expenses and related income on an accruals basis.
- Group Movement in Reserves - shows the movement in the year on the Council's single entity usable and unusable reserves together with the Council's share of the Group reserves.
- Group Balance Sheet - reports the Council Group financial position at the year-end. Because the presentation of group accounts is a change in accounting policy, a third balance sheet at 1 April 2016 has been included.
- Group Cash Flow Statement - shows the changes in cash and cash equivalents of the Group during the year. The statement shows how the Group generates and uses cash and cash equivalents by classifying cashflows as operating, financing and investing activities.
- Notes to the Group Accounts where the balances are materially different to those in the single entity accounts.

RESULTS OF SUBSIDIARIES

The following notes provide additional details about the Authority's involvement in the entities consolidated to form the group accounts.

Westminster Community Homes Ltd
The company is a housing development vehicle for the Council and is structured as 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. Three officers of the Council are members of the Board.

For 2017/18, the company's results showed a surplus of £0.448m (£0.672m surplus in 2016/17), and net assets of £12.153m (£11.706m at 31 March 2017). Loans outstanding from the Council to the company total £10.177m (£10.283m at 31 March 2017).

A full copy of the company's accounts can be obtained from the Directors, Westminster Community Homes Ltd, 20th Floor, Portland House, Bressenden Place, London SW1E 5RS. The accounts are audited by Jones Avens Ltd.

City West Homes Ltd
The company is an arm's length management organisation (ALMO) wholly owned by the Council set up in 2002 to manage the Council's housing stock and its housing capital programme. It is constituted as a company limited by guarantee (i.e. it has no share capital) and operates on a not-for-profit basis. The total number of Board members is 15, of which the Council has four, but the Council can appoint and remove any members.

For 2017/18, the company's interim results show a surplus of £0.026m (£1.504m loss in 2016/17), and net liabilities of £27.207m (£27.073m at 31 March 2017). The net liabilities reflect the pension liabilities of the company. The Council provides a guarantee to the ALMO that in the event of the ALMO closing, the ALMO's pension liabilities would transfer to the Council. In the event of the ALMO being wound up, all assets would transfer to the Council after debts and liabilities had been met.

A full copy of the company's accounts can be obtained from the Directors, CityWest Homes Ltd, 21 Grosvenor Place, London SW1X 7EA. The accounts are audited by BDO LLP.

Other entities within the Group

The other entities within the Group are:

- WestCo Trading Ltd, which provides communications support and business transformation programmes mainly to public sector clients. The company is a private limited company with share capital of £0.080m and is wholly owned by the Council. The company generated a profit of £0.032m in 2017/18 (£0.003m in 2015/16), and had net assets of £0.969m (£0.937m at 31 March 2017).

- Westminster Procurement Services Limited is a trading vehicle wholly owned by the Council providing procurement consultancy services to public sector organisations. The company started trading in 2017/18 and generated a surplus of £0.008m.

- Soho Create Ltd was a company was set up to create an annual creative festival promoting the arts in Soho. The company was wound up in 2016/17, and the outstanding loan of £0.187m was written off.

- Hub Make Lab CIC, which trades as Hub Westminster, provides low cost office space in the heart of London's West End for start-up businesses. In 2017/18, the company reported a loss of £0.123m. (£0.065m loss in 2016/17), and net liabilities of £0.282m (net liabilities of £0.159m at 31 March 2017).

- Paddington Recreation Ground charity was set up under the Paddington Recreation Ground Act 1893 to manage the land and facilities at Paddington Recreation Ground in perpetuity. The Council is sole trustee of the charity, which aims to break even year-on-year, entirely supported by funding from the Council. The charity generated a surplus of £0.145m in 2017/18 (£0.240m loss in 2016/17).

Group Account Statements

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		2016/17				2017/18
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
26,328	(7,997)	18,331	City Treasurer	19,453	(27,066)	(7,614)
14,913	(5,741)	9,172	Policy, Performance and Communications	13,390	(10,949)	2,441
143,674	(86,245)	57,429	Adults' Services	154,077	(95,806)	58,271
151,030	(106,620)	44,410	Children's Services	150,712	(109,904)	40,808
175,709	(130,656)	45,053	City Management and Communities	172,206	(134,818)	37,387
483,309	(418,905)	64,404	Growth, Planning and Housing	497,030	(404,259)	92,770
6,664	(4,203)	2,461	Chief of Staff	5,291	(4,083)	1,208
33,256	(4,638)	28,618	Corporate Services	9,099	(9,544)	(445)
1,034,883	(765,005)	269,878	Cost of Services – continuing operations	1,021,258	(796,429)	224,829

Group Comprehensive Income and Expenditure Statement (continued)

		2016/17				2017/18
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
491	0	491	Other operating expenditure	-	(18,543)	(18,543)
1,272	(15,569)	(14,297)	Financing and investment income and expenditure	1,290	22,556	23,846
-	(298,008)	(298,008)	Taxation and non-specific grant Income	-	(388,401)	(388,401)
-	(293)	(293)	Profit on disposal on tangible assets	-	(435)	(435)
1,036,646	(1,078,875)	(42,229)	(Surplus)/Deficit on Provision of Services	1,022,548	(1,181,252)	(158,704)
11	-	11	Tax expenses of subsidiary	1	-	1
1,036,657	(1,078,875)	(42,218)	Group (Surplus)/deficit	1,022,549	(1,181,252)	(158,704)
-	(109)	(109)	(Surplus)/deficit on revaluation of financial assets (Available for sale)	1,135	-	1,135
-	(99,933)	(99,933)	(Surplus)/deficit on revaluation of fixed assets	-	(92,567)	(92,567)
166,403	-	166,403	Remeasurement of the net defined benefit liability	-	(96,778)	(96,778)
166,403	(100,042)	66,361	Other comprehensive income and expenditure	1,135	(189,345)	(188,210)
1,203,060	(1,178,917)	24,143	Total comprehensive income and expenditure	**1,023,684**	**(1,370,5997**	**(346,913)**

GROUP MOVEMENT IN RESERVES STATEMENT

2016/17					Revenue Reserves			Capital Reserves		Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves
	General Fund Balance	Earmarked GF Reserves	Schools Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated balance at 1 April 2016	(40,069)	(246,856)	(5,603)	(292,528)	(31,606)	(13,162)	(44,768)	(90,079)	(223,776)	(651,151)	(1,253,339)	(1,904,489)	3,154	(1,901,335)
Movement in reserves during 2016/17														
Surplus or (deficit) on provision of services (accounting basis)	(31,907)	-	-	(31,907)	(12,540)	-	(12,540)	-	-	(44,447)	-	(44,447)	2,231	(42,216)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	58,700	58,700	7,661	66,361
Total Comprehensive Income and Expenditure	**(31,907)**	**-**	**-**	**(31,907)**	**(12,540)**	**-**	**(12,540)**	**-**	**-**	**(44,447)**	**58,700**	**14,253**	**9,892**	**24,145**

Group Movement in Reserves Statement (continued)

2016/17			Revenue Reserves					Capital Reserves		Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves
	General Fund Balance	Earmarked GF Reserves	Schools Reserves	General Fund Total	Housing Revenue Account	Ear-marked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments between group accounts and authority accounts	(435)	-	-	(435)	-	-	-	-	-	(435)	(797)	(1,232)	-	(1,232)
Net increase before transfers	(32,342)	-	-	(32,342)	(12,540)	-	(12,540)	-	-	(44,882)	57,904	13,022	9,892	22,914
Adjustments between accounting basis & funding basis under regulations	128,579	-	-	128,579	3,391	-	3,391	2,917	(13,500)	121,387	(121,387)	-	-	-
Net Increase / Decrease before Transfers to Earmarked Reserves	96,237	-	-	96,237	(9,149)	-	9,149	2,917	(13,500)	76,505	(63,483)	13,022	9,892	22,914
Transfers to / from Earmarked Reserves	(103,873)	101,974	1,899	-	(831)	(831)	-	-	-	-	-	-	-	-
Increase / Decrease In Year	(7,636)	101,974	1,899	96,237	(9,980)	831	(9,149)	2,917	(13,500)	76,505	(63,483)	13,022	9,892	22,914
Balance at 31 March 2017 carried forward	**(47,704)**	**(144,882)**	**(3,704)**	**(196,290)**	**(41,586)**	**(12,331)**	**(53,917)**	**(87,162)**	**(237,276)**	**(574,645)**	**(1,316,822)**	**(1,891,468)**	**13,046**	**(1,878,422)**

Page 197

Group Movement in Reserves Statement (continued)

2017/18					Revenue Reserves				Capital Reserves					
	General Fund Balance	Earmarked GF Reserves	Schools Reserves	General Fund Total	Housing Revenue Account	Ear-marked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2017	(47,704)	(144,882)	(3,704)	(196,290)	(41,586)	(12,331)	(53,917)	(87,162)	(237,276)	(574,645)	(1,316,822)	(1,891,468)	13,046	(1,878,422)
Movement in reserves during 2017/18														
Surplus or (deficit) on provision of services (accounting basis)	(148,595)	-	-	(148,595)	(14,965)	-	(14,965)	-	-	(163,560)	-	(163,560)	3,023	(160,537)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	(182,810)	(182,810)	(5,400)	(188,210)
Total Comprehensive Income and Expenditure	**(148,595)**	**-**	-	**(148,595)**	**(14,965)**	**-**	**(14,965)**	**-**	**-**	**(163,560)**	**(182,810)**	**(346,370)**	**(2,377)**	**(348,747)**

Group Movement in Reserves Statement (continued)

2017/18	General Fund Balance	Earmarked GF Reserves	Schools Reserves	General Fund Total	Housing Revenue Account	Ear-marked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplie d	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves
	Revenue Reserves							Capital Reserves						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments between group accounts authority accounts	(1,805)	-	-	(1,805)	-	-	-	-	-	(1,805)	1,939	134	1,696	1,830
Net increase before transfers	(150,400)	-	-	(150,400)	(14,965)	-	(14,965)	-	-	(165,365)	(180,871)	(346,236)	(681)	(346,917)
Adjustments between accounting basis & funding basis under regulations	130,422	-	-	(130,422)	34,347	-	34,347	25,550	(79,435)	110,884	(110,834)	-	-	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(19,978)	-	-	(19,978)	19,382	-	19,382	25,550	(79,435)	(54,481)	(291,755)	(346,236)	(681)	(346,917)
Transfers to / from Earmarked Reserves	8,085	(6,146)	(1,939)	-	(3,162)	3,162	-	-	-	-	-	-	-	-
Increase / Decrease In Year	(11,893)	(6,146)	(1,939)	(19,978)	16,220	3,162	19,382	25,550	(79,435)	(54,481)	(291,755)	(346,236)	(681)	(346,917)
Balance at 31 March 2018 carried forward	**(59,597)**	**(151,028)**	**(5,643)**	**(216,268)**	**(25,365)**	**(9,169)**	**(34,535)**	**(61,612)**	**(316,711)**	**(629,126)**	**(1,608,577)**	**(2,237,374)**	**12,365**	**(2,225,339)**

Page 199

GROUP BALANCE SHEET

1 April 2016	31 March 2017		31 March 2018
£'000	£'000		£'000
		ASSETS	
		Non-current	
1,998,504	2,117,389	Property, plant and equipment	2,396,732
42,746	42,746	Heritage Assets	42,846
405,269	454,840	Investment property	393,312
1,886	1,090	Intangible Assets	875
30,059	26,930	Long -term investments	1,977
1,791	4,898	Long -term debtors	27,683
2,480,255	**2,647,893**	**Total long term assets**	**2,863,425**
		Current	
514,893	743,040	Short-term investments	864,800
355	1,824	Inventories	331
138,203	72,216	Short-term debtors	99,001
127,435	179,614	Cash and other cash equivalents	173,560
2,250	2,250	Assets held for sale	40,000
783,136	**998,944**	**Current assets**	**1,177,692**

Group Balance Sheet (continued)

1 April 2016	31 March 2017		31 March 2018
£'000	£'000		£'000
		LIABILITIES	
(2,109)	(2,069)	Short-term borrowing	(32,415)
(268,179)	(480,039)	Short-term creditors	(650,830)
(6,151)	(8,341)	Short-term RIA	(18,850)
(276,439)	**(490,449)**	**Current Liabilities**	**(702,095)**
(213)	(242)	Long-term creditors	(2,762)
(153,936)	(121,504)	Provisions	(81,451)
(251,465)	(251,271)	Long-term borrowing	(221,111)
(624,615)	(815,160)	Other long-term liabilities - Pensions	(736,869)
(55,388)	(89,789)	Capital Grants - Receipts in Advance	(71,490)
(1,085,617)	**(1,277,966)**	**Long-term liabilities**	**(1,113,683)**
1,901,335	**1,878,422**	**Net assets**	**2,225,339**
(651,151)	(574,645)	Total Usable Reserves	(629,126)
(1,252,627)	(1,316,110)	Total Unusable Reserves	(1,607,866)
3,154	13,046	Share of Subsidiary reserves	12,365
(712)	(712)	Restricted Reserves	(712)
(1,901,335)	**(1,878,422)**	**Total Reserves**	**(2,225,339)**

GROUP CASH FLOW STATEMENT

2016/17	Group Cash Flow Statement	2017/18
£'000		£'000
	Cash flows from operating activities	
42,825	Operating loss/surplus for the financial year	163,224
(587)	Interest paid	522
3	Interest received	(6)
109,103	Depreciation and impairment	126,796
(25,869)	Movement in property values	25,921
61,619	Decrease in debtors and receivables	(46,663)
255,172	Increase/decrease in creditors and payables	128,153
118	Decrease in stocks, stores and WIP	1,494
(32,432)	Contributions to and from provisions	(40,052)
25,822	Carrying amount of assets sold or de-recognised	5,145
380	Other non cash adjustments	2,199
24,671	Pension costs	17,905
(81,823)	Capital grants credited to CIES	(94,756)
(17,436)	Proceeds from sale of non current assets	(31,445)
361,566	Net cash flows from operating activities	258,437

Group Cash flow Statement (continued)

2016/17	Group Cash Flow Statement	2017/18
£'000		£'000
	Investing activities	
(185,462)	Purchase of tangible fixed assets	(325,403)
(1,823,538)	Purchase of investments	(2,813,009)
23,089	Proceeds from disposal of tangible fixed assets	38,072
1,599,719	Proceeds from short and long term investments	2,714,452
2,333	Social housing grant received	2,052
0	Other investments and loans made	0
9	Interest received	9
80,731	Other receipts from investing activities	95,261
	Financing activities	
(363)	Repayment of borrrowing	(155)
65	Cash receipts from long and short term borrowing	227
(4,968)	Council Tax and Business Rate adjustments	24,928
(914)	Repayment of finance lease/service concession	(925)
(6,180)	Net cash used in financing activities	24,075
52,267	Net decrease in cash and cash equivalents	(6,054)
127,347	Cash and cash equivalents at the start of the year	179,614
179,614	Cash and cash equivalents at the end of the year	173,560
52,267		**(6,054)**

Note 1 Accounting Policies for the Group

The Group Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Council has consolidated its interests in all the entities over which it exercises control or significant influence. Westminster Community Homes Ltd and CityWest Homes Ltd have been consolidated because together they are material to the Council's balance sheet. In addition the Council has consolidated the following remaining entities within the Council Group in order to provide a full picture of the Council's arrangements for good governance:

- WestCo Trading Ltd
- Westminster Procurement Services Ltd
- Soho Create Ltd
- Hub Make Lab Ltd
- Paddington Recreation Ground Charity

The results of entities, which the Council controls, have been consolidated on a line by line basis as subsidiaries. Consolidation has been based on:

- For 2016/17 - the audited accounts for Westminster Community Homes Ltd, CityWest Homes Ltd and Paddington recreation Ground charity and the unaudited published accounts for the remaining entities.
- For 2017/18 - the draft accounts for Paddington Recreation Ground charity, interim financial reporting results for the remaining entities pending receipt of the unaudited annual accounts. All information consolidated remains subject to audit by each entity's own auditor where applicable.

Where group entities use different accounting policies to the Council, their accounts have been restated to re-align their accounting policies with those of the Council where the effect of not doing so would be material to the reader's interpretation of the accounts.

Intra-group transactions have been eliminated before consolidation on a line by line basis.

Note 2 Group Property Plant and Equipment

2016/17	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross book value							
At 1 April 2016	1,280,300	469,400	68,789	403,335	19,841	33,817	2,275,482
Additions	33,575	45,379	1,974	25,555	561	24,588	131,632
Revaluations increases/(decrease) recognised in the Revaluation Reserve	47,616	52,305	-	12	-	-	99,933
Revaluations increases/(decrease) recognised in the Surplus/deficit on the Provision of Services	(11,232)	693	-	(1,626)	(8)	-	(12,173)
Derecognition - disposals	(5,553)	(11,804)	-	(55)	-	-	(17,412)
Derecognition	-	-	-	-	-	(3,138)	(3,138)
Assets reclassified	16,468	(5,973)	-	-	-	(10,495)	-
Other movements	(21,039)	(15,439)	-	1,845	(54)	-	(34,687)
At 31 March 2017	**1,340,134**	**534,560**	**70,763**	**429,066**	**20,340**	**44,772**	**2,439,636**

Note 2 Group Property Plant and Equipment (continued)

2016/17	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated depreciation and impairment							
At 1 April 2016	(21,187)	(19,414)	(58,681)	(177,753)	-	-	(277,035)
Depreciation charge	(20,801)	(12,478)	(4,582)	(37,255)	-	-	(75,116)
Depreciation written out to Revaluation Reserve	21,187	15,420	-	974	-	-	37,581
Accummulated Impairment written out to the Revaluation Reserve	-	-	-	-	-	-	-
Impairments losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(7,755)	-	-	-	-	-	(7,755)
Derecognition - disposals	-	76	-	-	-	-	76
Derecognition - other	-	-	-	-	(4)	-	(4)
Other Movements in Depreciation and Impairment	-	-	-	-	7	-	7
At 31 March 2017	**(28,555)**	**(16,396)**	**(63,263)**	**(214,035)**	**3**	**-**	**(322,245)**
Net book value:							
At 31 March 2017	**1,311,579**	**518,165**	**7,499**	**215,032**	**20,344**	**44,772**	**2,117,390**
At 31 March 2016	**1,259,113**	**449,986**	**10,108**	**225,582**	**19,841**	**33,817**	**1,998,447**

Note 2 Group Property Plant and Equipment (continued)

2017/18	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross book value							
At 1 April 2017	1,340,134	534,561	70,763	429,066	20,340	44,772	2,439,636
Additions	63,732	63,142	872	48,202	961	72,467	249,376
Revaluations increases/(decrease) recognised in the Revaluation Reserve	48,066	6,794	-	-	-	-	54,860
Revaluations increases/(decrease) recognised in the Surplus/deficit on the Provision of Services	-	(4,182)	-	-	-	-	(4,182)
Derecognition - disposals	(5,145)	-	-	-	-	-	(5,145)
Derecognition	-	-	-	-	-	-	-
Assets reclassified	-	-	-	-	-	-	-
Other movements	-	11,946	-	-	-	(37)	11,909
At 31 March 2018	**1,446,787**	**612,260**	**71,635**	**477,268**	**21,301**	**117,202**	**2,746,453**

Note 2 Group Property Plant and Equipment (continued)

2017/18	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated depreciation and impairment							
At 1 April 2017	(28,555)	(16,395)	(63,263)	(214,031)	-	-	(322,244)
Depreciation charge	(18,378)	(18,334)	(4,219)	(29,769)	-	-	(70,700)
Depreciation written out to Revaluation Reserve	20,801	20,046	-	-	-	-	40,847
Accummulated Impairment written out to the Revaluation Reserve	7,755	-	-	-	-	-	7,755
Impairments losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(6,600)	1,221	-	-	-	-	(5,379)
Derecognition - disposals	-	-	-	-	-	-	-
Derecognition - other	-	-	-	-	-	-	-
Other Movements in Depreciation and Impairment	-	-	-	-	-	-	-
At 31 March 2018	**(24,977)**	**(13,461)**	**(67,482)**	**(243,800)**	**-**	**-**	**(349,720)**
Net book value:							
At 31 March 2018	**1,421,810**	**598,799**	**4,153**	**233,468**	**21,301**	**117,202**	**2,396,732**
At 31 March 2017	**1,311,579**	**518,166**	**7,500**	**215,035**	**20,340**	**44,772**	**2,117,392**

Note 2 Group Property Plant and Equipment (continued)

Property, plant and equipment within the Group is measured at current value and revalued at least every five years, by the Council's valuers Sanderson Weatherall.

Details of when the Council's property plant and equipment were revalued are shown in Note 18b to the single entity accounts.

Within the Wider Group, housing was valued in 2017/18 and land in 2014/15

Note 3 Group Debtors

		2016/17				2017/18
Long-term	Short-term	Total		Long-term	Short-term	Total
£'000	£'000	£'000		£'000	£'000	£'000
-	14,676	14,676	Central government bodies		14,676	14,676
-	6,291	6,291	NHS bodies		6,291	6,291
	8,964	8,964	Other local authorities		8,964	8,964
	5	5	Public corporations and trading funds		5	5
4,898	42,280	47,178	Other entities and individuals	27,683	69,065	96,748
4,898	**72,216**	**77,114**		**27,683**	**99,001**	**126,864**

Note 4 Group Defined Benefit Pension Schemes

PARTICIPATION IN PENSION SCHEMES

As part of the terms and conditions of employment of its officers, the Council and CityWest Homes provide membership of the City of Westminster Pension Fund (which is part of the Local Government Pension Scheme) administered by Westminster City Council and the London Pension Fund Authority (LPFA) pension fund administered by the LPFA. Although retirement benefits will not actually be payable until employees retire, the Council and CityWest Homes have a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

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 2017	LPFA Pension Scheme 31 March 2017		WCC Pension Scheme 31 March 2018	LPFA Pension Scheme 31 March 2018
£'000	**£'000**	**Comprehensive Income and Expenditure Statement**	**£'000**	**£'000**
		Cost of Services		
		Service Cost Comprising:		
23,512	34	Current service cost	38,036	32
1,875	-	Past service cost	1,279	-
-	-	(Gain)/Loss from settlements	-	-
331	25	Administration Expenses	343	29
		Finance and investment income and expenditure:		
21,509	88	Net interest expense	21,107	18
47,227	**147**	**Total Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services**	**60,765**	**79**

Note 4 Group Defined Benefit Pension Schemes (continued)

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.

WCC Pension Scheme 31 March 2017	LPFA Pension Scheme 31 March 2017		WCC Pension Scheme 31 March 2018	LPFA Pension Scheme 31 March 2018
£'000	**£'000**	**Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement**	**£'000**	**£'000**
(121,140)	(3,291)	Return on plan assets (excluding the amount included in the net interest expense)	(17,151)	(945)
32,007	(712)	Actuarial gains and (losses) arising on changes in demographic assumptions	-	-
335,557	3,063	Actuarial gains and (losses) arising on changes in financial assumptions	(78,616)	(956)
-	-	Actuarial gains/(losses) arising from changes in asset ceiling	-	890
(36,478)	(174)	Other actuarial gains and losses	-	-
(41,414)	(1,015)	Experience (gain)/loss on defined benefit obligation	-	-
168,532	**(2,129)**	**Total Post-Employment Benefits Charged to other Comprehensive Income and Expenditure Statement**	**(95,767)**	**(1,011)**
215,759	**(1,982)**	**Total Charged to Comprehensive Income and Expenditure Statement**	**(35,002)**	**(932)**
		Movement in Reserves Statement		
(47,227)	147	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(60,765)	(79)
21,995	**23**	**Employers contributions payable to scheme**	**41,411**	**21**

Note 4 Group Defined Benefit Pension Schemes (continued)

PENSIONS ASSETS AND LIABILITIES RECOGNISED IN THE GROUP BALANCE SHEET

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

WCC Pension Scheme 31 March 2017	LPFA Pension Scheme 31 March 2017		WCC Pension Scheme 31 March 2018	LPFA Pension Scheme 31 March 2018
£'000	**£'000**		**£'000**	**£'000**
(1,664,370)	(23,010)	Present value of the defined benefit obligation	(1,631,746)	(21,206)
863,952	22,176	Fair value of plan assets	907,741	22,215
(800,418)	(834)	Sub-Total	(724,005)	1,009
-	-	Other movements in the liability (asset)	-	(890)
(800,418)	**(834)**	**Net liability arising from the funded defined benefit obligation**	**(724,005)**	**119**

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.

WCC Pension Scheme 31 March 2017	LPFA Pension Scheme 31 March 2017		WCC Pension Scheme 31 March 2018	LPFA Pension Scheme 31 March 2018
£'000	**£'000**		**£'000**	**£'000**
695,498	19,517	Opening fair value of scheme assets	863,952	22,176
24,891	584	Interest income	23,438	473
		Remeasurement gain/(loss):		
121,140	3,291	Return on plan assets, excluding the amount included in the net interest expense	17,151	945
36,478	174	Other actuarial gains and losses	-	-
(331)	(25)	Administration Expenses	(343)	(29)
21,995	23	Contributions from employer	41,411	21
7,675	6	Contributions from employees into the scheme	7,286	4
(43,394)	(1,394)	Benefits paid	(45,154)	(1,375)
863,952	**22,176**	**Closing fair value of assets**	**907,741**	**22,215**

Note 4 Group Defined Benefit Pension Schemes (continued)

RECONCILIATION OF PRESENT VALUE OF THE SCHEME LIABILITIES (DEFINED BENEFIT OBLIGATION)

WCC Pension Scheme 31 March 2017	LPFA Pension Scheme 31 March 2017		WCC Pension Scheme 31 March 2018	LPFA Pension Scheme 31 March 2018
£'000	**£'000**		**£'000**	**£'000**
(1,302,152)	(22,356)	Balance at 1 April	(1,664,370)	(23,010)
(23,512)	(34)	Current Service Cost	(38,036)	(32)
(46,400)	(672)	Interest Cost	(44,545)	(491)
(7,675)	(6)	Contributions from Scheme Participants	(7,286)	(4)
		Remeasurement of the net defined benefit liability:		
(32,007)	712	Remeasurement arising from changes in demographic assumptions	-	-
(335,557)	(3,063)	Remeasurement arising from changes in financial assumptions	78,616	956
-	-	Actuarial loss re:asset ceiling	-	(890)
41,414	1,015	Experience loss/(gain) on defined benefit obligation	-	-
(1,875)	-	Past Service Cost	(1,279)	-
43,394	1,394	Benefits Paid	45,154	1,375
-	-	Unfunded Pensions Payments	230	-
(1,664,370)	**(23,010)**	**Balance at 31 March**	**(1,631,746)**	**(22,096)**

LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPRISED

WCC Pension Scheme 31 March 2017			WCC Pension Scheme 31 March 2018	
£'000	**%**		**£'000**	**%**
20,005	2%	Gilts - UK	14,852	2%
2,401	0%	Gilts - Overseas	14,297	2%
-	-	Gilts – Index linked	841	0%
56,877	7%	Corporate Bonds - UK	59,660	7%
41,624	5%	Corporate Bonds - Overseas	31,959	4%
-	-	Equities – UK	1,682	0%
-	-	Equities - Overseas	2,523	0%
415,766	48%	Unlisted Equities - UK	439,910	47%
242,541	28%	Unlisted Equities - Overseas	254,828	28%
78,601	9%	Property	78,982	9%
6,938	1%	Cash	6,524	1%
-	-	Net Current Assets - debtors	1,682	0%
(800)	0%	Net Current Assets - creditors	-	-
863,953	**100%**	**Total**	**893,165**	**100%**

Note 4 Group Defined Benefit Pension Schemes (continued)

LPFA Pension Scheme 31 March 2017			LPFA Pension Scheme 31 March 2018	
£'000	**%**		**£'000**	**%**
13,139	59%	Equities	11,247	51%
4,686	21%	Target Return Portfolio	7,299	33%
1,168	5%	Infrastructure	934	4%
1,131	5%	Property	1,532	7%
2,052	9%	Cash	1,203	5%
22,176	**100%**	**Total**	**22,215**	**100%**

All scheme assets have quoted prices in active markets with the exception of property.

Note 4 Group 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 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 are based on the latest full triennial valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary are in the table opposite.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table opposite. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assume for each change that particular assumption 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 did not change from those used in 2016/17.

Page 218

WCC Pension Scheme 31 March 2017	LPFA Pension Scheme 31 March 2017		WCC Pension Scheme 31 March 2018	LPFA Pension Scheme 31 March 2018
		Mortality assumptions:		
		Longevity at 65 for current Pensioners (years):		
24.4	20.5	Men	24.5	20.6
26.0	23.5	Women	26.1	23.6
		Longevity at 65 for future Pensioners (years):		
26.6	22.8	Men	26.8	22.9
28.3	25.7	Women	28.4	25.9
3.6%	3.3%	Rate of Inflation (RPI)	3.4%	3.4%
2.7%	2.4%	Rate of Inflation (CPI)	2.4%	2.4%
4.2%	3.9%	Rate of Increase in salaries	3.9%	3.9%
2.7%	2.4%	Rate of increase in pensions	2.4%	2.4%
2.7%	2.2%	Rate for discounting scheme liabilities	2.7%	2.6%

Note 4 Group Defined Benefit Pension Schemes (continued)

IMPACT ON THE DEFINED BENEFIT OBLIGATION IN THE SCHEME:

	WCC Pension Scheme	WCC Pension Scheme
	Increase in Assumption	Decrease in Assumption
	£'000	**£'000**
Longevity (increase or decrease in 1 year)	(57,758)	55,564
Rate of inflation (increase or decrease by 0.1%)	(26,051)	25,581
Rate of increase in salaries (increase or decrease by 0.1%)	(1,861)	1,849
Rate of increase in pensions (increase or decrease by 0.1%)	(26,051)	25,581
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	27,312	(27,843)

Note 4 Group Defined Benefit Pension Schemes (continued)

IMPACT ON THE GROUP'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 22 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

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.

The Council anticipated paying £40.030m in employer contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for the WCC scheme members is 19 years, 2017/18 (19 years 2016/17).

The weighted average duration of the defined benefit obligation for the LPFA scheme members is 12 years, 2017/18 (12 years 2016/17).

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.

Pension Fund Accounts and Explanatory Notes

FUND ACCOUNT

2016/17		Notes	2017/18
£'000			**£'000**
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
(27,200)	From Employers	Note 7	(44,982)
(8,706)	From Members	Note 7	(8,894)
(2,809)	Individual Transfers in from Other Pension Funds		(4,992)
(38,715)			(58,868)
	Benefits		
41,315	Pensions	Note 8	43,802
7,894	Commutation, Lump Sum Retirement and Death Benefits	Note 8	8,674
	Payments to and on Account of Leavers		
2,385	Individual Transfers Out to Other Pension Funds		4,807
38	Refunds to Members Leaving Service		67
51,632			57,350

Pension Fund Accounts and Explanatory Notes (continued)

2016/17		Notes	2017/18
£'000			**£'000**
12,917	Net (Additions)/Withdrawals from Dealings with Members		(1,518)
5,052	Management Expenses	Note 9	5,734
17,969	Net (Additions)/Withdrawals including Fund Management Expenses		4,216
	Returns on Investments		
(9,891)	Investment Income	Note 10	(15,785)
(9,891)			(15,785)
(209,434)	(Profit) and loss on disposal of investments and changes in the market value of investments	Note 12	(56,708)
(219,325)	Net return on investments		(72,493)
(201,356)	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(68,277)
(1,066,343)	Opening Net Assets of the Scheme		(1,267,699)
(1,267,699)	Closing Net Assets of the Scheme		(1,335,976)

Net Assets Statement
for the year ended 31 March 2018*

2016/17 Restated		Notes	2017/18
£'000			**£'000**
	Investment assets		
173,673	Bonds	Note 17	183,879
150	Equities		150
1,085,348	Pooled Investment Vehicles		1,129,276
	Derivative Contracts:		
286	Futures	Note 14	282
98	Forward Foreign Exchange	Note 14	55
	Other Investment Balances:		
2,499	Income Due		2,790
-	Debtors		13,218
1,726	Cash Deposits		10,321
1,263,780			**1,339,971**
	Investment Liabilities		
	Derivative Contracts:		
(43)	Futures	Note 14	(173)
(134)	Forward Foreign Exchange	Note 14	(56)
(177)			**(229)**

Net Assets Statement
for the year ended 31 March 2018

2016/17		Notes	2017/18
£'000			
(1,710)	Amounts payable for purchases of investments	Note 12	(9,663)
1,261,893	Net Value of Investment Assets	Note 11	1,330,079
7,010	Current Assets	Note 20	6,728
(1,204)	Current Liabilities	Note 21	(831)
1,267,699	**Net Assets of the Fund Available to Fund Benefits at the Period End**		**1,335,976**

* 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 19.

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 2016.

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 2018. Employers also pay contributions into the Fund based on triennial funding valuations. The last such valuation was as at 31 March 2016. Currently employer contribution rates range from 10.1% to 38.8% 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
Pension	Each year worked is worth 1/80 x final pensionable pay	Each year worked is worth 1/60 x final pensionable pay
Lump Sum	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 since 2001 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 Management 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 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

In accordance with the LGPS (Management and Investment of Funds) Regulations 2016 the Committee approved an Investment Strategy Statement on 21 March 2017. The Statement shows the Authority's compliance with the Myners principles of investment management.

The Committee has delegated the management of the Fund's investments to external investment managers (see Note 11) appointed in accordance with 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 2017		31 March 2018
30	Number of employers with active members	31
4,129	Active members	4,359
5,706	Pensioners receiving benefits	5,830
6,281	Deferred Pensioners	6,220
16,116	**Total**	**16,409**

Note 2 Basis of Preparation of Financial Statements

The Statement of Accounts summarise the Fund's transactions for 2017/18 and its position at year end as at 31st March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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 summarise the transactions of the Fund and report on the net assets available to pay pension benefits.

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. The Code gives administering authorities the option to disclose this information in the Net Asset Statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Authority has opted to disclose this information in an accompanying report to the accounts, which is disclosed in Note 19. The Pension Fund Accounts have been prepared on a going concern basis.

Note 3 Accounting Standards issued but not yet adopted

At the balance sheet date, the following new standards and amendments to existing standards had been published but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom:

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables to amortised cost. There are not expected to be any changes in the measurement of financial assets and the Fund does not at this stage anticipate any adjustments for impairments.
- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Fund does not have any revenue streams within the scope of the new standard.
- IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities, however since the Fund is not currently required to prepare a Cash Flow Statement it does not anticipate any additional disclosure.
- IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value. Currently the Fund does not hold such financial instruments.

Note 4 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. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment Income

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 either reinvested within the Pooled Investment Vehicles and reflected in the unit price or taken as a cash dividend to support the Fund's outgoing cash flow requirements.

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.

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.

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits and losses during the year.

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.

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.

Note 4 Summary of Significant Accounting Policies (continued)

f) Management Expenses

Pension fund management expenses are accounted for in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs 2016.:*

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 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.

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.

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. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised in the Fund account.

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 15).

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 (see Note 14).

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 19).

m) Additional Voluntary Contributions

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed as a note only (Note 22).

n) Recharges from the General Fund

The LGPS (Management and Investment of Funds) Regulations 2016 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund on the basis of actual time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the Fund are set out separately in Note 23.

Note 5 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 4 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 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 6 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.

Page 233

VALUATION OF INVESTMENTS LEVEL 3

The Pension Fund contains investments in unitised pooled property funds that are classified within the financial statements as level 3 investments (as detailed in note 15) These funds are valued according to non-exchange based market valuations as a result of this the final realised value of those pooled units may differ slightly from the valuations presented in the accounts.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	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 £182m. A 0.2% increase in assumed earnings would increase the value of liabilities by approximately £5m, and a one-year increase in life expectancy would increase the liability by about £75m.

Note 7 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

2016/17		2017/18
£'000		**£'000**
(25,928)	Administering Authority	(43,652)
(5,856)	Scheduled bodies	(5,763)
(4,122)	Admitted bodies	(4,461)
(35,906)	**Total**	**(53,876)**

Page 234

BY TYPE

2016/17		2017/18
£'000		**£'000**
8,706	Employees' normal contributions	(8,894)
	Employer's contributions:	
15,680	Normal contributions	(18,981)
9,957	Deficit recovery contributions	(24,863)
1,563	Augmentation contributions	(1,138)
35,906	**Total**	**(53,876)**

Note 8 Benefits Payable

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

BY TYPE

2016/17		2017/18
£'000		**£'000**
41,315	Pensions	43,802
7,292	Commutation and lump sum retirement benefits	7,034
602	Lump sum death benefits	1,640
49,209	**Total**	**52,476**

BY AUTHORITY

2016/17		2017/18
£'000		**£'000**
39,469	Administering Authority	41,206
1,885	Scheduled Bodies	2,020
7,855	Admitted Bodies	9,250
49,209	**Total**	**52,476**

Note 9 Management Expenses

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

2016/17		2017/18
£'000		£'000
571	Administration Expenses	386
330	Oversight and Governance	373
4,151	Investment Management Expenses	4,975
5,052	**Total**	**5,734**

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

2016/17		2017/18
£'000		£'000
2,790	Management fees	3,095
380	Performance fees	-
70	Custody fees	63
911	Transaction costs	1,817
4,151	**Total**	**4,975**

Page 236

Note 10 Investment Income

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

2016/17		2017/18
£'000		**£'000**
6,522	Income from bonds	6,762
2	Equity dividends	-
2,276	Pooled investments - unit trust and other managed funds	6,713
1,095	Pooled property investments	2,265
(4)	Interest and cash deposits	45
9,891	Total before taxes	15,785
9,891	**Total**	**15,785**

Note 11 Investment Management Arrangements

As at 31 March 2018, the investment portfolio was managed by seven external managers:

- UK property portfolios are split between Hermes Investment Managers and Standard Life;
- Fixed income mandates are managed by Insight Investment Managers;
- Equity portfolios were split between Majedie Investment Managers (active UK), Baillie Gifford (active global managed by the London CIV), 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.

The Fund became a shareholder of the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London) in 2015 and holds £150,000 of regulatory capital in the company in the form of unlisted UK equity shares.

Northern Trust is the global custodian for the Fund. 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 2018 was as follows:

31 March 2017 Market Value	%	Fund Manager	Mandate	31 March 2018 Market Value	%
£'000				**£'000**	
303,639	24.1%	London LGPS CIV Ltd - Majedie	UK Equity (Active)	297,503	22.4%
150	0.0%	London CIV	UK Equity (Passive)	150	-
303,789	**24.1%**	**UK Equity**	**Sub-Total**	**297,653**	**22.4%**
				264,319	19.9%
233,835	18.5%	London LGPS CIV Ltd - Baillie Gifford	Global Equity (Active)	310,073	23.3%
282,705	22.4%	LGIM	World Equity (Passive)	142,754	10.7%
140,970	11.2%	Longview	Global Equity (Active)	717,146	53.9%
657,510	**52.1%**	**Global Equity**	**Sub-Total**	**18,626**	**1.4%**
				173,103	13%
18,867	1.5%	Insight	Bonds	191,729	14.4%
170,313	13.5%	Insight	Sterling non-Gilts	297,503	22.4%
189,180	**15.0%**	**Bonds**	**Sub-Total**	**150**	**-**

Note 11 Investment Management Arrangements (continued)

31 March 2017 Market Value	%	Fund Manager	Mandate	31 March 2018 Market Value	%
£'000				**£'000**	
56,572	4.5%	Hermes	Property	62,983	4.7%
54,773	4.3%	Standard Life	Long Lease Property	60,474	4.5%
111,345	8.8%	Property	Sub-Total	123,457	9.2%
1,261,824	100.0%		Total (exc. cash)	1,329,985	100%
69		Other (cash deposits)		94	
1,261,893			**Total**	**1,330,079**	**100%**

Note 12 Reconciliation in Movement in Investments

2016/17	Market value 1 April 2016	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 2017
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Bonds	157,123	65,146	(55,646)	7,050	173,673
Equities	-	-	-	-	-
Pooled equity investments	790,373	231,435	(244,880)	197,831	974,759
Pooled property investments	105,811	-	(260)	5,188	110,739
Derivatives:					
Futures	20	2,044	(2,971)	1,150	243
Forward foreign exchange	(104)	3,200	(1,440)	(1,692)	(36)
Cash Instruments	-				-
Total	**1,053,223**	**301,825**	**(305,197)**	**209,527**	**1,259,378**
Cash deposits	2,598			(99)	1,726
Amounts receivable for sales of investments	-			-	-
Investment income due	2,440			-	2,499
Spot FX contracts	3			6	-
Amounts payable for purchases of investments	(329)			-	(1,710)
Net investment assets	**1,057,935**			**209,434**	**1,261,893**

Note 12 Reconciliation in Movement in Investments (continued)

2017/18	Market value 1 April 2017	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 2018
	£'000	£'000	£'000	£'000	£'000
Bonds	173,673	127,645	(112,775)	(4,664)	183,879
Equities	150	-	-	-	150
Pooled equity investments	974,609	393,201	(410,211)	51,010	1,008,609
Pooled property investments	110,739	-	(333)	10,261	120,667
Derivatives:					
Futures	243	1,205	(987)	(352)	109
Forward foreign exchange	(36)	816	(1,232)	451	(1)
Cash Instruments	-	-	-	-	-
Total	1,259,378	522,867	(525,538)	56,706	1,313,413
Cash deposits	1,726	-	-	47	10,321
Amounts receivable for sales of investments	-	-	-	-	13,218
Investment income due	2,499	-	-	-	2,785
Spot FX contracts	-	-	-	(1)	5
Amounts payable for purchases of investments	(1,710)	-	-	(44)	(9,663)
Net investment assets	**1,261,893**	**-**	**-**	**56,708**	**1,330,079**

Purchases and sales of derivatives are recognised in Note 12 above as follows:

- **Futures** – on close out or expiry of the futures contract the variation margin balances held in respect of unrealised gains or losses are recognised as cash receipts or payments, depending on whether there is a gain or loss.
- **Forward currency contracts** – forward foreign exchange contracts settled during the period are reported on a gross basis as gross receipts and payments.

Note 13 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%.

31 March 2017			31 March 2018	
Market Value	**Holding**		**Market Value**	**Holding**
£'000	**%**		**£'000**	**%**
303,636	24.1%	LGPS Majedie - Institutional Trust Class B Shares	-	-
-	-	London LGPS CIV Ltd – LCIV MJ UK Equity A GBP INC	292,703	22.0%
282,705	22.4%	L&G - World Equity Index - GBP Hedged/GB Hedged OFC	310,073	23.3%
233,313	18.5%	London LGPS CIV Ltd – Baillie Gifford Life Global Alpha Sub Fund	261,977	19.7%
140,969	11.2%	Longview - Conventum Asset Management	142,754	10.7%
960,623	76.2%	Total Top Holdings	1,007,507	75.7%
1,261,893		Total Value of Investments	**1,330,079**	

Note 14 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.

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).

Page 243

FUTURES

Outstanding exchange traded futures contracts are as follows.

Economic Exposure	Market Value 31 March 2017	Type	Expires	Economic Exposure	Market Value 31 March 2018
£'000	£'000			£'000	£'000
		Assets			
18,882	282	UK Fixed Income	less than 1 year	14,861	278
(1,353)	4	Overseas fixed income	less than 1 year	547	4
	286	Total Assets			282
		Liabilities			
(11,199)	(43)	Overseas Fixed Income	less than 1 year	(5,927)	(173)
	(43)	Total Liabilities			(173)
	243	**Net futures**			**109**

Note 14 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
One to six months	GBP	855	EUR	(966)	7	0
Up to one month	GBP	8,222	USD	(11,561)	27	(44)
Up to one month	GBP	13,549	EUR	(15,438)	12	(8)
One to six months	GBP	1,802	USD	(2,524)	9	(3)
Open forward currency contracts at 31 March 2018					55	(55)
Net forward currency contracts at 31 March 2018						
Prior year comparative:						
Open forward currency contracts at 31 March 2017					98	(134)
Net forward currency contracts at 31 March 2017						**(36)**

Page 244

Note 15 Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques that represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy 16/17	Valuation hierarchy 17/18	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments - Equity Funds UK and Overseas Managed Funds	Level 1	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets.	Evaluated price feeds	Not required
Quoted UK and Overseas Bonds	Level 2	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
Futures	Level 2	Level 2	Published exchange prices at the year-end.	Evaluated price feeds	Not required
Forward Foreign Exchange Derivatives	Level 2	Level 2	Market forward exchange rates at the year-end.	Exchange rate risk	Not required
Pooled Long Lease Property Fund	Level 2	Level 2	The Standard Life Long Lease Property Fund is priced on a Single Swinging Price.	In house evaluation of market data	Not required
Pooled Investments – Property Funds	Level 3	Level 3	Closing bid price where bid and offer prices are published.	Adjusted for net capital current assets	Estimated acquisition and disposal costs

Note 15 Fair Value – Basis of Valuation (continued)

SENSITIVITY OF ASSETS VALUED AT LEVEL 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2018.

Description of asset	Assessed Valuation Range (+/-)	Value at 31 March 2018	Value on increase	Value on decrease
		£’000	**£’000**	**£’000**
Pooled investments - Property funds	3%	60,343	62,153	58,533
Total		**60,343**	**62,153**	**58,533**

As at March 2017 – Restated due to cash balances held within the portfolio

Description of asset	Assessed Valuation Range (+/-)	Value at 31 March 2017 Restated	Value on increase Restated	Value on decrease Restated
		£000	£000	£000
Pooled investments - Property funds	3%	56,117	57,800	54,433
Total		**56,117**	**57,800**	**54,433**

Note 15a 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 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. Level 3 restated due to cash balances held in the portfolio.

		31 March 2017 Restated				31 March 2018
Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3		Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3
£'000	£'000	£'000		£'000	£'000	£'000
			Financial Assets			
971,108	236,540	56,117	Financial assets at fair value through profit and loss	282	1,251,920	60,343
971,108	236,540	56,117	Total financial assets	282	1,251,920	60,343
			Financial Liabilities			
(44)	(1,844)	-	Financial liabilities at fair value through profit and loss	(173)	(9,719)	-
(44)	(1,844)	-	Total financial liabilities	(173)	(9,719)	-
971,064	234,696	56,117		109	1,242,201	60,343
	1,261,877		**Grand Total**		**1,302,653**	

Note 15b Transfers between Levels 1 and 2

£1,007.506m of pooled equity investments with Legal and General Investment Management, Ballie Gifford, Longview and Majedie were transferred from level 1 to level 2 during the year as a result of additional pricing information becoming available (note 15).

Note 15c Reconciliation of Fair Value Measurements within Level 3

2017/18	Opening balance	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/losses	Realised gains/losses	Closing balance
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Equity	150	-	-	-	-	-	-	150
Pooled investments - property funds	55,967	-	-	-	-	4,266	-	60,193
Total	**56,117**	**-**	**-**	**-**	**-**	**4,266**	**-**	**60,193**

Transferred from level 2 to level 3 due to reappraisal of property valuation techniques – balances restated due to cash balances held in the property portfolio

2016/17 Restated	Opening balance	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/losses	Realised gains/losses	Closing balance
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Equity		150	-	-	-	-	-	150
Pooled investments - property funds		54,660	-	-	-	1,307	-	55,967
Total		**54,810**	**-**	**-**	**-**	**1,307**	**-**	**56,117**

Note 16a Classification of Financial Instruments

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

		31-Mar-17				31-Mar-18
Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£'000	£'000	£'000		£'000	£'000	£'000
			Financial Assets			
26,553		-	UK Public Sector	-	-	-
82,913	-	-	UK Corporate	98,537	-	-
782	-	-	Overseas Public sector	-	-	-
61,463	-	-	Overseas Corporate	85,342	-	-
1,962			Overseas Index Linked	-	-	-
			Pooled funds - investment vehicles			
819,804	-	-	UK Managed Funds Other	864,903	-	-
110,739	-	-	UK Unit Trusts Property	120,667	-	-
154,955	-	-	Overseas Managed	143,856	-	-
			Derivative Contracts			
286	-	-	Futures	282	-	-
98		-	Forward Foreign Exchange	55	-	-
-	**5,544**	**-**	**Cash Balances (held directly by Fund)**	**-**	**4,668**	**-**
2,499	**-**	**-**	**Other Investment Balances**		**2,790**	**-**
-	**1,726**	**-**	**Cash Deposits**	**-**	**10,321**	**-**
-	**1,434**	**-**	**Debtors**	**-**	**14,611**	**-**
1,262,054	**8,704**	-		**1,313,642**	**32,930**	-

Page 249

Note 16a Classification of Financial Instruments (continued)

		31 March 2017				31 March 2018
Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£'000	£'000	£'000		£'000	£'000	£'000
			Financial Liabilities			
			Derivative Contracts			
(43)	-	-	Futures	(173)	-	-
(134)	-	-	Forward Foreign Exchange	(56)	-	-
-	-	-	Other Investment Balances	-	-	-
-	-	(2,323)	Creditors	-	-	(9,904)
(177)	-	(2,323)		(229)	-	(9,904)
1,261,877	8,704	(2,323)	Total	1,313,413	32,390	(9,904)
	1,268,258				1,335,899	

Note 16b 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 2017		31 March 2018
£'000		**£'000**
	Financial Assets	
209,527	Designated at fair value through profit and loss	56,706
(99)	Loans and receivables	2
209,428		56,708
	Financial Liabilities	
6	Designated at fair value through profit and loss	-
-	Financial liabilities at amortised cost	-
6		-
209,434	**Total**	**56,708**

The Council has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 17 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.

Page 252

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	Value on 10% price increase	Value on 10% price decrease
	£'000	£'000	£'000
As at 31 March 2017	1,259,457	1,385,403	1,133,511
As at 31 March 2018	**1,330,079**	**1,463,088**	**1,197,072**

Note 17 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 risk exposure through the use of futures derivatives (see Note 14).

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 interest rate risk	Average Duration	Value	Value on 1% increase	Value on 1% decrease
	Years	**£'000**	**£'000**	**£'000**
UK public sector quoted	3.63	26,553	25,590	27,516
UK quoted	6.80	82,913	77,275	88,551
Overseas public sector quoted	8.62	782	715	849
Overseas quoted	5.96	61,463	57,798	65,128
UK public sector quoted	**24.67**	**1,962**	1,478	2,446
As at 31 March 2017		**173,673**	**162,856**	**184,490**

Page 253

Assets exposed to interest rate risk	Average Duration	Value	Value on 1% increase	Value on 1% decrease
	Years	**£'000**	**£'000**	**£'000**
UK quoted	6.83	98,536	91,810	105,263
Overseas quoted	8.13	85,342	78,403	92,282
As at 31 March 2018		**183,878**	**170,213**	**197,545**

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 14). The Committee recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds 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.

Note 17 Nature and extent of risks arising from Financial Instruments (continued)

Assets exposed to currency risk	Value	Value on 10% foreign exchange rate increase	Value on 10% foreign exchange rate decrease
	£'000	**£'000**	**£'000**
As at 31 March 2017	811,085	892,194	729,977
As at 31 March 2018	**750,881**	**825,969**	**675,793**

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 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 2018, liquid assets were £1,236m representing 91% of total fund assets (£1,158m at 31 March 2017 representing 91% of the Fund at that date). The majority of these investments can in fact 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 18 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 2016 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 31 March 2017.

The actuary's smoothed market value of the scheme's assets at 31 March 2016 was £1,056.7m and the Actuary assessed the present value of the funded obligation at £1,320.8m. This indicates a net liability of £264.1m, which equates to a funding position of 80% (2013: £297.3m 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 2016	Assumed returns %	Risk adjusted weighting %
Other Bonds	3.3	20
Equities	7.4	65
Property	5.9	15

Financial assumptions	2013 %	2016 %
Discount rate - scheduled bodies	5.9	5.1
Discount rate - admitted bodies	4.9	4.5
RPI	3.5	3.3
CPI	2.7	2.4
Pension increases	2.7	2.4
Short-term pay increases	1.0	2.4
Long-term pay increases	4.5	3.9

The 2016 valuation certified an aggregate employer contribution rate of 33.9% of pensionable pay (2013: 29.8%). 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 22 years, as set out in the Funding Strategy Statement (2013: 25 years). The common future service contribution rate for the Fund was set at 16.9% of pensionable pay (2013: 13.3%).

The triennial valuation also sets out the individual contribution rate to be paid by each employer from 1 April 2017 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.

Note 19 Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2018. 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 pension's legislation.

In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

31 March 2017		31 March 2018
£'000		**£'000**
(2,052,314)	Present Value of Promised Retirement Benefits	(2,014,651)
1,274,628	Fair Value of Scheme Assets (bid value)	1,335,977
(777,686)	**Net Liability**	**(678,674)**

Present Value of Promised Retirement Benefits comprise of £1,930.7m (2016/17: £1,998.1m) and £46.3m (2016/17: £54.2m) in respect of vested benefits and non-vested benefits respectively as at 31 March 2018.

ASSUMPTIONS

To assess the value of the Fund's liabilities at 31 March 2018, the value of Fund's liabilities calculated for the funding valuation as at 31 March 2016 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 2016, hence they are different from those used for the 2017/18 statement of accounts. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 80%, for males and 85% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% per annum.

Assumed life expectancy from age 65 is:

Life expectancy from age 65 years		31 March 2017	31 March 2018
Retiring today	Males	24.4	24.5
	Females	26.0	26.1
Retiring in 20 years	Males	26.6	26.8
	Females	28.3	28.4

FINANCIAL ASSUMPTIONS

The main financial assumptions are:

	31 March 2017	31 March 2018
	%	%
RPI increases	3.60	3.30
CPI increases	2.70	2.30
Salary increases	4.20	3.80
Pension increases	2.70	2.30
Discount rate	2.70	2.55

Note 20 Current Assets

31 March 2017		31 March 2018
£'000		**£'000**
	Debtors:	
719	Contributions due - employers	1,228
179	Contributions due - employees	165
568	Sundry debtors	667
5,544	Cash balances	4,668
7,010	**Total**	**6,728**

ANALYSIS OF DEBTORS

31 March 2017		31 March 2018
£'000		**£'000**
32	Central Government Bodies	667
1,434	Other entities and individuals	1,393
1,466	**Total**	**2,060**

Page 257

Note 21 Current Liabilities

31 March 2017		31 March 2018
£'000		**£'000**
(1,204)	Sundry creditors	(831)
(1,204)	**Total**	**(831)**

ANALYSIS OF CREDITORS

31 March 2017		31 March 2018
£'000		**£'000**
(591)	Central government bodies	(589)
(613)	Other entities and individuals	(242)
(1,204)	**Total**	**(831)**

Note 22 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 2017		Market Value 31 March 2018
£'000		**£'000**
1,318	Aegon	956
409	Equitable Life	438
1,727	**Total**	**1,394**

Additional voluntary contributions of £0.1m were paid directly to Aegon during the year (2016/17: £0.1m).

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, 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 23 Related Party Transactions

The Fund is administered by Westminster City Council. The Council incurred costs of £0.43m in the period 2017/18 (2016/17: £0.37m) 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.

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 and Treasury Management and the Director of People Services. Total remuneration payable to key management personnel is set out below:

31 March 2017		31 March 2018
£'000		**£'000**
55	Short-term benefits	42
91	Post-employment benefits	83
7	Termination benefits	-
153	**Total**	**125**

Note 24 External audit costs

The external fee payable to the Fund's external auditors Grant Thornton UK LLP was £21,000 (£21,000 in 2016/17). A refund of £3,120 was also received from Public Sector Audit Appointments (PSAA).

31 March 2017		31 March 2018
£'000		**£'000**
21	External audit fees	21
-	PSAA refund	(3)
21	**Total**	**18**

Note 25 Events after the reporting period

Management have reviewed and can confirm that there are no significant events occurring after the reporting period.

6.

Glossary and Contacts

Glossary of Terms

ACCOUNTING POLICIES

The rules and practices adopted by the Council 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.

AMORTISATION

A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

ANNUAL GOVERNANCE STATEMENT

The annual governance statement is a statutory document that explains the processes and procedures in place to enable the council to carry out its functions effectively.

BALANCES (OR RESERVES)

These represent accumulated funds available to the Council. 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 set out for technical purposes. It is not possible to utilise these to provide services.

BUSINESS RATES (NNDR/NDR)

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 (49.7p/£ in 2017/18). 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.

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.

CENTRAL SUPPORT SERVICES

Support provided to front line services by the administrative and professional officers, including financial, legal, people services, IT, property and general administrative support.

CIPFA (CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTING)

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code.

COLLECTION FUND

An account that shows the income due from NNDR and Council Tax payers 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 Council 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.

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 costs 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 the 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.

DEFERRED CAPITAL INCOME

Deferred Capital Income comprises amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses, which form the main part of mortgages under loans for purchase and improvement of property.

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 accounts.

EXPECTED RETURN ON ASSETS

For a defined benefit scheme, this 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.

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 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 the Council Services is charged that are paid for from Council Tax and Government Grants (excluding the Housing Revenue Account).

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 pension 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 Council 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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB)

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

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 statement 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).

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.

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 are 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.

NON-OPERATIONAL ASSETS

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

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

A cost arising from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years.

POST BALANCE SHEET EVENTS

These events, both favourable and unfavourable, occur between the Balance Sheet date (31 March) and the date on which the statement of accounts are signed.

PRECEPTS

These are demands made upon the Collection Fund, by the Greater London Authority for monies, which it requires to finance the services it provides.

PRIOR YEAR ADJUSTMENT

A material adjustment applicable to prior years arising from changes in accounting policies or correction of fundamental errors.

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.

PRUDENTIAL CODE

Since 1 April 2004, local authorities have been subject to a self-regulatory “prudential system” of capital controls. This gives authorities the freedom to determine how much of their capital investment they can afford to fund by borrowing. The objectives of the code are to ensure that the local authority’s capital investment plans are affordable, prudent and sustainable, with Councils being required to set specific prudential indicators.

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 Council and its pension fund.

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 of 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.

SERVICE CONCESSIONS

An arrangement involving the private sector constructing or upgrading assets used in the provision of a public service, and operating and maintaining those assets for a specified period of time.

SOCIETY OF LOCAL AUTHORITY CHIEF EXECUTIVES (SOLACE)

Solace (Society of Local Authority Chief Executives and Senior Managers) is the representative body for senior strategic managers working in the public sector.

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.

UK GAAP

UK GAAP is the Generally Accepted Accounting Practice in the UK (UK GAAP) is the body of accounting standards and other guidance published by the UK's Financial Reporting Council (FR

Note References

Note	Description
	Notes to the Accounts
Note 1	Accounting Policies
Note 2	Accounting standards issued but not yet adopted
Note 3	Assumptions made about the future and other major sources of estimation uncertainty
Note 4	Critical judgements in applying accounting policies
Note 5	Other operating expenditure
Note 6	Financing and investment income and expenditure
Note 7	Taxation and non-specific grant income
Note 8	Expenditure and funding analysis
Note 9	Pooled Budgets
Note 10	Officers' remuneration (including termination benefits and members' allowances)
Note 11	External Audit Fees
Note 12	Dedicated Schools Grant
Note 13	Grant Income
Note 14	Trading Operations
Note 15	Agency Services
Note 16	Adjustments between accounting basis and funding basis under regulations
Note 17	Transfer to/from earmarked reserves
Note 18a	Capital Contractual Commitments
Note 18b	Revaluations
Note 18c	Property, Plant and Equipment
Note 19	Heritage Assets
Note 20	Investment Property

Page 267

Note	Description
Note 21a	Financial Instruments
Note 21b	Cash and Cash Equivalents
Note 22	Nature and Extent of Risk
Note 23	Capital Expenditure and Capital Financing
Note 24	Leases
Note 25	Service Concessions
Note 26	Debtors
Note 27	Creditors
Note 28	Provisions
Note 29	Unusable Reserves
Note 30	Defined Benefit Pension Schemes
Note 31	Cash Flows from Operating Activities
Note 32	Cash Flows from Investing Activities
Note 33	Cash Flows from Financing Activities
Note 34	Related Party Transactions
Note 35	Contingent Liabilities
Note 36	Contingent Assets
Note 37a	Fair Value – Basis of Valuation
Note 37b	Valuation of assets and liabilities measured at fair value
Note 37c	Transfers between Levels 1 and 2
Note 37d	Reconciliation of Fair Value Measurements within Level 3
Note 38	Prior Period Adjustment
Note 39	Events after Reporting Period

Note References (continued)

Note	Description
	Housing Revenue Account Explanatory Notes
HRA 1	Housing Stock
HRA 2	Housing Asset Valuation Notes
HRA 3	Capital Expenditure and Funding
	Collection Fund Explanatory Notes
COLL 1	General
COLL 2	Council Tax
COLL 3	Business Rates
COLL 4	Business Rates Supplements - Crossrail
	Group Accounts Explanatory Notes
Note 1	Group Accounting Policies
Note 2	Group Property Plant and Equipment
Note 3	Group Debtors
Note 4	Group Defined Benefit Pension Schemes
	Pension Fund Explanatory Notes
Note 1	Description of the City of Westminster Pension Fund
Note 2	Basis of Preparation of Financial Statements
Note 3	Accounting Standards issued but not yet adopted
Note 4	Summary of significant Accounting Policies
Note 5	Critical Judgements in applying Accounting Policies
Note 6	Assumptions made about the future and other major sources of uncertainty
Note 7	Contributions receivable
Note 8	Benefits payable
Note 9	Management Expenses

Page 268

Note	Description
Note 10	Investment Income
Note 11	Investment Management Arrangements
Note 12	Reconciliation in Movement in Investment
Note 13	Investments exceeding 5% of Net Assets
Note 14	Analysis of Derivatives
Note 15	Fair Value – Basis of Valuation
Note 15a	Valuation of Financial Instruments carried at Fair Value
Note 15b	Transfers between Levels 1 and 2
Note 15c	Reconciliation of Fair Value Measurements within Level 3
Note 16a	Classification of Financial Instruments
Note 16b	Net Gains and Losses on Financial Instruments
Note 17	Nature and extent of risks arising from Financial Instruments
Note 18	Funding Arrangements
Note 19	Actuarial Present Value of Promised Retirement Benefits
Note 20	Current Assets
Note 21	Current Liabilities
Note 22	Additional Voluntary Contributions
Note 23	Related Party Transactions
Note 24	External Audit Costs
Note 25	Events after the reporting period

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*.

CONTACT FOR FURTHER INFORMATION:

Jake Bacchus
Head of Corporate Finance
Corporate Finance
City Hall
5 Strand
London
WC2N 5HR

Telephone: 020 7641 1360


THEATRE · ROYAL · HAYMARKET ·

Westminster City Council • 5 The Strand, London, WC2N 5HR • westminster.gov.uk • #MyWestminster

City of Westminster

City of Westminster

Committee Report

Meeting:	Audit and Performance Committee
Date:	23rd April 2018
Classification:	General Release
Title:	Audit Findings Report - from Grant Thornton
Wards Affected:	All
Financial Summary:	N/A
Report of:	Steve Mair, City Treasurer

1. Executive Summary

1.1 The attached reports from Grant Thornton summarise the key findings arising from their audit work in relation to the Council's 2017/18 financial statements.

2. Recommendations

2.1 That the Committee consider the Audit Finding reports from Grant Thornton, accepts the recommendations and notes the Council's response.

3. Reasons for Decision

3.1 As part of the Council's accelerated accounts closure programme the Committee has the opportunity to review the findings of the audit of the Council's 2017/18 financial statements.

4. Background, including Policy Context

4.1 The Audit Finding Reports from Grant Thornton are attached for the Committee's consideration and also for that of the City of Westminster Pension Fund.

5. Financial Implications

5.1 There are no direct financial obligations arising from this report.

6. Legal Implications

6.1 The Committee will formally meet to finalise the accounts on the 15th June 2018. This meeting represents the effective closure of the audit period which is after the end of the Council's inspection period which concludes at 4pm on the 14th June. There are therefore no formal legal implications until this time.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

David Hodgkinson at dhodgkinson@westminster.gov.uk or 0207 641 8162

APPENDICES

1. Westminster City Council Draft Audit Findings report 2017/18
2. CoW PF Audit Findings report 2017/18

Grant Thornton

Audit Findings

Year ending 31 March 2018

Westminster City Council

23 April 2018

Contents

Your key Grant Thornton team members are:

Paul Dossett
Partner
T: 020 7728 3180
E: Paul.Dossett@uk.gt.com

Paul Jacklin
Senior Manager
T: 020 7728 3263
E: Paul.J.Jacklin@uk.gt.com

Laurelin Griffiths
Manager
T: 0118 955 9166
E: Laurelin.H.Griffiths@uk.gt.com

Chloe Edwards
In-Charge Auditor
T: 020 7728 3276
E: Chloe.D.Edwards@uk.gt.com

Page 276

Headlines

This table summarises the key issues arising from the statutory audit of Westminster City Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion: • the group and Council's financial statements give a true and fair view of the group's and Council's financial position and of the group and Council's expenditure and income for the year, and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	We received the draft financial statements in advance of our audit visit on 3 April 2018. Our audit work was completed on site during April. Completing the audit in this timeframe reflects very positively on the Council's commitment to timely financial statements. Our findings are summarised on pages 5 to 9. The draft financial statements for the Council for the year ended 31 March 2018 recorded a surplus on the provision of services of £152,681k (£168,132k for the group), and the audited financial statements show net comprehensive income of £163,560k (£158,704k). Non-trivial audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Subject to the resolution of outstanding queries, we anticipate issuing an unqualified audit opinion, as detailed in Appendix F, on 15 June 2018 following the closure of the period for the exercise of public rights. Outstanding items are detailed in Appendix C. We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of the Council and with the financial statements we have audited.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Westminster City Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix F. Our findings are summarised on page 12.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • certify the closure of the audit	We have not exercised any of our additional statutory powers or duties. We have not received any objections to the 2017/18 financial statements, although these had not been published at the time of writing this report. We do not expect to be able to certify the conclusion of the audit until we have completed the work necessary to issue our Whole of Government Accounts Component Assurance statement for the Authority for the year ended 31 March 2018.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group and Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks;
- An evaluation of the components of the group to assess the significance of each component and to determine the planned audit response;
- A review of the methodology used to complete the consolidation, and re-performance of the calculations involved; and
- Targeted audit procedures were required for the following balances relating to City West Homes (CWH) and Westminster Community Homes (WCH):
  - Land and buildings (WCH);
  - Deferred grants (WCH); and
  - Pensions net liability (CWH)

  All other elements of the consolidation had a non-material impact on the group's performance and position. We therefore do not consider that there is a risk of material misstatement in the group financial statements arising from these entities.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our methodology for the calculation of materiality remains the same as reported in our audit plan. We detail in the table below our assessment of materiality for the financial statements of Westminster City Council and the group.

Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Misstatements below this 'trivial' threshold may not be reported to the Audit and Performance Committee.

We have not set any specific lower materiality limits, but we have reported all misstatements we have identified in cash, related parties and key management personnel remuneration within this report.

	Financial Statement Materiality	Trivial matters
Westminster City Council Single Entity Statements	£20,103k	£1,005k
Group Financial Statements	£20,425k	£1,021k

Conclusion

Subject to outstanding queries (outlined in Appendix C) being resolved, we anticipate issuing an unqualified audit opinion (as detailed in Appendix F) on 15 June 2018, following the closure of the period for the exercise of public rights.

The key messages arising from the audit of the financial statements are:

- the Council prepared draft accounts by the first working day of the new financial year;
- officers were responsive to audit requests;
- supporting working papers were of a good standard, although many key working papers were not available at the start of our audit, causing delays to our work.

Significant audit risks

	Risks identified in our Audit Plan	Commentary
1	**Improper revenue recognition** Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Westminster City Council, mean that all forms of fraud are seen as unacceptable. **Therefore we do not consider this to be a significant risk for Westminster City Council.** **Work performed** We have: • evaluated the Council's accounting policy for recognition of revenues for appropriateness; • performed substantive testing on material revenue streams; and • reviewed unusual significant transactions. **Key findings** Subject to the completion of outstanding testing, our audit work has not identified any issues in respect of improper revenue recognition.
2	**Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We identified management override of controls as a risk requiring special audit consideration.	**Work performed** We have undertaken the following work in relation to this risk: • gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness; • obtained a full listing of journal entries, identified and tested unusual and significant journal entries for appropriateness; and • evaluated the rationale for any changes in accounting policies or significant unusual transactions. **Key findings** Subject to the completion of testing in this area, our audit work has not identified any issues in respect of management override of controls.

Page 279

Significant audit risks

Risks identified in our Audit Plan	Commentary
3 Valuation of property, plant and equipment The Council revalues its land and buildings to ensure that carrying value is not materially different from fair value. The assets are revalued according to the rolling 5-year programme. This represents a significant estimate by management in the financial statements. We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.	**Work performed** We have undertaken the following work in relation to this risk: • reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • considered the competence, expertise and objectivity of any management experts used; • reviewed the basis on which the valuation is carried out and challenged the key assumptions; • reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding; • tested revaluations made during the year to ensure they are input correctly into the Council's asset register and financial statements; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. **Key findings** Testing to date has identified one instance where the Council had incorrectly taken revaluation gains on investment properties to the revaluation reserve, one instance of a property being held in the Council's records twice, and other, smaller valuation issues. This had no impact on the Council's cash position. Further information on this is included on pages 17 and 18. Subject to the completion of outstanding work, our audit work has not identified any other issues in respect of the valuation of the Council's property, plant and equipment.
4 Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements. We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.	**Work performed** We have undertaken the following work in relation to this risk: • identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; • evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation; • gained an understanding of the basis on which the valuation is carried out; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made; and • checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. **Key findings** The Council received an updated IAS 19 valuation report on 16 April 2018, resulting in adjustments to the financial statements. Further detail on these is included on page 17. Our audit work has not identified any other issues in respect of the valuation of the Council's pension fund net liability.

Significant audit risks

	Risks identified in our Audit Plan	Commentary
5	**Appeals Provision for National Non-Domestic Rates (Business Rates)** The Council's provision for business rates appeals remains the largest in the country and is a highly material balance in the financial statements. The provision is based on significant judgements made by management and uses a complex estimation technique to prepare the provision.	**Work performed** We have undertaken the following work in relation to this risk: • monitored how the appeals process is affecting the Council and any planned changes in the methodology used to calculate the provision; • identified the controls put in place by management to ensure that the appeals provision is not materially misstated; • assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; • reviewed the assumptions made by management and the processes in calculating the estimate; • tested the calculation and its agreement to supporting documentation; and • reviewed the disclosures made by the Council in the financial statements. **Key findings** Our audit work has not identified any significant issues in respect of the Council's provision for business rates appeals. The Council has updated the disclosure note to split the movement on provision between additional provisions required in year, amounts used in year and unused amounts reversed. There is no impact on the provision balance of £66m.

Page 281

Reasonably possible audit risks

Risks identified in our Audit Plan | **Commentary**

6

Employee remuneration

Payroll expenditure represents a significant percentage (11%) of the Council’s operating expenses.

As the payroll expenditure comes from a large number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.

Work performed

We have undertaken the following work in relation to this risk:

- evaluated the Council's accounting policy for recognition of payroll expenditure for appropriateness;
- gained an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls;
- agree that payroll costs are complete within the financial statements via review of the reconciliations between the payroll system and the General Ledger; and
- undertake a trend analysis and detailed analytics to ensure pay is materially complete.

Key findings

Subject to the completion of outstanding testing, our audit work has not identified any issues in respect of the completeness of the Council’s employee remuneration costs. However, work performed on payroll related disclosure notes has identified some minor classification and disclosure issues that have been corrected. Further detail on these is included on page 19.

7

Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage (89%) of the Council’s operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.

We identified completeness of non- pay expenses as a risk requiring particular audit attention:

Work performed

We have undertaken the following work in relation to this risk:

- evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness;
- gained an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls;
- performed detailed substantive testing on operating expenditure recorded for the financial year; and
- tested operating expenditure to ensure cut-off has been correctly applied.

Key findings

Subject to the completion of outstanding work, our audit work has not identified any issues in respect of the completeness of the Council’s operating expenditure costs.

In particular, we have yet to finalise our testing of expenditure cut-off at year end.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	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 and the provision of services is recognised when the Council transfers goods or completes delivery of a service to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. Revenue relating to Council Tax and Business Rates is 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 revenue recognition policy is consistent with the Code of Practice on Local Authority Accounting. Following our audit, disclosure of the Council's policy for non-exchange transactions has been added to the Financial Statements. Management have followed the policy in accounting for the Council's revenue streams.	(Green)
Judgements and estimates	Key judgements and estimates include: – Valuation and useful lives of operational property – Fair value measurement of investment property – Valuation of the pension fund net liability – Accruals of income and expenditure – Provision for NNDR appeals – Recognition of school assets – Preparation of group accounts	Disclosures of critical judgements and assumptions used in Notes 3 and 4 to the Financial Statements are considered to be clear. The policies adopted for material accounting estimates are consistent with the Code of Practice on Local Authority Accounting. Following our audit, disclosures relating to the group boundary and accounting for schools have been amended for clarity. Our testing indicates that the material estimates included in the financial statements have been calculated based on reasonable judgements and assumptions from experts.	(Green)
Other critical policies		We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years. Following our audit, additional disclosure has been included in the financial statements where policies were previously omitted. See page 19 onwards for further detail.	(Green)

Page 283

Assessment
- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Matters in relation to fraud**	We have previously discussed the risk of fraud with the Audit and Performance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	We have completed a review of the Council's register of interests, and registers of gifts and hospitalities. We have discussed management's processes for maintaining and reviewing these registers. We are not aware of any related parties or related party transactions which have not been disclosed.
3	**Matters in relation to laws and regulations**	You have not made us aware of any significant instances of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	**Written representations**	A standard letter of representation has been requested from the Council, including specific representations in respect of the Group, which is included in the Audit and Performance Committee papers. Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for the business rates appeals provision, and the valuation of property, plant and equipment and investment properties.
5	**Confirmation requests from third parties**	We requested from management permission to send confirmation requests to banks and investment and debt counterparties. This permission was granted and the requests were sent. Some of these requests were returned with positive confirmation, however a number have not been received at the time of writing this report. We have undertaken alternative procedures in order to gain assurance over these balances, including review of confirmations sent by third parties to the Council, in case we do not obtain all confirmations before the audit opinion is planned to be signed on 15 June 2018.
6	**Disclosures**	Issues and omissions found during our review are summarised in Appendix D.
7	**Significant difficulties**	No significant difficulties were encountered during the completion of our work.

Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Other information**	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect – refer to Appendix F.
2	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
3	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council is expected to exceed the specified group reporting threshold, we will examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work will be completed in August, following receipt of national guidance.
4	**Certification of the closure of the audit**	We do not expect to be able to certify the completion of the 2017/18 audit of Westminster City Council in our auditor's report, as detailed in Appendix F, due to the required WGA procedures noted at point 3, above.

Value for Money

Background to our VFM approach

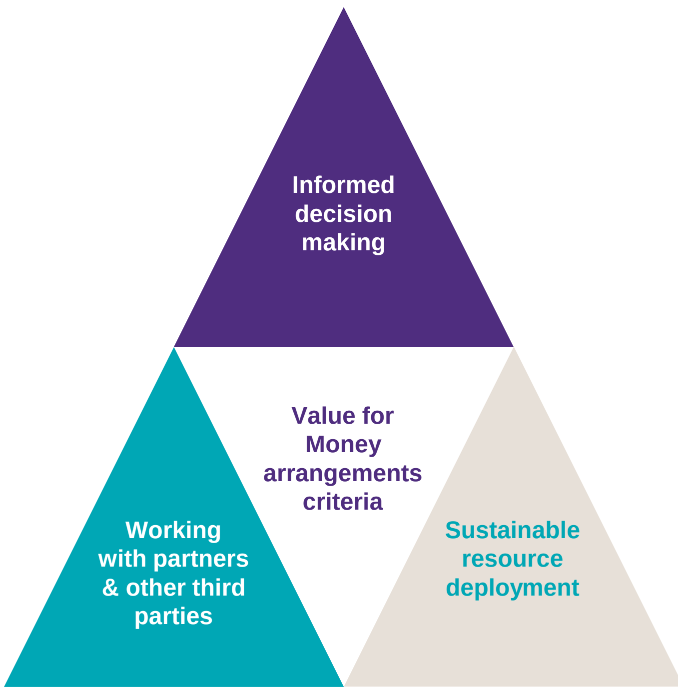
The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:

Page 286



Risk assessment

We carried out an initial risk assessment in January 2018, and identified no significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this to you in our Audit Plan dated 1 February 2018.

We will continue our review of relevant documents up to the date of giving our audit report, and at the time of writing this document have not identified any further significant risks where we need to perform further work.

Our work

We carry out further work only in respect of any significant risks we identify from our ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we will use the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we would report in our VFM conclusion.

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

Overall conclusion

Based on the work we performed, we concluded that the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix F.

The Council has increased its general fund reserves in recent years to £215.5m at 31 March 2018, including earmarked and schools balances. This reflects the S151 Officer's view of the financial risks the Council faces, but is considered a strong position.

The Council has developed a medium term financial plan which covers the period to 2020/21, and has a strong track record of delivering to budget and achieving its savings plans.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Independence and ethics

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified.

Service	£	Threats	Safeguards
Audit related			
Certification of the Teachers Pension Return	3,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,500 in comparison to the total fee for the audit of £185,719 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Pooled Capital Receipts grant	9,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £9,000 in comparison to the total fee for the audit of £185,719 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
Subscription to CFO Insights	9,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £9,500 in comparison to the total fee for the audit of £185,719 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Performance Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Action plan

Recommendations have been identified for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	(Medium)	Audit work on the valuation of investment properties identified that a small number are included in the financial statements at the wrong value due to differences between versions of the valuer's reports. One adjustment will be made as a result of this, detailed on page 18. We are satisfied that this issue has not resulted in a material misstatement in the financial statements for 2017/18.	Management should ensure that effective version controls are in place for all key inputs into the financial reporting process.
2	(Medium)	Testing identified that there were balance sheet codes which contained balances that had not moved for a number of years. There is a risk that these balances are no longer valid. We are satisfied that this issue has not resulted in a material misstatement in the financial statements for 2017/18.	A review of all such balances should be performed to ensure that these are still relevant in advance of the Council changing general ledger system.
3	(Low)	Audit work performed on capital additions in the 2017/18 financial year identified that approximately £3,780k was over-accrued in previous years. These accruals have been de-recognised in 2017/18. We are satisfied that there is not a material misstatement in the 2017/18 financial statements.	Periodic reviews of capital accruals should be performed in order to identify those that are no longer necessary.
4	(Low)	A number of investment properties were reclassified as operational property, plant and equipment during the 2017/18 valuation process. Our testing identified one further asset that was classified incorrectly. We are satisfied that there is not a material misstatement in the financial statements for 2017/18.	A review of investment properties should be performed each year to ensure that all investment properties are correctly classified.

Page 288

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Follow up of prior year recommendations

Assessment
✓ Action completed
WIP Implementation in progress
X Not yet addressed

We identified the following issues in the audit of Westminster City Council's 2016/17 financial statements, which resulted in a recommendation being reported in our 2016/17 Audit Findings report. We are pleased to report that management have implemented our recommendation.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	WIP	Our sample testing of creditor balances and payments post year end identified items that did not follow guidance. Although we were satisfied that this was not indicative of a material misstatement in the financial statements, we recommended that all budget managers follow the Council's accruals guidance when preparing the year end position.	The Council performed a full analytical review of the outturn against accruals made as at 31 March 2017 as part of their preparations for closing down the 2017/18 general ledger. From this exercise, the Council have confirmed that a de-minimis level of £10k is appropriate for year end accruals to ensure that time is not spent on work which has only a trivial impact on the financial statements. The Council's accruals guidance notes were updated following the review, and were issued to all relevant staff. Our work on cut-off of revenues and expenditures at the end of the 2017/18 financial year is not yet complete, however issues have been noted in the work performed to date that indicate that there are still issues with the Council's year-end procedures. We will provide a verbal update on this issue to the committee.

Page 289

Work Outstanding

We have substantially completed our audit of your financial statements, with the exception of the following outstanding items:

- review of updated cash flow statement for the Council;
- review of updated EFA and related disclosures for the Council;
- review of updated group accounts, including all primary statements and supporting notes, for both the current and prior financial years;
- receipt of information in order to complete the following sample testing:
    - exit packages;
    - cut-off of expenditure;
    - cut-off of revenue;
- review and challenge of significant movements in earmarked reserves;
- receipt and review of a narrative explanation of the Council's process for reviewing its accruals in the 2016/17 year;
- review of journals posted since the draft financial statements were produced;
- receipt of the Council's Housing Benefit Subsidy claim form for 2017/18;
- receipt and review of the finalised version of PWC's report on the LGPS actuary;
- internal consistency checks of the disclosures in the updated financial statements;
- receipt of a signed management representation letter; and
- review of the final, approved set of financial statements.

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements in the Council's single entity financial statements

All adjusted misstatements are set out in detail below along with the impact on the Council's key single entity statements and the Council's reported net expenditure for the year.

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
1	At the end of the financial year, the Council reclassified items of Investment Property to Property, Plant and Equipment (PPE). At 31 March 2018, these properties have been valued at Fair Value, with the gain on revaluation being posted to the Revaluation Reserve.		
	The correct treatment for would have been to transfer these assets to PPE at Fair Value, recognising any gain up until the date of transfer in the CIES. The assets should then have been valued again at the end of the year as PPE.		
	This has been corrected as follows:		
	Dr Revaluation Reserve		11,026
	Cr Financing and Investment Income	(11,026)	
	This is a technical adjustment, and has no impact on the Council's cash position.		
2	The Council misclassified investments as cash equivalents within the Balance Sheet. This was corrected as follows:		
	Dr Short Term Investments		40,074
	Cr Cash and Cash Equivalents		(40,074)
	These investments matured on 3 April 2018. This amendment also impacted on disclosures in Notes 21, 22 and 37.		
3	In order to provide the audit team with draft financial statements ahead of the commencement of the audit on 3 April 2018, the Council's pension net liability for Westminster City Council and the London Pension Fund authority schemes was valued at £683,955k. The actuary provided the Council with an updated IAS19 report on 16 April 2018, which led to the following corrections being made to the primary statements:		
	Dr Total Charge to Comprehensive Income and Expenditure Statement	13,613	
	Cr Pension Fund liability		(13,613)
	Overall impact	**£2,587k**	**(£2,587k)**

Page 291

Audit Adjustments

Impact of unadjusted misstatements

The adjustments below have not been made at the time of writing this report. Management intend to process these in the final set of financial statements, before our audit opinion is signed on 15 June 2018. The Audit and Performance Committee would be required to approve management's proposed treatment of any unadjusted misstatements.

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
1	£804k of direct revenue financing was credited to net costs of services when it should be part of taxation and non-specific grant income. In attempting to correct this, the opposite adjustment was made, meaning that the following correction is now needed:		
	Dr Cost of Services	1,608	
	Cr Taxation and Non-Specific Grant Income	(1,608)	
2	Investment Property valuations included in the draft financial statements were taken from a non-finalised version of the valuer's report. The finalised report contained different valuations, resulting in an overstatement of the valuation of Investment Properties, which will be corrected as follows:		
	Dr Financing and Investment Income	2,180	
	Cr Investment Properties		(2,180)
3	An investment property was identified that was contained in the Council's asset registers twice. This will be removed from the financial statements, as follows:		
	Dr Financing and Investment Income	5,818	
	Cr Investment Properties		(5,818)
	Overall impact	**£7,998k**	**(£7,998k)**

Page 292

Audit Adjustments

Impact of other adjusted misstatements in the group financial statements

These adjustments are in addition to the adjustments made to the Council's single entity financial statements, which are consolidated into the group position, a number of other adjustments have been made to the group position.

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
1	The group position in the draft Financial Statements was based on the performance of the other group components at the end of February 2018, as the most up to date financial information available at the time that the financial statements were produced. The position was updated when year-end information was available, and was also corrected for some minor errors in formulae within the consolidation schedule. The impact of this, inclusive of adjustments already detailed for the Council, is summarised to the right.		
	Overall impact	**£28.668k**	**(£28,668)**

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure Reference	Council or Group	Detail	Adjusted
Comprehensive Income and Expenditure Statement	Both	During the audit, the Council identified a number of presentational changes within the CIES. None of these changes impact on the Council's overall performance. Notes 5 and 7 which directly relate to figures within the CIES have also been updated to reflect these changes.	✓
Movement in Reserves Statement	Both	Technical inconsistencies were noted between the Council's MIRS and the other single entity primary statements. The MIRS and related notes (Note 16 and Note 29) have been revised to address this. The group MIRS has been revised to incorporate these changes, as well as to update it for the group financial performance and position for the full financial year, in line with the adjustment on the previous page.	✓
Balance Sheet	Council	The Council's draft financial statements did not include a third balance sheet (at 31 March 2016) demonstrating the opening position for the 2016/17 financial year after the inclusion of the prior period adjustment disclosed in Note 38.	✓
Cash Flow Statement	Both	Inconsistencies were noted between the Council's CFS and the other single entity primary statements. The CFS has been revised to address this. Amendments have also been made to supporting disclosure notes (Note 31, Note 32 and Note 33). The group CFS has been revised to incorporate these changes, as well as to update it for the group financial performance and position for the full financial year, in line with the adjustment on the previous page.	✓

Audit Adjustments

Misclassification and disclosure changes (continued)

Disclosure Reference	Council or Group	Detail	Adjusted
Expenditure and Funding Analysis (EFA – Note 8)	Council	In the draft financial statements, the EFA had been prepared including only those movements that related to un-earmarked reserve balances. This is not in line with the requirements of the Code of Practice on Local Authority Accounting. In addition, the 2016/17 EFA was not consistent with the 2016/17 CIES. Again, this has been amended.	✓
Better Care Fund (Note 9)	Council	The disclosure of the Council’s involvement in the Better Care Fund (titled ‘Pooled Budgets’ in the draft financial statements) has been revised to better reflect the arrangements in place, as a non-pooled agreement, and to enable the user to gain an understanding of the schemes in place and their financial impact on the Council’s accounts.	✓
Payroll related disclosures (Note 10)	Council	Minor amendments were made to the narrative, and the classification of balances within the Officers’ Remuneration disclosure note. Minor amendments were made to the total value of exit packages in year.	✓
Audit Fee Note (Note 11)	Council	Minor amendments have been made to the audit fee note to include all aspects of fees paid to the external auditor in the year in relation to all services provided.	✓
Property, Plant and Equipment (Note 18)	Council (incorporated into group)	Note 18b has been amended to show that the property held for sale (£40m) was last valued at 31 March 2018, and that Council Dwellings were last valued at 31 March 2017 (the formal valuation date for these assets being 01 April 2017). Disclosures in the Balance Sheet, Note 18 and Note 20 have been amended to make it clear that the asset held for sale is an investment property.	✓
Financial Instruments (Note 21)	Council	Adjustments have been made to the financial instruments disclosures to make them consistent with other areas of the financial statements. Changes have been made to: • the carrying values of cash equivalents and short term investments, per page 17 • the fair value of PWLB borrowing has been revised from £229,227k (PY £237,540k) to £208,482k (PY £214,777k). The Council have previously used the premature redemption rate for this debt as a discount factor, rather than the ‘new loan’ rate, which is considered more appropriate given the requirements of IFRS 13. This amendment is disclosure only, as these loans are held at amortised cost in the balance sheet. As part of our work on the Fair Values of LOBO loans, we have reviewed the loan agreements and confirmed that there are no unusual terms or conditions.	✓
Nature and Extent of Risk (Note 22)	Council	This disclosure note has been amended to better reflect the risks specific to the Council. In particular, the disclosure of credit quality has been amended to include all relevant balances and be consistent with other Financial Instrument disclosures.	✓

Audit Adjustments

Misclassification and disclosure changes (continued)

Disclosure Reference	Council or Group	Detail	Adjusted
Leases (Note 24)	Council	The disclosure of assets held under finance leases has been amended to reflect the current value as £30,790k. The draft financial statements disclosed this as £33,169k. Minimum lease payments for operating leases in year have been adjusted to £50,227k. In the draft financial statements this was £48,157k.	✓
Provisions (Note 28)	Council (incorporated into group)	The movement on the provision for business rates appeals has been split to show separately the amounts used in 2017/18 (£54,794k) and the additional provision made (£46,394k).	✓
Defined Benefit Pensions (Note 30)	Council (incorporated into group)	Upon receipt of the revised actuarial report on 4 April 2018, as discussed on page 17, a number of disclosure amendments were made regarding the movements in the pension liability and pension assets, and the actuarial assumptions used.	✓
Related Party Transactions (Note 34)	Council	Additional disclosure was added regarding: • the Paddington Recreation Ground Charity, as an entity inside the group boundary • related party transactions which the Council deemed immaterial, but where disclosure is required by the Code of Practice on Local Authority Accounting	✓
Fair Value (Note 37)	Council	Adjustments have been made to the fair value disclosures to make them consistent with other areas of the financial statements. Changes have been made to include the following in the 2017/18 disclosure: • the fair values of available for sale financial assets (£336,102k) • assets held for sale (£40,000k) with corresponding changes made to the reconciliation in Note 37d.	✓
Events After the Reporting Period (Note 39)	Council	This disclosure was omitted from the draft version of the financial statements, but is now included. The Council has confirmed that there are no events to disclose at the time of writing this report.	✓
Schools	Council	The draft financial statements did not contain information to enable the reader to understand the impact of local authority schools on the Council's financial statements. Disclosure has been added to show the number of, and the different categories of, maintained schools.	✓
Various	Both	A number of other minor changes have been made to disclosure notes and accounting policies throughout the financial statements to improve accuracy, clarity and understandability.	✓

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit Fees

	Proposed fee	Final fee
Council Audit	£185,719	£185,719
Grant Certification	£22,410	£22,410
Objections relating to the 2016/17 Financial Statements	n/a	£7,790
Total audit fees (excluding VAT)	**£208,129**	**£215,919**

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Non Audit Fees

Fees for other services	Fees
Audit related services:	
• Certification of the Teachers Pension Return	£3,500
• Certification of Pooled Capital Receipts grant	£9,000
Non-audit services:	
• Subscription to CFO Insights	£9,500
	£22,000

Audit opinion

We anticipate we will provide the Group with an unmodified audit report

Independent auditor's report to the members of City of Westminster Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of City of Westminster Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves 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 Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement, notes to the financial statements, including the accounting policies. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2018 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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 Authority's 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.

Conclusions relating to going concern

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

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

Other information

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Annual Accounts other than the group and Authority financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Annual accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 29, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer. The Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Authority.

The Audit and Performance Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Annual Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2018. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 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 the Authority for the year ended 31 March 2018. 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 economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

grantthornton.co.uk

This page is intentionally left blank

Audit Findings

Year ending 31 March 2018

City of Westminster Council Pension Fund

23 April 2018

Contents

Your key Grant Thornton team members are:

Paul Dossett
Partner
T: 020 7728 3180
E: Paul.Dossett@uk.gt.com

Paul Jacklin
Senior Manager
T: 020 7728 3263
E: Paul.J.Jacklin@uk.gt.com

Marc Chang
In-charge Auditor
T: 020 7728 3066
E: Marc.Chang@uk.gt.com

Headlines

Introduction

This table summarises the key issues arising from the statutory audit of City of Westminster Council Pension Fund (‘the Pension Fund’) and the preparation of the Pension Fund's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year, and have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting;	We received the draft pension fund financial statements on 1 April 2018. Our audit work was completed on site during the first two weeks in April and we substantially completed our audit testing by13 April 2018. Completing the audit in this timeframe reflects very positively on the Council's commitment to timely financial statements. Our findings are summarised on pages 4 to 12. The set of financial statements provided to us on 1 April 2018 were prepared on investment balances as at 28 February 2018 as per the agreed plan and timelines. Subsequently, the 31 March 2018 balances were made available by the Fund’s global custodian on 10 April 2018, again, as per agreed timelines, and adjustments were made to the original draft financial statements. As a result of a material movement, adjustments were made to the investment income and investment valuation in the financial statements that resulted in a decrease of £28.6m to the Fund’s reported financial position. Audit adjustments are detailed in Appendix C. Our follow up of recommendations from the prior year’s audit are detailed in Appendix A. Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion, as detailed in Appendix D, on 15 June 2018 following the closure of the period for the exercise of public rights. The current outstanding items include: - completing journals testing; - receipt of the management representation letter; - review of Pension Fund Annual Report; and - review of the final set of financial statements.

Page 303

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Performance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its systems and controls;
- Testing of the Pensions Administration system; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks
- Obtained an understanding of the City of Westminster Council Pension Fund arrangements in respect of its investments in the London Collective Investment Vehicle.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the closure of the period for the exercise of public rights, as detailed in Appendix D.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our assessment of the value of materiality has been adjusted to reflect the revised value of the Pension Fund Net Assets We detail in the table below our assessment of materiality for Westminster City Council Pension Fund.

	Amount (£)
Materiality for the financial statements	13,360,000
Performance materiality	10,020,000
Trivial matters	668,000
Materiality for specific transactions, balances or disclosures	We have not set any specific materiality limits, but we have reported any misstatements we identify in cash, related parties and key management personnel remuneration within this report.

Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process	Auditor commentary
Management have reviewed the Fund’s funding position and cash flows.	• The Pension Fund has more than sufficient assets to meet its liabilities as they fall due over the next 12 months. Local Government Pension schemes are effectively underwritten by the tax payer with deficits financed by increased contributions agreed with the actuary that are financed through Council and Admitted and Scheduled bodies contributions. • There is no plan by the Ministry of Housing, Communities and Local Government to wind up the City of Westminster Council Pension Scheme. • The Pension Fund continues to operate as usual in 2018/19. Contributions and investment income continue to be received as expected.
Work performed	**Auditor commentary**
Detail audit work performed on management’s assessment	• We have reviewed managements assessment that the financial statements are prepared on a going concern basis. • We are satisfied that there are sufficient assets to meet liabilities as they fall due. The last triennial actuarial valuation also demonstrated an improvement in the funding level to 80%. • The Council have utilised £10m of new capital receipts under the freedoms of the Flexible Capital Receipts regulations to fund the Pension Deficit Recovery Plan • The fund continues to operate as usual.
Concluding comments	**Auditor commentary**
	• We are satisfied that the Pension Fund Financial Statements are prepared on a Going Concern basis.

Significant audit risks

	Risks identified in our Audit Plan	Commentary
1	**Improper revenue recognition** Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption was rebutted as we concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	**Auditor commentary** Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including the City of Westminster Council, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for the City of Westminster Council Pension Fund.
2	**Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We identified management override of controls as a risk requiring special audit consideration.	**Auditor commentary** We have undertaken the following work in relation to this risk: • review of entity controls; • review of accounting estimates, judgements and decisions made by management; and • review of unusual significant transactions Our audit work has not identified any issues in respect of management override of controls. We are in the process of completing our testing of Journal entries.

Page 306

Significant audit risks

Risks identified in our Audit Plan	Commentary
3 **The valuation of Level 3 investments is incorrect** Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. We identified the valuation of level 3 investments as a risk requiring special audit consideration.	**Auditor commentary** We have undertaken the following work in relation to this risk: • gained an understanding of the Fund's process for valuing level 3 investments and evaluated the design of the associated controls; • reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investment; • considered the competence, expertise and objectivity of any management experts used; and • verified the investment balances to the fund manager and custodian report As the draft financial statements were based on 28 February 2018 balances all types of investment (Levels 1-3) were subsequently updated to reflect the valuation at 31 March 2018. This led to a total decrease of £28.6m to the Fund's reported financial position.

Page 307

Reasonably possible audit risks

	Risks identified in our Audit Plan	Commentary
5	**Contributions** Contributions from employers and employees' represents a significant percentage (75%) of the Fund's revenue. We therefore identified occurrence and accuracy of contributions as a risk requiring particular audit attention	**Auditor commentary** We have undertaken the following work in relation to this risk: • evaluated the Fund's accounting policy for recognition of contributions for appropriateness; • gained an understanding of the Fund's system for accounting for contribution income and evaluated the design of the associated controls; • tested a sample of contributions to source data to gain assurance over their accuracy and occurrence; and • rationalised contributions received with reference to changes in member body payrolls and the number of contributing members to ensure that any unusual trends are satisfactorily explained. Our audit work identified that Augmentation Contributions of £687k had been incorrectly classified as normal contributions. This had no impact on the Fund Account and the Council has made the appropriate adjustment in the amended financial statements.
6	**Pension Benefits Payable** Pension benefits payable represents a significant percentage (83%) of the Fund's expenditure. We identified completeness of pension benefits payable as a risk requiring particular audit attention:	**Auditor commentary** We have undertaken the following work in relation to this risk: • **evaluated** the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; • gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluated the design of the associated controls; • tested a sample of individual pensions in payment by reference to member files; and • rationalised pensions paid with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained. Our audit work has not identified any issues in respect of the risk identified.

Reasonably possible audit risks

	Risks identified in our Audit Plan	Commentary
7	**The valuation of Level 2 investments is incorrect** While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly. We identified valuation of level 2 investments as a risk requiring particular audit attention.	**Auditor commentary** We have undertaken the following work in relation to this risk: • gained an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls; • evaluated the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; • reviewed the reconciliation of information provided by the pension fund's individual fund manager's custodian and the Pension Scheme's own records and sought explanations for variances; and • we have reviewed the latest AAF 01/06 or ISAE 3402 audited reports on internal controls, published by the respective investment managers and Custodian. As the draft financial statements were based on 28 February 2018 balances all types of investment (Levels 1-3) were subsequently updated to reflect the valuation at 31 March 2018. This led to a total decrease f £28.6m to the Fund's reported financial position.

Significant matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

	Significant matter	Commentary
1	Consideration of governance issues at the London Collective Investment Vehicle	The City of Westminster Council Pension Fund has £562 million invested in the London Collective Investment vehicle representing 42% of the Investments balance. The Pension Fund Committee has (meeting of 23 January 2018) has reviewed and commented on the Willis Towers Watson report produced for London LGPS CIV Limited which has highlighted some issues with the governance arrangements at the London CIV. London CIV are currently implementing the recommendations from the report. We are satisfied that the London CIV does not make investment decisions on behalf of the City of Westminster Pension Fund. Transactions such as the purchases and sales of the investments are still undertaken by Baillie Gifford and Majedie (the relevant fund managers). We have obtained direct confirmations from the London CIV on the investments held for City of Westminster Council Pension Fund and reconciled these to independent confirmations provided by the Fund’s custodian (Northern Trust). We are satisfied that the valuation of the investments within the London CIV are fairly stated. Council officers review the investment statements produced by the London CIV and the control reports produced by the relevant fund managers. The control reports demonstrate that there are appropriate processes and controls at the fund managers that would prevent and detect any material misstatement in the investment balances. These reports also act as a form of self-governance and review for senior management on the robustness of internal controls operating at the fund managers. We have reviewed all the control reports which all contain unqualified audit opinions. We and are satisfied that there are no exceptions impacting on the valuations of City of Westminster Council Pension fund investments.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Normal contributions, both from the members and from the employer, are accounted for on an accruals basis • 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. • Individual transfers into the funs are accounted for when received. • Investment income arising from the underlying investments of the Pooled Investment Vehicles is either reinvested within the Pooled Investment Vehicles and reflected in the unit price or taken as a cash dividend to support the Fund's outgoing cash flow requirements • Distributions from pooled funds are recognised at the date of issue • Interest income is recognised in the fund account as it accrues.	The revenue recognition policy is consistent with the Code of Practice of Local Authority Accounting. Management have followed the policy in accounting for the funds revenue streams.	(Green)
Judgements and estimates	Key estimates and judgements include : • Valuation of level 3 investments • The assumptions within the IAS26 calculation of the present value of future retirement benefits • The assumptions within the triennial valuation	The policies adopted for material accounting estimates appear to be appropriate under the Code of Practice of Local Authority Accounting. The fund increased the disclosures in the judgements, estimates and assumptions within Note 6 to the financial statements to include reference to Level 3 Investments. Our testing indicates that the material estimates included in the financial statements have been calculated based on reasonable judgements and assumptions from experts.	(Green)
Other critical policies		We have reviewed the Pension Fund's policies against the requirements of the CIPFA Code of Practice. The Pension Fund's accounting policies are appropriate and consistent with previous years.	(Green)

Assessment
- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit and Performance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	• We are not aware of any related parties or related party transactions which have not been disclosed.
3	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	**Written representations**	• A standard letter of representation has been requested from the Pension Fund.
5	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to your custodian, fund managers and banks. This permission was granted and the requests were sent. Requests were returned with positive confirmations of the balances.
6	**Disclosures**	• Our review found no material omissions in the financial statements.
7	**Significant difficulties**	• We have not had any issues with accounts closedown, production of draft accounts or working papers.
8	**Matters on which we report by exception**	• We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report on 15 June 2018. We have not yet received the Pension Fund Annual Report.

Independence and ethics

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified.

Follow up of prior year recommendations

We identified the following issue in the audit of Westminster City Councils Pension Fund's 2016/17 financial statements, which resulted in one recommendation being reported in our 2016/17 Audit Findings report. We are pleased to report that management have implemented all of our recommendation

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	The interface between the managed services system and Pensions Administration system did not go live as expected during 2016/17. This means that manual interfaces were performed which are labour intensive. There remains a backlog in processing changes to member data in the pensions administration system due to the service provider not providing correct and timely pension data to the administrator.	• The interface between the managed services system and Pensions Administration system operated throughout 2017/18. Our testing of member data did not identify any issues.

Assessment
✓ Action completed
X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements
All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

	Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000
1	The Net Value of Investment balances of £1,358,658k within the draft financial statements were as at 28 February 2018. The March 31 2018 balance of £1,330,079k was not available until 10 April 2018 after the submission of the draft financial statements. The same issue also impacted on the Investment Income balance which was amended from £13,120k to £15,785k. The overall impact was a reduction in total net assets of £28,579k. The associated amendments impacted on all the relevant investment disclosure notes in the financial statements.	Dr Profit and loss on disposal of investments and changes in the market value of investments 31,244 Cr Investment Income 2,665	Cr Net Value of Investments 28,579	Decrease of total net assets 28,579
	Overall impact	£28,579	£28,579	£28,579

Audit Adjustments continued

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure / omission/classification	Detail	Action taken	Adjusted?
Disclosure of Membership data **(Note 1f)**	The membership figures in the draft financial statements were prepared on a report run as at 28/02/2018. Surrey County Council set the report to run on 31/03/2018 - over the bank holiday weekend - and the Fund received this on Tuesday 03/04/2018 after which the draft accounts had already been provided. Therefore, the figures in the draft version are to be changed to reflect the new year-end report.	Management have adjusted note 1f to the financial statements.	✓
Classification of contributions **(Note 7)**	Augmentation Contributions of £687k had been incorrectly classified as normal contributions.	Management have adjusted Note 7 to the financial statements.	✓
Actuarial Present Value of Promised Retirement Benefits **(Note 19)**	The Actuarial Present Value of future retirement benefits at 31 March 2018 per Note 19 to the financial statements was £665,255k. This has been amended due to a revised actuarial report which states £678,674k.	Management have adjusted Note 19 to agree to the revised actuarial report.	✓
Key Management Personnel Remuneration **(Note 23)**	The Post employment benefits balance disclosed in Note 23 of £86k did not agree to the IAS19 actuary report of £83k. As a potentially sensitive note we are disclosing this error despite the small adjustment.	Management have adjusted Note 23 to agree to IAS19 actuary report.	✓

Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit or audit related services.

Audit Fees

	Proposed fee	Final fee
Pension Fund Audit	£21,000	£21,000
Total audit fees (excluding VAT)	**£21,000**	**£21,000**

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Audit opinion

We anticipate we will provide the Pension Fund with an unmodified audit report

Independent auditor's report to the Members of City of Westminster council on the pension fund financial statements

Opinion

We have audited the pension fund financial statements of City of Westminster (the 'Authority') for the year ended 31 March 2018 set out on pages *** to ** which comprise the Fund Account, the Net Assets Statement for the year ended 31 March 2018 and notes to the pension fund financial statements, including a summary of significant accounting policies. 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 2017/18.

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 2018 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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 Authority's 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.

Conclusions relating to going concern

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

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

Other information

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Annual Accounts set out on pages [**xx to xx**], the Narrative Report and the Annual Governance Statement, other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Audit opinion

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)
In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Annual Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Matters on which we are required to report by exception
Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements
As explained more fully in the Statement of Responsibilities set out on page(s) x to x, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer The Section 151 officer is responsible for the preparation of the Statement of Accounts, which includes 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 2017/18, which give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Section 151 Officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Audit and Performance Committee is Those Charged with Governance.

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

Audit opinion

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

Paul Dossett

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

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

15 June 2018

grantthornton.co.uk

This page is intentionally left blank