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City of Westminster

Committee Agenda

Title:	**Cabinet**
Meeting Date:	**Monday 1st June, 2015**
Time:	**7.00 pm**
Venue:	**Rooms 5, 6 & 7 - 17th Floor, City Hall**
Members:	**Councillors:** Philippa Roe (Chairman) Heather Acton Nickie Aiken Daniel Astaire Richard Beddoe Danny Chalkley Robert Davis Tim Mitchell Rachael Robathan Steve Summers

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 at City Hall from 6.00pm. 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, Mick Steward, Head of Committee and Governance Services.

Tel: 020 7641 3134; email: msteward@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 Head of Legal & Democratic Services in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1. WELCOME

2. DECLARATIONS OF INTEREST

To receive declarations by Members and Officers of the existence and nature of any personal or prejudicial interests in matters on this agenda.

3. MINUTES

To approve the minutes of the meeting held on 20 April 2015 (circulated separately).

4. 2014 - 2015 ANNUAL ACCOUNTS **(Pages 1 - 242)**

Report of City Treasurer. A hard copy of the Accounts, Appendix 1, will be circulated to Cabinet Members next week.

5. 2014/15 TREASURY OUTTURN REPORT **(Pages 243 - 254)**

Report of the City Treasurer.

Tasnim Shawkat
Tri-borough Director of Law
22 May 2015

Cabinet

City of Westminster

Date:	Monday 1 June 2015
Classification:	General Release
Title:	2014/15 Annual Accounts
Report of:	City Treasurer
Cabinet Member Portfolio	Cabinet Member for Finance and Corporate Services
Wards Involved:	All
Policy Context:	The efficient and effective management of the Council's financial affairs
Report Author and Contact Details:	**Steven Mair – City Treasurer** **smair@westminster.gov.uk**

1. Executive Summary

1.1 The Accounts and Audit Regulations 2014 set out the requirements for the production and publication of the annual Statement of Accounts. It is a requirement of the regulations that a Committee of the Council should approve the final, audited 2014-15 Statements for both the Council and the Pension Fund by 30th September 2015. In accordance with the Council's considerably enhanced closure programme (quality and pace) these accounts have been presented to the Audit and Performance Committee over four months earlier than the statutory requirement.

1.2 The closure of the accounts and the accounts themselves have benefited from radically improved financial management, the key elements of which are set out in section 5 below and which forms part of the transformation programme which Westminster finance is currently driving through

1.3 Key items to note are:

The revenue outturn shows an underspend of £2.830m against budget

The capital programme had an underspend of £19.55m against Capital Review Group (CRG) forecast. Slippage of £13.856m was identified within the programme.

There have been a range of improvements in the accounts and accounting year on year covering presentation, accuracy, better inclusion of information and improved accounting

It will not be confirmed until it is estimated in December 2015 but it is highly likely that as the accounts were approved on the 18 May this will make Westminster the first Local Government Body to publish its accounts for 2014/15, the Council will have achieved the earliest close by any Local Government Body for 70 years and will have exceeded the performance of over 80% of the FTSE 100 (including the top 5 FTSE 100 companies)

2. Recommendation

2.1 Cabinet is recommended to note the report and to refer the report to full Council for information

3. Background

3.1 The Council prepared its final accounts for 2014/15 and submitted them to the Council's external auditors, KPMG, for audit on 16th April 2015, this is over 10 weeks in advance of the statutory requirement of the 30 June. The accounts were then approved by the Audit and Performance Committee on the 18 May, thus the Council secured published and audited accounts over 4 months in advance of the statutory deadline.

3.2 The Council has very significantly improved the quality and the timeliness of its accounts. This has been achieved the through the financial transformation programme which is also being put in place.

3.3 The accounts which have been audited are shown as the Appendix 1 and contain full detail of the Authority's finances for the year.

4. Timetable

4.1 The Authority has begun accelerating the timeliness of its closedown process and simultaneously targeting improving the quality of its final accounts preparation.

4.2 For all years prior to 2013/14 the accounts were prepared by the end of June and an audit opinion obtained towards the end of September.

4.3 For 2013/14 the accounts were published on the 30 June 2014. For 2014/15 the accounts were published on the 18 May 2015. Thus, improving the enhanced 2013/14 performance by over a further month and radically improving the quality of the accounts at the same time.

5. Financial Management Quality Transformation

5.1 The Council's accounts represent one outcome from the financial management transformation work that is beginning. This will underpin the work of the Council as well as ensuring compliance with statutory requirements, budget management and excellent financial practice.

5.2 The underpinning improvements in financial management which has supported the improved stewardship and which led to the accounts being produced as they have been includes four key approaches of: project management, challenging timelines and quality, improving technical expertise and refining quality assurance techniques.

5.3 Using project management disciplines the Council has developed a highly detailed action plan, defined roles and responsibilities, a communication and stakeholder management plan, risk management and progress reporting.

5.4 In support of this approach a series of improvements have been brought about:

- Early planning – timetable review as soon as previous year's accounts closed, early and continuous identification of risks and mitigating actions, identifying technical requirements
- Ongoing programme of technical activity through our developing technical groups
- Earlier assurance gained from advance hard monthly closedowns
- Early completion of work where possible e.g. recharges and smoothing of workloads throughout the year
- Close and regular liaison at a strategic and operational level with KPMG
- Technical expertise development – identification of key individuals with support where necessary
- Considerably refined quality assurance processes

5.5 There have been a series of very significant improvements in the 2014/15 accounts. Some examples of these matters are noted below:

- accounting policies were previously misstated and some not relevant to the Council's activities had been included;
- inadequate explanations of figures;
- inclusion of unnecessary "clutter";
- figures identified as net not gross;
- misclassifications in the notes to the accounts

- trading operations having been omitted from the relevant note;
- pensions fund management incorrect disclosure;
- omission of significant elements from the trust funds note;
- financial instrument risk disclosures omitted from the pension fund accounts;
- misclassifying a service concession contract as a finance lease;
- netting transaction costs off returns in the pension fund, which suppresses the costs of running the pension fund; and
- including trust fund monies in the Council's accounts

5.6 Work to drive forward quality further in 2015/16 will be further prioritised

6. Benefits of the Early Closure of Accounts

6.1 The early closure of accounts brings with it the following benefits:

- The ability to provide earlier assurance and information to stakeholders provides much more timely information than has been the case in the past

- The early closure of accounts is a significant driver of efficiency and therefore in the value the finance service can bring. In terms of efficiency the team is freed up to focus on budget and medium term planning much earlier than would otherwise be the case, particularly important in the current very challenging financial circumstances

- It will allow the whole of finance to turn its attention to in year issues and the benefits this will bring almost immediately after go live rather than later in the financial year

- Likewise the service will be able to direct its resources to planned improvements in capital modelling and monitoring, an area previously identified as worthy of increased attention

- Embedded and refined project management skills. The closure of accounts is a significant project involving third parties, officers around the Council and the auditors. Project management will continue to improve for 2015/16

- Staff experience, motivation and career development is enhanced. It is also the case that the reputation of Westminster Council finance will be improved by these significant developments.

- The early programme builds in capacity to address emerging issues in a timely manner should they arise.

- It sets a standard of quality, aspiration and timeliness which is then applied to other financial work.

7. Revenue Outturn – By Cabinet Member

7.1 The revenue outturn will make a contribution to general reserves of £0.74m. This compares with a budgeted drawdown on reserves of £2.090m and so represents a favourable variance to budget of £2.830m

7.2 As shown in Table 1 below, the Service Areas outturn for 2014/15 is a surplus of £1.99m against the net operating budget position of £210.16m. The Service Areas have managed their budgets prudently across the council and the variance at year-end is driven by an adverse variance in Growth, Planning & Housing (£2.41m) compensated by positive variances within City Management & Communities (£2.65m), Corporate & Commercial Services (£0.96m) City Treasurer (£0.32m), Adult Social Care (£0.28m), Policy Performance & Communication (£0.11m) and smaller favourable variances across most other areas.

Table 1 – 2014/15 Outturn by Cabinet Member (as for 2014/15)

	P12 FULL YEAR ANALYSIS		
Cabinet Members	**Budget £000**	**Projected Outturn £000**	**Projected Variance £000**
Leader - Cllr Roe	7,108	6,865	**(243)**
Deputy Leader & Built Environment - Cllr Davis	4,632	4,635	**3**
Finance, Corporate & Customer Services - Cllr Caplan	32,979	30,714	**(2,266)**
Children & Young People - Cllr Chalkley	40,380	40,361	**(19)**
Housing, Regeneration, Business & Economic Development - Cllr Astaire	18,755	22,040	**3,286**
Public Protection - Cllr Aiken	9,438	10,285	**847**
Sustainability & Parking - Cllr Acton	(55,230)	(54,796)	**434**
City Management, Transport & Infrastructure - Cllr Beddoe	45,018	41,206	**(3,811)**
Adults & Public Health - Cllr Robathan	92,790	92,434	**(356)**
Sports, Leisure & Open Spaces - Cllr Summers	14,286	14,412	**126**
SERVICE AREA TOTAL	**210,155**	**208,155**	**(1,999)**
Finance, Corporate & Customer Services - Cllr Caplan	**(208,065)**	(208,896)	**(831)**
Net (Surplus)/Deficit	**2,090**	**(740)**	**(2,830)**

7.3 Details of the major variances are given below:

7.3.1 <u>Leader of the Council</u> (Cllr Roe)
The outturn for the Leader's portfolio is an underspend of (£0.24m). This is as a result of favourable variances within Chief of Staff's Strategic Executive Board corporate management costs (£0.10m), underspends in Campaigns and Customer Engagement and additional income on communications contracts (£0.14m).

7.3.2 Deputy Leader of the Council and Built Environment (Cllr Davis)
The year-end position for the Deputy Leader's portfolio is broadly on budget.

7.3.3 Finance, Corporate & Customer Services (Cllr Caplan)
This portfolio reports an underspend of (£2.27m) against a budget of (£32.98m). This is mainly due to favourable variances within City Treasurer (£0.32m), increased income from Properties and Estates (£0.99m) and underspends within Corporate and Commercial services (£0.96m).

7.3.4 Children & Young People (Cllr Chalkley)
The outturn for this portfolio is an under spend of (£0.02m). The Children's Resources (£0.93m) and Children's Commissioning (£0.52m) departments have delivered underspends from social care legal budgets, income from parenting assessments, and an early delivery of savings in relation to contracts within the Early Years' service. These were used to offset overspends in Family Services (£0.97m) due to significant pressures relating to placement costs, resulting from increases in private and residential rather than in-house placements, and an increase in looked after children costs and unaccompanied asylum seeker children. There was also an overspend within Education Services (£0.48m) on the SEN passenger transport contract.

7.3.5 Housing, Regeneration, Business & Economic Development (Cllr Astaire)
At year-end, this portfolio reports a (£3.29m) overspend against the budget. The variance is within Housing and is due to overspends in temporary accommodation mitigated by increased income in Property & Estates.

7.3.6 Public Protection (Cllr Aiken)
The year-end position for Public Protection is an adverse variance of (£0.85m) to budget. This is a result of reduced licensing income relating to LA03, offset by additional income from Information Services.

7.3.7 Sustainability & Parking (Cllr Acton)
This portfolio is reporting an adverse variance of (£0.43m) at the year end. This is stated after a revenue contribution to capital of (£1.79m), thus the variance before this was a favourable (£1.36m).

7.3.8 City Management, Transport & Infrastructure (Cllr Beddoe)
This portfolio reports a (£3.81m) favourable variance to budget. The variance is due to reductions in planned highways and transportation expenditure and additional income from Commercial Waste.

7.3.9 Adults & Public Health (Cllr Robathan)
At year-end, this portfolio reports a (£0.36m) favourable variance to budget. This is due to underspends in the Rough Sleepers team and Adult and Public Health Services.

7.3.10 Sports, Leisure & Open Spaces (Cllr Summers)
The outturn for Sports, Leisure & Open Spaces is an overspend of (£0.13m). The adverse variance is due to miscellaneous overspends mitigated by underspends within Libraries & Culture.

8. Capital Outturn

8.1 The table below shows CRG Approved Budget and projects by Directorate for 2014/15

Table 2 –Capital Expenditure by Directorate

	2014/15	2014/15 Full Year Analysis		
	Budget Net £000	CRG Forecast Net £000	Actual for 14/15 Net £000	Variance to CRG Net £000
CRG Capital Programme				
Adult Services	933	933	33	900
Children's Services	4,713	3,042	2,896	145
Growth, Planning & Housing	26,677	45,606	34,838	10,769
City Management & Communities	17,197	7,152	4,806	2,346
Corporate & Commercial Services	3,000	3,750	3,364	386
Communications	0	0	0	0
Chief of Staff	0	0	0	0
City Treasurer	5,000	5,000	0	5,000
TOTAL (NET)	**57,521**	**65,483**	**45,938**	**19,545**
Other Capital projects				
Grosvenor Waterside	0		1,244	(1,244)
Ark Atwood Academy	0		4,091	(4,091)
Ebury UTC			322	(322)
Temporary Accomodation	0		9,214	(9,214)
TOTAL (NET)	**0**	**0**	**14,872**	**(14,872)**
TOTAL CAPITAL PROGRAMME	**57,521**	**65,483**	**60,810**	**4,673**

8.2 The major variances by Directorate were as follows:

Adult Services

8.3 The underspend and slippage of £0.89M relate design and feasibility work for the Specialist Housing for Older People (SHSOP)

Children’s Services

8.4 There is slippage of £0.07m for works at the Youth Offending and Adolescent Leaving Care Team Centre at Crompton Street leaving an overall underspend of £0.07m for 14/15

Growth Housing and Planning

8.5 Overall the Directorate shows an underspend of £10.77m with £5.49m to be slipped to 2015/16. The variances by Service Area are:

8.5.1 Housing - £6.14m underspend

Of the £2.04m underspend in Tresham Road, £1.79m will be slipped to 2015/16 with the remaining slippage of £0.55m relating to the SHSOP project. The remaining balance relates to 291 Harrow Road (£3.50m) which is delayed due to negotiations with the NHS.

8.5.2 Property - £2.25m underspend

Property has underspend of £1.93m of which £1.55m has been identified as slippage. The underspend is due to a change in accounting treatments for disposal costs with £0.39m being written out to the I&E.

8.5.3 Built – £2.38m underspend

Built are showing an underspend of £2.38m and slippage of £1.59m giving an overall underspend of £0.79m within the rolling programme for carriageways, lighting and works on market trader sites.

City Management and Communities

8.6 Within City Management and Communities the bulk of the £2.35m will be slipped to 2015/16. Of the £0.2m remaining, £0.11m is within Libraries for work on Archives

Corporate & Commercial Services

8.7 Of the £0.39m underspend in ICT, £0.20m is to be treated as slippage and the remaining an underspend in year.

City Treasurer

8.8 The £5.0m within City Treasurer is the contingency which was unused in 2014/15 and will be slipped in full to 2015/16.

9. Balance Sheet

9.1 As a consequence of the improved financial position for the year with both the operating activities of Service Areas and Corporate Financing, the Council was able to increase its General Fund Reserves by £0.74m to a closing balance of £36.04m to provide the Council with ongoing financial resilience in an increasingly austere economic climate over the medium-term.

9.2 At Period 12, the Balance Sheet net asset position moved from £1.711bn reported at the end of FY13/14 to £1.777bn as at the end of March 2015. The majority of this increase came from an increase in the value of property, plant and equipment.

The summary position is shown in **Table 3** below.

Table 3 – Balance Sheet Summary

	Total 31 March 2014	Total 31 March 2015	Movement
	£'000		£'000
Current Assets			
Short-term investments	437,172	344,685	(92,487)
Inventories	332	316	(16)
Short-term debtors	87,936	122,302	34,366
Cash and other cash equivalents	158,314	252,942	94,628
Assets held for sale		1,950	1,950
	683,754	722,195	38,441
Current Liabilities			
Short-term borrowing	1,344	33,902	32,558
Short-term creditors	284,777	266,481	(18,296)
Revenue receipts in advance	46,579	55,391	8,812
	332,700	355,774	23,074
Long Term Assets			
Property, plant and equipment & other assets	2,220,452	2,385,045	164,593
Long-term investments	39,105	40,773	1,668
Long-term debtors	15,618	24,573	8,955
	2,275,175	2,450,391	175,216
Long Term Liabilities			
Provisions	82,672	120,725	38,053
Other long-term liabilities	832,198	918,644	86,446
	914,870	1,039,369	124,499
Total Net Assets	1,711,359	1,777,443	66,084

10. Staffing Implications

10.1 It is undoubtedly the case that this accelerated timescale and enhanced quality could not have been achieved without the drive and support of the finance staff whose attitude and commitment has been exemplary.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact Steven Mair 020 7641 2904 smair@westminster.gov.uk

BACKGROUND PAPERS

Appendix 1
Westminster City Council Statement of Account 2014/15

City for All

Annual Accounts

Westminster City Council

2014/15

City of Westminster

westminster.gov.uk #CityforAll


TELEPHONE
PHARMACY
Service List
• NHS Prescriptions
• Private Prescriptions
• Repeat Prescriptions
• Travel Advice
• Smoking Cessation
• Disability Aids
• Public Health
• Electronic Transfer of Prescription
• Delivery Services
Dansk
ST. JOHN'S WOOD
HIGH STREET NW8
CITY OF WESTMINSTER

Contents

The Statement of Accounts for Westminster City Council for the year ended 31 March 2015 has been prepared and published in accordance with the Accounts and Audit Regulations 2011 and the Code of Practice issued by the Chartered Institute of Public Finance and Accountancy in 2014 ("the Code"). The Code is based on a consolidation of accounting standards including International Financial Reporting Standards, International Public Sector Accounting Standards and Generally Accepted Accounting Practice (UK). The Final Statement of Accounts will be presented to the Audit and Performance Committee of the Council on 18 May 2015.

Page 14

1 Preface

Preface
By Tim Mitchell

Page 15

WELCOME TO WESTMINSTER CITY COUNCIL'S STATEMENT OF ACCOUNTS FOR 2014/15.

Westminster City Council continues to excel in its performance and is now actively engaged in its *City for All* programme with a vision for a city of choice and aspiration, where connections amongst residents, businesses and visitors are strengthened as everyone plays their part in and benefits from Westminster's success. This success includes the Council achieving its highest ever satisfaction rating in 2014/15 – a tremendous 87%.

Westminster is a by-word for innovative thinking, and the Council does everything it can to make sure that residents and front-line services come first. In doing this we prioritise what is most important to people: clean streets, high-quality services, help for those who need it most, making it easy for people to do business with us and creating opportunities for all. Uppermost in our commitment to our residents is the Council's continued delivery of low Council Tax – Westminster Band D Council Tax remains the lowest in the country.

These commitments are made and these successes are being achieved despite the Council having saved £100m from its budget over the past three years, with a further £100m to find by 2018.

Underpinning the work of the Council and greatly assisting us in meeting our budget targets is financial management of the highest standard. This has resulted in the Council's accounts for 2014/15 being prepared, audited and published at the quality and pace that is demonstrated here. Westminster is committed to providing its residents and other stakeholders with the confidence that the public money we are responsible for has been properly accounted for. We aim to ensure that the public is informed as soon as possible how the funds we have received have been spent and that the financial standing of the Council is very secure and robustly financially managed.

Going forward achieving the saving targets that face us will require the Council to continue to innovate, to work at pace and to continue to radically transform the way we do business. We are starting to see the benefits of our recent Council wide restructure, our investment in our Tri-borough managed service programme and the many commercial approaches we are taking to delivering an on-going balanced budget.

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

Tim Mitchell

Cabinet Member for
Finance and Corporate Services

Page 16

2 Foreword

Explanatory Foreword
From the City Treasurer, Steven Mair

Page 17

Westminster City Council has embarked upon an ambitious financial transformation programme in which these accounts represent a key element. The accounts were completed and handed over for external audit on the 16 April 2015 and were signed off and published on the 18 May 2015, over 4 months in advance of the statutory deadline. This is an acceleration of nearly six weeks against the Council's already early achievement of accounts completion for 2013/14.

This level of achievement is only possible because of the exceptional dedication and professionalism of all the finance and service area staff, who continuously respond very positively to the ever-changing, challenging and complex financial environment in which the Council operates.

By delivering audited accounts in such a time frame, the Council is able to report to all of its stakeholders at the earliest opportunity and the resources of the service are then directed towards the fiscal challenges that face the Council for the foreseeable future. The financial standing of the Council is very robust, with sound and improving financial management practices, a financial change programme that aims for excellence in all areas, along with developing plans to address the challenges to be faced from 2015/16 and beyond.

I have prepared the Explanatory Foreword so that it is structured as follows:

1. An Introduction to Westminster
2. Key Achievements
3. Financial Highlights
4. Summary of Financial Performance
5. Medium Term Plan
6. Strategic Principles and Priorities
7. Explanation of the Financial Statements
8. Acknowledgements

Steven Mair

City Treasurer
Westminster City Council

Explanatory Foreword

From the City Treasurer, Steven Mair (continued)

1. AN INTRODUCTION TO WESTMINSTER

The City of Westminster is an iconic place and an incredibly vibrant environment to experience, live and work in with enormous heritage and history. It is in many respects an affluent area, although this can mask the challenges that the council faces in respect of a transient population, significant differences in wealth and a high demand for services.

The Council is one of 33 London boroughs and has a number of unique characteristics, the scale of which makes Westminster stand out across the country. It is a core area of activity and makes a significant contribution to the economy of London and the UK as a whole.

Westminster creates over 2% of national output: 49,500 businesses; 692,000 jobs; 49,500 enterprises and approximately 1 million visitors each day. Gross Value Added (GVA) generation of £48.5 billion (2014 projected), accounting for 15% of London's total GVA generation.

Westminster receives 45 million day visitors in a year and 21 million night-stays by foreign visitors, which represents 10% of the national total. Per day, 421,000 commuters come to Westminster.

There are currently nearly 224,000 residents which is a 1.9% increase on the 2011 estimate. This represents the second highest local authority projected percentage growth in population between 2008 and 2018. The population is also very diverse with 36% of residents born outside the UK and with a high level of people aged 25-40.

While Westminster is the eighth smallest borough in London by area at 2,204 hectares, it contains the West End which is a major economic asset to London and the UK. It also contains over 11,000 listed buildings of special architectural and historic interest and 78% of the borough is included within a designated conservation area. It is estimated that more than 95% of visitors to London visit Westminster.

Life expectancy for men and women in Westminster is overall higher than in England. The difference in life expectancy between affluent and deprived areas in the borough is the highest nationally (16.9 years for men and 9.7 years for women). Currently 6.3% (or 10,410) residents are out of work and claiming Employment Support Allowance, which is higher than the London average of 5.4%.

The Council is a large, complex organisation and a key player in both the London and national economy. The following section highlights some of the Council's key achievements in 2014/15.

Explanatory Foreword
From the City Treasurer, Steven Mair (continued)

2. KEY ACHIEVEMENTS

Westminster City Council continues to develop and improve, and has led on many significant changes over 2014/15. In working within *Better City, Better Lives* – the corporate plan in 2014/15 – the Council delivered on a number of key issues which are summarised below:

Satisfaction and Recognition

- Closed, audited and published its 2013/14 accounts on the 30 June 2014 making it the second fastest local government body in the country and only the second body to achieve a close by June. Reducing the time spent on this process by three months and thus generating a wide range of financial management improvements.
- Achieved the highest ever levels of satisfaction (87%) with how the Council runs the City. 90% of residents are satisfied with street cleansing, and 83% feel safe in their local area after dark. 76% think the council offers good value for money overall (up 5% in one year) and 71% agree that the council is efficient and well run. 94% of Westminster residents are satisfied with their area as a place to live.
- Our Sports Development team awarded the top rating of 'Excellent' by the UK's leading accreditor for Sport and Leisure, Quest. The only sports development team in London to gain this prestigious award.

Pilots and Initiatives

- In partnership with Central London boroughs the Council has agreed a ground breaking £11m Employment pilot with Government to support nearly 4,000 long-term unemployed residents with health conditions, potentially leading to a wider transformation of local services for those with complex needs.
- The Council began its Universal Support pilot in October (one of just 11 pilots nationally). Working in partnership with the Department for Work and Pensions to resolve the issues at the root of people's barriers to employment.
- Two new enterprise hubs in the north of the city have been created – one at Maida Hill Place, which provides facilities for people who are looking to start up food businesses in Westminster, and Venture 382 in the heart of the Church Street regeneration area. The Council has also secured planning permission for a further, 13,000 sq ft enterprise space as part of the Lisson Arches development. Construction of the building will begin in 2015.
- The Council's Help Enterprise project aims to assist residents in temporary accommodation to become self-employed. In its first 9 months the project has worked with 76 residents, with 13 starting a business as a result so far.
- Through the successful Families and Communities Employment Service (FACES) programme 68 Westminster residents were supported into work.
- Working with the Sir Simon Milton Foundation, University of Westminster and world-leading transport and construction partners, such as Network Rail, Transport for London, BT Fleet, Land Securities and Crossrail finalised plans for the City's first University Technical College which will teach, train and inspire the inventors and engineers of tomorrow by providing state-of-the-art machinery and facilities for 550 students a year.
- The Council has been successful in a Focus on Practice bid worth £4m to transform social care practice for young people.

Explanatory Foreword
From the City Treasurer, Steven Mair (continued)

- The Digital Champions scheme was launched, which uses volunteer champions to help residents who have no or poor IT skills to learn how to do things like set up an online bank account and manage their finances online.
- The Community Champions scheme is 50-strong and growing in Queens Park and Church Street areas. The Champions help their communities to live healthier lives, and over the past year 2,000 residents have been engaged in Community Champion activities.
- The City of Westminster has more neighbourhood forums proposed than any other council in the country and the first new community council (Queen's Park) in London in over a generation.
- By the end of the year support will have been given to over 1,000 people across Westminster to get involved in volunteering through our volunteer brokerage service, and inspired thousands more to get involved with their communities championing community action across the city.
- The Council has led the West End Partnership into its next phase of work to ensure that the West End remains a place where people love to visit, live, work and do business, developing a vision to be launched in 2015; beginning work on a joint implementation plan to identify key projects and schemes and coordinate investment and delivery across partners; and working together to plan for opportunities and challenges including transport post-Crossrail.
- The Council has put a new customer contract in place with a shift away from face-to-face/ telephone contact to online. Calls to the centre have seen a 25% reduction since the start of the year. This has been supported by a new responsive council website that gives us a platform to drive channel shift. Services with additional web functionality, such as within Registrars and Planning, have seen larger reductions in calls in certain areas of their service. The earlier shift away from One Stop Shops to Your One Stop Express terminals in libraries and other council locations is a step many Councils have not managed to achieve yet.
- Westco has developed into a substantial commercial business that brings revenue into the council. Supported by the Commercial Opportunities Review Board the business model has the opportunity to grow and trade more of the very best of what Westminster City Council has delivered.

Explanatory Foreword
From the City Treasurer, Steven Mair (continued)

- Successful roll out of new bay sensor technology and the free ParkRight app, to help people to park in Westminster. With infra-red sensors installed in 3,000 bays across London's West End, customers can see in real time where there is space to park. The first council in the country to implement this type of system.
- There is a jointly-agreed Better Care Fund plan to integrate health and social care for the benefit of residents supported by a pooled budget between the council and health partners.
- As part of this Better Care Fund plan, there is a single, coordinated Community Independence Service across the Tri-borough area, which will ensure more people can be cared for at home rather than spending time in hospital. This will see a further £1.1m investment in 2015/16.
- The Council commemorated the centenary of the outbreak of World War I with a series of community events, including the unveiling of the first Victoria Cross memorials and a memorial service for the medal's first ever Jewish recipient.
- Together with partners the Council has co-founded Soho Create – a major new festival that champions, celebrates and showcases Soho's creativity. The inaugural SohoCreate festival on 4-6 June 2014 was a huge success, with 800 people attending to engage with 62 leading creative industry speakers in 5 venues over 28 sessions.

Explanatory Foreword

From the City Treasurer, Steven Mair (continued)

3. FINANCIAL HIGHLIGHTS

Westminster had the lowest Band D Council Tax amount in the country. The Band D average charge for 2014/15 of £378.01 (excluding the GLA) compares to a London average of £1,011 – nearly three times the Westminster equivalent, with only two other London authorities having a Band D rate less than double that of Westminster's.

Although viewed as a wealthy area with a low Council Tax, Westminster has some of the poorest neighbourhoods and client groups with high needs. By way of example, Westminster had the second highest Upper Tier Relative Needs Formula assessed per head in the entire country (only exceeded by one other Council) which is 20% higher than the London average for 2014/15.

In 2014/15 the Council had a gross General Fund expenditure budget of £1.3 billion, on top of which it spent a further £99.2 million of revenue budget on the Housing Revenue Account – an overall gross revenue spend of £1.4 billion.

As an estimate our total spend compared to the World Bank's GDP calculations would place Westminster at around the World's 150th largest economy in its own right.

Westminster collected £1.9 billion in business rates in 2014/15 representing an estimated 8% of the entire business rates for England. By comparison, the next largest billing authority anticipates generating £766m and all but 13 authorities out of the total 326 nationally expect to collect less than 10% of our forecast yield.

In 2010, the business rates revaluation created an average national increase of 21%. This compared to an average increase in Westminster of 61% – three times the national average and demonstrates the vibrancy of the Westminster property market.

The Council has over £1.9bn of fixed assets (after depreciation) on its books as at 31 March 2015. The net value of these assets increased by £107m over the course of the year.

In 2014/15, the Council invested £113.9m on developing or acquiring capital assets. Of this, £53.2m was funded from external grants and contributions with the balance of £60.8m funded from borrowing and capital receipts. The Council also generated £3.45m of capital receipts this year.

Housing capital expenditure on purchasing and enhancing assets in 2014/15 totalled £71.6m. This was funded with £16.6m from the major repairs reserve, £33.8m from Housing Revenue Account (HRA) balances and £21.1m from Grants, contributions and capital receipts. The HRA also generated £15.9m of capital receipts.

Explanatory Foreword

From the City Treasurer, Steven Mair (continued)

4. SUMMARY OF FINANCIAL PERFORMANCE

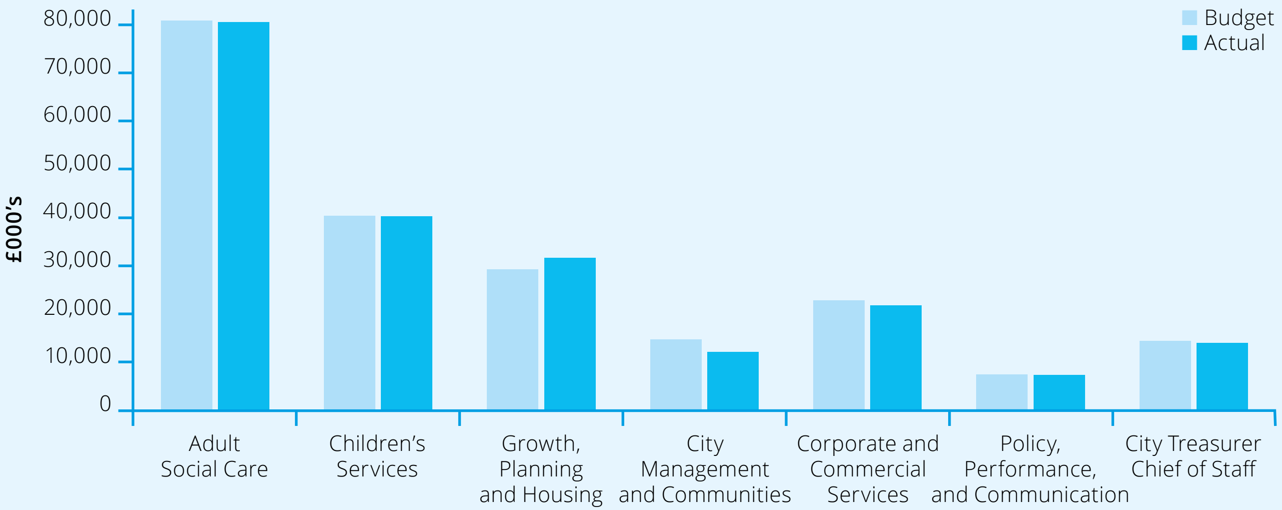
Revenue Outturn

The Statement of Accounts sets out the Council's spending and funding in line with accounting requirements.

The outturn for the Council is a contribution to general reserves of £0.74m. This compares with an original budgeted drawdown on reserves of £2.09m and so represents a favourable variance to budget of £2.83m overall.

The chart below reports the Service specific information in the form of the Council's management accounts.

2014/15 Services Outturn summary



The majority of the Council's service areas delivered outturn positions in line with or better than budget.

City Management and Communities delivered a surplus position largely due to income generated from its commercial waste service and street works charging regime.

Growth, Planning and Housing was £2.4m short of budget, driven by a £3.4m shortfall in the Housing division from demand pressures on temporary accommodation. Homeless numbers remain high and securing a supply of suitable accommodation in sufficient volumes within the centrally-set government Temporary Accommodation subsidy level remains a challenge for the Council and will continue to be a focus for 2015/16 and beyond.

Explanatory Foreword
From the City Treasurer, Steven Mair (continued)

Capital Outturn

The table below shows the net expenditure by service area against the approved 2014/15 programme. Although there are variances within the programme when compared to the budget these are accounted for through re-profiling planned expenditure within the future capital programme.

Service Area	Budget £000's	Actual £000's	Variance £000's
Corporate and Commercial Services	3,000	8,700	5,700
Children's Services	4,713	2,896	(1,817)
City Management and Communities	17,197	4,806	(12,391)
City Treasurer	5,000	–	(5,000)
Growth, Planning and Housing	26,677	44,374	17,697
Adult Services	933	33	(900)
Total	**57,520**	**60,809**	**3,289**

Overall there was a £3.29m increase in actual expenditure against the 2014/15 net budget. This is due to expenditure on self-financing schemes which are funded from externally generated receipts (£5.34m) within Corporate and Commercial Services; expenditure on acquisitions to develop the Council's income streams from its real estate portfolio (£17.28m) within Growth, Planning and Housing. These are partly offset by reduced expenditure in year following delays in works on a new building for service delivery within City Management and Communities (£9.98m).

Funding has been received in the year from developers for the provision of infrastructure, services, highway improvements and other necessary mitigation measures arising from the impact of planning obligations (section 106 from the Town and Country Planning Act 1990) and highways works (section 278 from the Highways Act 1980). These monies will be used to contribute towards the Council's capital expenditure programme in future years, alongside capital receipts from right-to-buy and asset sales.

Housing Revenue Account

The Housing Revenue Account (HRA) is a ring-fenced landlords' account for the running of the Council's housing stock. Day to day management of the stock has been outsourced to CityWest Homes, the Council's arms-length management organisation set up in 2002. It is a company owned by the Council and it prepares its own accounts.

Routine expenditure is charged to the HRA, funded by rental income received from tenants. During 2014/15 the HRA reported a deficit of £39.0m – a £0.5m deficit greater than budgeted.

HRA turnover was £100.1m including £75.4m in rents from dwellings which was offset by £133.5m of expenditure (including £65.8m on repairs, maintenance and management costs). As at 31 March 2015, there are £61.7m of ring-fenced balances held in the HRA to support investment in the Council's social housing stock.

Balance Sheet

The Council has a very strong balance sheet which as at 31 March 2015 held long term assets of £2.5bn, current assets (including cash and investments) of £722.2m, current liabilities of £355.8m and long-term liabilities of £1.039bn (including net pensions liabilities of £626.6m). Furthermore, the Council has usable reserves of £510.7m.

Explanatory Foreword

From the City Treasurer, Steven Mair (continued)

5. MEDIUM TERM PLAN

Over the past four years the Council has experienced significant financial challenges. Since the announcement of the Comprehensive Spending Review in October 2010, the Council has had to deliver £100m of savings as a result of reductions in government funding, inflationary impacts and other demographic / cost pressures.

Based on the Autumn Statement 2014, the best estimate for the medium-term was that the Council would continue to face further reductions from government funding consistent with the past four years. The Local Government Finance Settlement in February 2015 confirmed this by announcing significant reductions for 2015/16.

In addition to these funding cuts, there are inflationary and other pressures. Based on forecasts by the Bank of England and the Office for Budget Responsibility it is estimated that the General Fund collectively faces inflationary pressures of circa £6m per annum over the medium-term.

On this basis, and including the impact of service pressures and mitigations, the Council derived an overall budget gap for the Council in 2015/16 of £36m and refined its budget proposals to the impact of that sum.

The Finance Settlement did not provide any information on the position for 2016/17 and beyond. However, indications based on the last four financial years since the Comprehensive Spending Review (2010) was announced are that the same level of reductions will continue through to 2020, i.e. it is expected that the financial challenges will continue to the end of the decade.

In the light of the above, the Council's medium term plan has been developed to:

- balance recurrent expenditure with estimated income in order that the Council has a sustainable financial position, is able to deliver on its key objectives and successfully operate in a radically changed financial environment;
- maintain an appropriate level of reserves to protect the Council against future budgetary impacts and the continuing financial pressures which the Council faces;
- risk manage its budget estimates to ensure that they are robust and in year to ensure that the budgets agreed are managed and delivered as required;
- operate to the highest standards of financial management in all areas in order that the Council's finances are robustly secured, value for money is obtained, all professional standards are properly maintained, step change improvements in finance are brought about at pace and rigorous review and quality assurance of all financial matters is undertaken;
- investigate funding opportunities that are appropriate for the Council;
- plan over an extended medium term of 10 years in order that the Council is fully informed as to future scenarios and can prepare appropriate action; and
- challenge and improve all financial management practices seeking, by way of example, to minimise cost, maximise working capital opportunities, pro-actively manage its balance sheet, operate rigorous financial modelling and budget management, ensure financial advice is of the highest quality and bring about step change improvement in its accounts.

Explanatory Foreword
From the City Treasurer, Steven Mair (continued)

The revenue budget in 2014/15 delivered savings of £21.4m and the Council continues to face major financial changes, estimating budget savings of £100m will be needed in the three years 2015/16 to 2017/18, with the same amount in the three years following.

Achieving savings of this magnitude while maintaining and improving excellent service provision requires the Council to radically change the way it operates. In order to meet this challenge the Council has established a new operating model which will place the Council on a more robust footing in order to better allow it to address both the funding reductions and the changes that local government will need to make to meet the continued growth in demand that it faces. This is further explained in the following section.

6. STRATEGIC PRINCIPLES AND PRIORITIES

Westminster City Council needs flexibility in the way it operates in order to redesign its service offer around both the individual and where appropriate, to meet the challenges of complex cohorts of people that use its services. Building on work the Council has already successfully delivered by promoting early intervention and working more closely with partners across the public sector, it will be able to establish a model of services which brings local services and decisions together across agencies to tackle the needs of communities more appropriately. Whether this is in areas of Adults Social Care, Children's Services or allowing communities to do much more for themselves, better connection will have to be provided between agencies and partners, in order to do things once rather than repeatedly going back to try and fix things. In short, the Council will challenge cause and effect and significantly reduce demand.

To summarise, and in line with our Medium Term Plan outlined above, over the coming years the Council needs to:

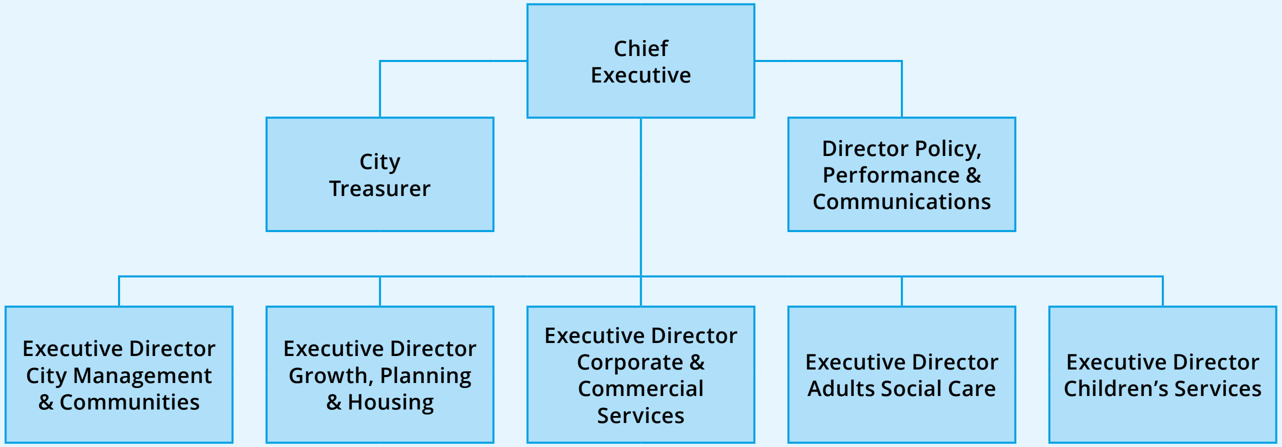
- find innovative ways of raising further capital and revenue funding. To achieve this it will better coordinate work with investors, developers and stakeholders to grow the Westminster economy – ensuring the Council benefits from the upside of economic growth including a greater return on business rates;
- prioritise resources so that these are aligned and prioritised towards supporting the delivery of the Council's *Better City, Better Lives* vision, and address the future budget reductions and demographic pressures;
- create a new model for Local Government, including the establishment of a 'deal' for Westminster with central Government for greater financial devolution, as well as more local flexibilities; and
- work more collaboratively with partners to reduce demand and help communities more independently support themselves.

Explanatory Foreword

From the City Treasurer, Steven Mair (continued)

In order to deliver these objectives and meet this range of challenges, the Council's organisational structure was changed. The new management structure focuses the Councils' efforts on three **principles** of activity – *Reforming Public Services*, *Driving Growth* and creating *Better Connected Communities*.

In July 2014, the Strategic Executive Board was replaced by a new Executive Management Team (EMT). This was to ensure the Council had the right senior leadership team and service structure in place to move the organisation forward. EMT is a strong, united management team that collectively leads the Council. They work together to drive forward a range of departmental and cross-cutting initiatives which are required to ensure that the Council's changes are embedded in a sustainable way throughout the organisation. The Council's senior management team structure is shown right:



This new operating model is founded on the principles of:

- *Reforming Public Services*: to reduce demand and to prevent it from developing in the first place;
- *Driving Growth* by creating the conditions for economic prosperity: providing more tailored support to businesses in the city, driving up competitiveness and in return capturing a greater share of the upside of economic growth that can then be reinvested back into local communities; and
- Achieving *Better Connected Communities*: ensuring local people are able to gain their share of economic prosperity by accessing the numerous employment opportunities in London and, in the process, reducing dependency, improving health outcomes and creating more resilient communities.

Explanatory Foreword

From the City Treasurer, Steven Mair (continued)

Reforming Public Services

Following discussions with central Government, there is an opportunity for Westminster City Council and its Tri-borough partners to work with central Government to contribute to the next Comprehensive Spending Review by co-designing services and in the process, allowing local authorities more control over spending in their area.

Greater cross-department working is being fostered to tackle thematic issues impacting on demand for services. Services will be challenged to see how well they work for people who really need help, rather than provide a universal offer which extends costs and actually generates demand into the Council through multiple access routes. This can be resolved by, for example, ensuring help and intervention is provided at the right time by implementing a single assessment and identification process across public and community services.

The Council's partnerships with other agencies will also need to increase in order to deal with the failure of demand across other public services. The Council will need to work with partners such as the NHS, Clinical Commissioning Groups, GPs and schools to consider how the Council can manage and reduce demand from what are often the same users.

Driving Growth

With responsibility for the heartland of the national economy, there is a real opportunity for the Council to secure a greater share of the upside of economic growth as part of a 'deal for Westminster', based upon the recently announced London settlement on Growth, Employment and Fiscal Devolution. With both of the major national political parties having announced commitments to further financial devolution, continuing to seek access to a greater share of the growth in business rates and other taxes, such as Stamp Duty, would ensure that Westminster City Council is able to secure additional revenues and continue to grow its local economy.

The Council's policies for improving competitiveness and increasing opportunities for growth will be aligned with a new spatial framework that covers planning, investment, infrastructure, transport and place management services. To properly support a balanced environment and economy, the necessary planning decisions must at the same time ensure that Westminster's environment is safe, clean, and green and supports the amenity services necessary to improve the quality of life of our residents. Over the past year the West End Partnership has become integral to the development and creation of a sustainable vision for growth in the area which is at the very heart of our economy.

Better Connected Communities

To create more connected communities, Westminster City Council is reprioritising resources towards developing a more responsive and less bureaucratic offer to its residents, an offer which is also targeted towards prevention and helping reduce demand. This approach will ensure that local people are able to gain their share of growth by accessing the numerous employment opportunities in London and creating more resilient communities. For example, an average Employment Support Allowance claimant currently costs public services an estimated £8,831 resulting in a total cost to the Westminster taxpayer of £9.85m per annum. Supporting this claimant into sustainable employment can generate the evidence required to underpin future joint investment agreements with the Department for Work and Pensions and other partners (such as Clinical Commissioning Groups) which will return a proportion of the costs to the Council and create a more sustainable funding model.

Explanatory Foreword

From the City Treasurer, Steven Mair (continued)

Not all areas are uniform and some localities within Westminster contain some people within them who by necessity require more support than others.

Some communities and 'villages' have a particular uniqueness that requires certain services to be tailored and targeted towards supporting their particular circumstances. As a result a new model of area working will be established that begins to target a more 'joined up' approach to services; working together to tackle the problems facing some of our more complex residents. This will need to be combined with providing a stronger regulatory and enforcement framework to ensure that residents have the right social infrastructure and amenities that enhances their living experience. Social infrastructure assets include items such as schools, local authority housing, community facilities and transport links.

To mark the 50th Anniversary of the modern borough, on the 5th of March the Leader of Westminster City Council, Councillor Philippa Roe, launched the '*City for All*' programme. It is centred on three key themes and sets out eighteen **priorities** within those themes that we will work with our partners to deliver by 2018 to support a city that is confident, tolerant and where everybody is able to share in the benefits of economic success.

City of ASPIRATION

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

City of CHOICE

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

City of HERITAGE

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

CITY FOR ALL

Aspiration

- Over the next five years, we will invest £60m to build new and better homes, including 1,250 affordable homes across the city.
- With our partners we will build the city's first University Technical College.
- We will continue to back local businesses and help create jobs, including creating a new enterprise space for small and growing businesses in Church Street.
- We will give extra support to people to buy their first home.
- We will work with, and challenge out partners, to reduce by a third, within three years, the 10,000 residents who are long term unemployed.
- Through the West End Partnership we will set out a 15 year plan to focus hundreds of millions of pounds of investment in the West End to secure the future of one of the most vibrant and exciting places on the planet for generations to come.

Explanatory Foreword

From the City Treasurer, Steven Mair (continued)

Choice

- We will invest more than £1m a year in services to tackle obesity and help people live a healthy lifestyle.
- We will reward those who volunteer in their communities with up to 50,000 credits over the next three years to spend on activities such as cinema visits and sport.
- Libraries will become the heart of our neighbourhoods and centres of information and community activity.
- We will help families deal with problems the first time to prevent as many children as possible from going into care.
- It will be easier than ever to contact the council and use our services online, anytime, anywhere.
- Older people will have more choice and control over their care and with the NHS we will provide more people-focused, coordinated care so they can stay in their own home.

Heritage

- 75 new City Inspectors will take to the streets to tackle anti-social behaviour and clampdown on irresponsible business practices.
- Over the next three years we will invest £7m, with our partners, in new public realm schemes, including walking and cycling improvements, and road safety schemes.
- We will keep the city moving in preparation for the introduction of the first phase of Crossrail in 2018.
- We will continue to remember the centenary of World War One through community events and we will celebrate the 50th anniversary of the City of Westminster.
- Over 500,000 people will enjoy our best ever West End Live.
- We will introduce a new basements planning policy in 2015.

7. EXPLANATION OF THE FINANCIAL STATEMENTS

The Statement of Accounts sets out details of the Council's income and expenditure for the financial year 2014/15 and its Balance Sheet as at 31 March 2015. These statements cover the General Fund, the Collection Fund, Housing Revenue Account and the Pension Fund. A **glossary** of key terms can be found in the last section of this publication.

The Statement of Accounts comprises Core and Supplementary Financial Statements accompanied by Notes to explain items in the Financial Statements.

Core Financial Statements

The **Comprehensive Income and Expenditure Statement (CIES)** reports all of the Council's gains and losses during the financial year. The CIES is prepared in accordance with International Financial Reporting Standards and as such will differ from the Council's management accounts, although the financial position as expressed in terms of working balances and usable reserves is the same.

Explanatory Foreword

From the City Treasurer, Steven Mair (continued)

The **Movement in Reserves Statement (MiRS)** is a summary of the changes to the Council's Reserves over the course of the financial year. These represent the Council's net worth and are analogous to the equity of a private company. Reserves are divided into 'usable' which may be used to fund expenditure or reduce the Council tax and 'unusable' Reserves which cannot.

The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities and reserves on 31 March 2015. Assets represent everything owned by the Council and money owed to it. Liabilities are the sums that the Council owes to others.

The **Cash Flow Statement** shows the changes in the Council's cash and 'cash equivalents' during the financial year. Cash equivalents are assets which may be readily converted into cash. The statement shows cash flows from: 'operating' activities i.e. the Council's services; 'investing' activities i.e. the Council's capital investment, investments and asset sales; and 'financing' activities which are those activities relating to the Council's borrowing.

The **Notes** to the Core Financial Statements provide more detail about the Council's accounting policies and items contained in those statements.

Supplementary Financial Statements

The **Annual Governance Statement** is a report from the Leader of the Council and the Chief Executive on the governance arrangements of the Council and its internal control systems and structure.

The **Housing Revenue Account** which reports the income and expenditure relating to the provision of housing and associated services to Council tenants and leaseholders. This account includes the Statement of Movement on the HRA Fund Balance and addresses the Council's statutory obligation – as a landlord in the provision of council housing – to separately account for the cost of these activities.

The **Collection Fund Account** summarises the income and expenditure relating to the collection of council tax and national non-domestic rates, as well as the precept collected on behalf of the Greater London Authority (GLA). It reports the contribution made by the Westminster's council tax payers to the cost of local services and to the GLA.

The **Pension Fund Account** reports – in a summarised form – the transactions during the year in the Fund Account and in the Net Assets Statement the overall financial position as at 31 March 2015.

The **Notes** to the Supplementary Financial Statements provide more detail about the Council's accounting policies and items contained in those statements.

8. ACKNOWLEDGEMENTS

The production of this Statement of Accounts would not have been possible without the exceptional hard work and dedication of the City Treasurer's team who have achieved nationally leading performance in producing audited and published accounts for 2014/15 which are of the highest quality and the fastest in the country.

I would like to express my gratitude to the team and extend this to colleagues across the Council, Members, the Executive Management Team and our key stakeholders who have all supported the process to enable this achievement. I would also like to thank everyone for all their support during the financial year.

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 for the year ended 31 March 2015 on pages 30 to 149. 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 2014/15.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, 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 members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Section 151 officer and auditor

As explained more fully in the Statement of the Section 151 officer's Responsibilities, 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Section 151 officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2015 and the amount and disposition of the fund's assets and liabilities as at 31 March 2015 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Independent Auditor's Report (continued)

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 22 to 29 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA / SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

CONCLUSION ON CITY OF WESTMINSTER COUNCIL'S ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those 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 2015.

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

Independent Auditor's Report (continued)

Conclusion
On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, City of Westminster Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Report by exception
The Audit Commission's guidance also requires us to report by exception on any other significant additional matters that come to our attention and which we consider to be relevant to proper arrangements to secure economy, efficiency and effectiveness in the use of resources. In 2012/13 and 2013/14 we reported by exception on weaknesses in the Authority's arrangements for managing risks and maintaining a sound system of internal control in respect of procurement which emerged from our work considering the objections relating to the Authority's accounts for the 2008/09 to 2011/12 financial years. These weaknesses included non-compliance with the proper procedures required by the Authority's Procurement Code and internal financial regulations, in particular for contract letting, variations and formalising contract documentation. Whilst we note that the Authority has made improvements in this area in 2013/14 and 2014/15 there is still further work required to embed the improvements across all areas of procurement activity.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

Due to work on the WGA Return not being completed by the date of signature of the audit report
We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Due to the Pension Fund Annual Report not being prepared by the date of signature of the audit report
We are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of City of Westminster Council with the pension fund accounts included in the financial statements of City of Westminster Council. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December following the end of the relevant financial year. As the authority has not yet prepared the Pension Fund Annual Report we have not issued our report on the financial statements included in the Pension Fund Annual Report. Until we have done so, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Due to on-going objections
The audit cannot be formally concluded and an audit certificate issued as we are considering objections relating to the 2008/09 and subsequent financial years. Until we have completed our consideration of these, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Andrew Sayers
for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants
15 Canada Square, Canary Wharf
London, E14 5GL.
18 May 2015

Statement of responsibilities for the Statement of Accounts

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs, in line with statute this is the Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

THE SECTION 151 OFFICER'S RESPONSIBILITIES

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

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

- selected suitable accounting policies and then applied them consistently except where policy changes have been noted in these accounts;
- made judgments and estimates that were reasonable and prudent; and
- complied with the Code.

The Section 151 Officer has also:

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

Steven Mair

City Treasurer, Section 151 Officer.
Date: 18 May 2015

APPROVAL OF STATEMENT OF ACCOUNTS

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

Councillor Jonathan Glanz

Chairman of the Audit and Performance Committee
Date: 18 May 2015

Annual Governance Statement

This statement is our Annual Governance Statement for 2014/15 and builds upon those of previous years. It summarises key governance mechanisms and records the significant governance issues that need to be addressed over the coming year. The full Code of Corporate Governance can be found on the Council's website and forms part of the Council's Constitution. *committees.westminster.gov.uk/ecCatDisplay.aspx?bcr=1&sch=doc&cat=13175&path=0*

The purpose of this statement is to enable the Council to meet its requirements under the Accounts and Audit (England) Regulations 2011, which requires that the Council prepares an annual governance statement. A governance framework has been in place at the Council for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts.

Westminster City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

THE GOVERNANCE FRAMEWORK

Corporate governance refers to the process by which organisations are directed, controlled and held to account. The governance framework enables the Council to monitor the achievement of its strategic objectives. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

In order to support good governance reliance is placed on the Council's governance framework. Members of the public are welcome to ask public questions about Council business and policy at Council meetings as well as to inspect the accounts being audited.

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

The level of Council Tax for each Financial Year is set through a stringent process of budget setting and review. The annual Revenue and Capital budgets are prepared by officers in conjunction with Cabinet, consulted upon, reflected in the Forward Plan and then considered and approved by the full Council at the Budget Council meeting in March each year.

Annual Governance Statement (continued)

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

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

As well as delivering statutorily-defined services to its residents, the Council is also responsible for the administration of the election process at European, National, and Local level. No issues have been raised about the conduct of these elections by either a candidate or elector.

Key Statutory Officers
The **Head of Paid Service** (in Westminster City Council this is the Chief Executive) is responsible for leading an effective corporate management team of Executive Directors who focus on both strategic cross-departmental issues and operational delivery of the departmental accountabilities. The role has overall accountability for the management of staff appointed under section 67(2) of the GLA Act 1999. The Chief Executive leads a team of senior officers that proposes policy options and commentary as necessary on possible action to elected Councillors, who take the key decisions. The Council is run by senior appointed staff and their teams.

The Council is required to appoint a **Monitoring Officer** and at Westminster City Council this is the Head of Legal and Democratic Services. The Monitoring Officer's functions include maintaining the Constitution, the Code of Corporate Governance, overseeing compliance with the law and supporting the Standards Committee. The Monitoring Officer is authorised to institute, conduct and where appropriate defend and settle criminal or civil legal proceedings and claims concerning the Council's responsibilities and interests, to take action to protect the interests of the Council and to give legal effect to any decision or action properly taken by the Council or a Committee or person on behalf of the Council.

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

Annual Governance Statement (continued)

Annual Governance Review

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

Corporate Governance

- Constitution (incl. statutory officers, scheme of delegation, financial management and procurement rules)
- Audit and Performance Committee
- Internal and external audit
- Independent external resources
- Scrutiny function
- Council, Cabinet and Panels
- Medium Term Plan
- Complaints system
- HR policies and procedures
- Whistle blowing and other counter fraud arrangements
- Risk management framework
- Performance management system
- Codes of conduct

Management Team

- The role of Executive Officers
- Delivery of the Council's aims and objectives
- Corporate Planning
- Business and Financial plans
- Officer codes of conduct
- Performance Management Framework
- City Treasurer's role
- The role of the Tri-borough Head of Audit
- Roles and responsibility of Members and Officers
- Timely production of Statement of Accounts
- External and Internal audit report recommendations
- Monitoring Officer's function
- Head of Paid Service
- Scheme of delegation

Services are delivered economically, efficiently and effectively

- Management of risk
- Effectiveness of internal controls
- Democratic engagement and public accountability
- Budget and financial management arrangements
- Standards of conduct and behaviour
- Compliance with laws and regulations, internal policies and procedures
- Employee performance
- Budgetary control
- Financial Regulations
- Compliance with the Procurement Code
- Stakeholder engagement
- Evaluation of benefits gained from investments and projects
- Partnership governance

Annual Governance Statement (continued)

To support the Governance review, each service is required to complete a management assurance statement in relation to systems of internal control and governance arrangements, these are signed off by an Executive Director or equivalent. The management assurance statements demonstrated that services had an effective internal control environment with controls embedded across key areas including decision making, service planning and delivery, performance management, partnership governance and financial management. Improvements were identified in relation to risk management and the Managed Service Programme which the Council will address in 2015/16.

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

Partnership Governance

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

The Council shares a number of services with the London Borough of Hammersmith and Fulham and the Royal Borough of Kensington and Chelsea, i.e. also known as the Tri-borough partnership. Each council retains its own sovereignty and staff who work within the shared service arrangement do so through an agreement under section 113 of the Local Government Act 1972 whereby they are seconded to work on behalf of the other two councils as well as continuing to work for their own employing authority.

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

During the financial year, the Council delivered a significant proportion of its back office transactional processing and ICT support services through its strategic partnership contract with Serco. Service delivery and contract compliance was monitored through Service Area Project Boards and the Operations Board. During 2014/15 this contract ended with the services split into a number of segments. The Customer Service and Information Technology segments both went live in winter 2014/15 with some services now delivered by Agilisys and others by British Telecom (BT). The Managed Services Programme, which covers transactional Finance, Procurement, HR and Payroll, went live on the 1st April 2015 with BT. There have been extensive handover processes for each of these transitions. Service delivery and contract compliance is monitored through service area project boards and the operations board. The Managed Services Programme has been implemented across all three boroughs, and a senior officer-led Transition Board has been set up which meets at least monthly to manage all risks associated with the transition.

Annual Governance Statement (continued)

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

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

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

Audit and Performance Committee

The Audit and Performance Committee receives reports that deal with issues of good governance as well as those in need of improvement. The Committee normally meets quarterly and during 2014/15 met in June 2014, September 2014, November 2014 and February 2015. The Committee considers standing agenda items as well as specific items at particular times of the year, in part driven by the annual accounts preparation and finalisation and any matters that require further reporting. During the year the Committee reviewed:

- internal audit and counter fraud activity, reports, implementation of recommendations;
- internal annual audit plan;
- external audit annual letter;
- external annual certification of claims and returns;
- external annual audit plan;
- annual statement of accounts;
- contracts and performance;
- risk, operational and financial performance; and
- corporate complaints.

Scrutiny Committees

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

- review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- make reports and/or recommendations to the full Council and/or the Executive Management Team (EMT) in connection with the discharge of any functions;
- consider any matter within its remit affecting the area or its inhabitants; and
- exercise the right to call-in for reconsideration, decisions made but not yet implemented, by EMT.

Annual Governance Statement (continued)

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

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

Risk Management Strategy
All Councillors and Officers are responsible for ensuring that risk implications are considered in the decisions they take.

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

Risk analysis and management across the Council and Tri-borough working arrangements follow a uniform process to ensure consistency and high quality. The five-step process to identifying and managing risk is illustrated below:

Risk review process
It is recognised that risk management is an integral part of good governance.

The Council's Risk Management Strategy Statement sets out the intended approach to risk management for Tri-borough, Bi-borough and sovereign services to respond to risk and opportunities in the delivery of both strategic and operational objectives.

The aim is to ensure that:

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

Annual Governance Statement (continued)

This Council is committed to:

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

Risk management was considered as part of a number of the routine operational audits carried out by internal audit. No significant issues arose as a consequence of these audits. To provide further assurance a specific risk management audit is planned for 2015/16.

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

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

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

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

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

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

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

Annual Governance Statement (continued)

INTERNAL AUDIT AND EXTERNAL AUDIT ASSURANCE

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

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

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

INTERNAL AUDIT

The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards which have been developed specifically for the Public Sector by CIPFA. Compliance with these standards is externally assessed on a cyclical basis. During 2014/15 compliance was checked as part of the Tri Borough Internal Audit arrangements and no significant areas of non-compliance were found.

One of the assurance statements the Council receives is the annual opinion of the Head of Internal Audit in respect of the financial control framework. The opinion of the Head of Internal Audit in respect of audit work completed in 2014/15 is that the Council's internal control systems in the areas audited were adequate with the exception of a few systems where improvements were recommended. Those audits which received limited assurance opinions, whilst non material in terms of the council's overall Risk Management, Governance and internal control framework, are set out below.

- Managed Services Programme, systems testing and user acceptance, change configuration and release activity risk, governance implementation planning and security.
- Direct Payments to service users.
- Two schools received limited assurance opinions and recommendations were made to strengthen the design and application of their internal control frameworks. These recommendations were accepted.

EXTERNAL AUDIT

Value for Money

The Council's external auditor, KPMG, issued an unqualified value for money conclusion for the financial year 2013/14 on 30 June 2014. This means that they are satisfied that the Council had proper arrangements for securing financial resilience and for challenging how it secures economy, efficiency and effectiveness.

The Audit Commission's guidance requires the external auditor to report by exception on any other significant additional matter which has come to their attention and which they consider to be relevant to the proper arrangements to secure economy, efficiency and effectiveness in the Council's use of resources. Such a matter was identified by them in relation to weaknesses in the Council's arrangements for managing risks, and maintaining a sound system of internal control in respect of procurement.

Annual Governance Statement (continued)

This matter emerged from their work considering the objections relating to the Council's accounts for the financial years 2008/09 to 2011/12. These weaknesses included non-compliance with the proper procedures required by the Council's Procurement Code and internal financial regulations, in particular the processes for contract letting, contract variations and for formalising contract documentation. KPMG and the internal audit function have acknowledged improvements in this area. The Council is continuing to refine processes and procedures and provide training to staff to ensure that controls are embedded throughout the organisation.

Audit Opinion
KPMG issued an unqualified opinion on the Council's 2013/14 financial statements on 30 June 2014. This means that they believe the 2013/14 financial statements give a true and fair view of the financial position of the Council and of its expenditure and income for that year. The financial statements also include those of the Pension Fund. The Council worked to an accelerated closedown timetable, completing the financial statements three months ahead of the previous year.

KPMG's audit of the financial statements found seven significant adjustments. As a result of the adjustments there was an increase in the surplus on provision of services of £148m and a decrease in the net worth of the Council of £17.7m. There was no impact on the balance sheet of the General Fund.

The audit raised recommendations around improved planning and quality assurance processes in the closedown of the accounts including a review of the Code and prior year errors and more effective mapping of the trial balance to the financial statements. The Council has addressed these recommendations in 2014/15.

Financial Statements Audit and Certificate 2013/14
As KPMG is still considering two objections relating to prior years the audit cannot be formally concluded, and audit certificates cannot be issued for these and the current year. The Council is actively working with KPMG to bring these matters to a conclusion and in doing so formally conclude all years from 2008/9 onwards. Over recent months both parties have worked closely to bring to a conclusion the two objections which date back to 2008/09.

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

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

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

Annual Governance Statement (continued)

SIGNIFICANT GOVERNANCE ISSUES

Matters reported in the 2013/14 Annual Governance Statement had been addressed during 2014/15 with no residual issues. During 2014/15 internal audit expressed limited assurance over particular and individual systems of internal controls which, although were not materially significant in respect of the entirety of the Council's controls and governance frameworks, nonetheless resulted in a number of systems improvements that further strengthened financial and operational controls. While generally satisfied with the effectiveness of corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance arrangements the following issues, as highlighted in this year's Annual Governance Statement, have been identified for improvement.

Managed Services Programme

The Managed Services Programme is intended to standardise operations and reduce costs across Westminster City Council, the Royal Borough of Kensington and Chelsea and London Borough of Hammersmith & Fulham. It provides a standard system irrespective of the Council or the service. The system that was chosen provides common transactional Human Resources, Finance and Procurement services. It is expected to provide a saving of over £6million by 2015/16 across the three Councils.

A number of audits of the Programme were undertaken during the year of which limited assurance was determined of the control environment associated with systems readiness, change management and user acceptance testing. In addition there was a delay in project implementation.

This reflected the normal condition of a complex business transformation change programme and system implementation at this stage of its development and delivery cycle. Following an overhaul of programme management in September 2014 and the changes in the role of programme assurance, the position had improved. The financial impact of weaknesses in programme control is expected to be immaterial.

Direct Payments

A Direct Payment is a cash payment to a service user rather than a direct delivery of a service. An audit of the control framework surrounding direct payments resulted in a number of recommendations relating to checks over expenditure, reviewing functionality of the IT system supporting direct payments and establishing clear links between Client Support Plans and Direct Payments made.

Since Direct Payments are managed differently across the three teams at Westminster, Kensington & Chelsea and Hammersmith & Fulham, a Project Board is evaluating alternative provision of Direct Payments with the intention that pre-paid cards will replace cash payments to service users with a single team administering all financial aspects of Direct Payments. The project management arrangements for the replacement system were reviewed and considered to be satisfactory. In addition, the audit review identified key risks to assist management with implementing robust controls in any new system from the outset.

Signed:

Leader of the Council:

Chief Executive on behalf of the Council

Page 46

3

Core Statements

Page 47

Comprehensive Income and Expenditure Statement

2013/14 Restated				2014/15		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
97,151	(29,718)	67,433	Central services to the public	59,406	(34,160)	25,246
20,945	(5,850)	15,095	Cultural and related services	19,017	(8,103)	10,914
58,077	(23,433)	34,644	Environmental and regulatory services	52,933	(27,329)	25,604
20,198	(12,445)	7,753	Planning services	19,795	(11,149)	8,646
142,400	(104,673)	37,727	Education and children services	191,228	(105,067)	86,161
107,007	(82,716)	24,291	Highways and transport services	110,969	(83,430)	27,539
(82,618)	(102,436)	(185,054)	Local authority housing (HRA)*	(25,349)	(92,597)	(117,946)
318,491	(272,280)	46,211	Other housing services	312,434	(271,795)	40,639
133,905	(47,459)	86,446	Adult social care	136,214	(42,530)	93,684
26,412	(30,805)	(4,393)	Public Health	31,994	(27,571)	4,423
11,940	1,547	13,487	Corporate and democratic core	18,703	(47)	18,656
42	–	42	Non distributed costs	–	–	–
853,950	**(710,268)**	**143,682**	**Cost of services**	**927,344**	**(703,778)**	**223,566**

* HRA Gross Expenditure includes a reversal of prior year impairment of £145.3m

Comprehensive Income and Expenditure Statement (continued)

2013/14 Restated					2014/15		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
		15,983	Other operating expenditure	Note 9	487		
		(5,018)	Financing & investment income & expenditure	Note 10	(25,440)		
		(347,356)	Taxation and non-specific grant income	Note 11	(367,380)		
		(192,709)	**(Surplus)/Deficit on Provision of Services**	Note 29	**(168,767)**		
			Items that will not be reclassified to the (Surplus)/Deficit on the Provision of Services				
		(42,161)	(Surplus)/deficit on revaluation of property, plant and equipment assets		8,581		
		(51,520)	Remeasurement of the net defined benefit liability/(assets)		108,949		
		(286,390)			**(51,237)**		
			Items that will be reclassified to the (surplus)/deficit on the Provision of Services				
		127	(Surplus)/Deficit on revaluation of financial assets (Available for sale)		(14,847)		
		(286,263)	**Comprehensive Income and Expenditure (Surplus)/Deficit**		**(66,084)**		

2013/14 values have been restated. Please see Note 54 for full details.

Movement in Reserves Statement

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

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

Page 50

Movement in Reserves Statement (continued)

	Restated Revenue Reserves						Capital Reserves				
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	DSO Surpluses Account	Schools Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Restated Usable Reserves	Total Restated Unusable Reserves	Total Restated Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2013	**32,027**	**60,291**	**93,061**	**–**	**804**	**6,921**	**8,483**	**10,640**	**212,227**	**1,128,121**	**1,340,348**
Receipts in Advance Restatement	–	20,684	–	–	–	–	–	–	20,684	–	20,684
Capital Grants recognition	–	–	–	–	–	–	–	64,062	64,062	–	64,062
Balance at 31 March 2013	32,027	80,975	93,061	–	804	6,921	8,483	74,702	296,973	1,128,121	1,425,094
Movement in reserves during 2013/14											
Surplus/(Deficit) on provision of services (accounting basis)	(16,230)	–	208,939	–	–	–	–	–	192,709	–	192,709
Other Comprehensive Income and Expenditure	–	–	–	–	–	–	–	–	–	93,554	93,554
Total Comprehensive Income and Expenditure	**(16,230)**	**–**	**208,939**	**–**	**–**	**–**	**–**	**–**	**192,709**	**93,554**	**286,263**
Adjustments between accounting basis & funding basis under regulations *	59,071	–	(208,767)	–	–	–	13,093	33,676	(102,926)	102,926	–
Net increase/(decrease) before Transfers to Earmarked Reserves	**42,841**	**–**	**173**	**–**	**–**	**–**	**13,093**	**33,676**	**89,784**	**196,481**	**286,263**
Transfers to/(from) Earmarked Reserves	(39,573)	40,557	–	–	–	(984)	–	–	–	–	–
Increase/(Decrease) In Year	**3,268**	**40,557**	**173**	**–**	**–**	**(984)**	**13,093**	**33,676**	**89,784**	**196,481**	**286,263**
Restated Balance at 31 March 2014	**35,295**	**121,532**	**93,234**	**–**	**804**	**5,937**	**21,576**	**108,378**	**386,757**	**1,324,602**	**1,711,359**

Movement in Reserves Statement (continued)

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	DSO Surpluses Account	Schools Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	Revenue Reserves						Capital Reserves				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated Balance at 31 March 2014	**35,295**	**121,532**	**93,234**	**–**	**804**	**5,937**	**21,576**	**108,378**	**386,757**	**1,324,602**	**1,711,359**
Movement in reserves during 2014/15											
Surplus/(Deficit) on provision of services (accounting basis)	19,640	–	149,127	–	–	–	–	–	168,767	–	168,767
Other Comprehensive Income and Expenditure	–	–	–	–	–	–	–	–	–	(102,683)	(102,683)
Total Comprehensive Income and Expenditure	**19,640**	**–**	**149,127**	**–**	**–**	**–**	**–**	**–**	**168,767**	**(102,683)**	**66,084**
Adjustments between accounting basis & funding basis under regulations*	52,937	–	(180,681)	–	–	–	10,627	72,253	(44,865)	44,865	–
Net increase/(decrease) before Transfers to Earmarked Reserves	**72,577**	**–**	**(31,554)**	**–**	**–**	**–**	**10,627**	**72,253**	**123,902**	**(57,818)**	**66,084**
Transfers to/(from) Earmarked Reserves	(71,837)	72,408	(11,730)	11,730	(804)	233	–	–	–	–	–
Increase/(Decrease) In Year	**740**	**72,408**	**(43,284)**	**11,730**	**(804)**	**233**	**10,627**	**72,253**	**123,902**	**(57,818)**	**66,084**
Balance at 31 March 2015	**36,035**	**193,940**	**49,950**	**11,730**	**–**	**6,170**	**32,203**	**180,631**	**510,658**	**1,266,785**	**1,777,443**

* Further breakdown of the Usable Reserves is presented in Note 7, further breakdown of Unusable Reserves is presented in Note 25 and Earmarked Reserves are detailed in Note 8.

'2013/14 values have been restated. Please see Note 54 for full details.

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 reserve levels for financial stability. Unusable reserves cannot be used to fund Council services.

31 March 2013 £'000	Restated 31 March 2014 £'000		Note	31 March 2015 £'000
		ASSETS		
		Non-current		
1,668,803	1,830,302	Property, plant and equipment	Note 12	1,937,025
27,000	42,746	Heritage assets	Note 13	42,746
322,379	340,419	Investment property	Note 14	402,880
6,284	4,699	Intangible assets	Note 15	2,394
38,017	39,105	Long-term investments	Note 16	40,773
2,286	2,286	Other capitalised expenditure		–
23,610	15,618	Long-term debtors	Note 19	24,573
2,088,379	**2,275,175**	**Total long term assets**		**2,450,391**
		Current		
205,260	437,172	Short-term investments	Note 16	344,685
207	332	Inventories	Note 17	316
61,965	87,936	Short-term debtors	Note 19	122,302
237,514	158,314	Cash and other cash equivalents	Note 20	252,942
–	–	Assets held for sale	Note 21	1,950
504,946	**683,754**	**Current assets**		**722,195**

Balance Sheet (continued)

31 March 2013	Restated 31 March 2014		Note	31 March 2015
£'000	£'000			£'000
		LIABILITIES		
34,395	1,344	Short-term borrowing	Note 16	33,902
121,145	284,777	Short-term creditors	Note 22	266,481
109,875	46,579	Revenue receipts in advance	Note 39	55,391
265,415	**332,700**	**Current Liabilities**		**355,774**
20,155	18,021	Long-term creditors	Note 22	221
37,390	82,672	Provisions	Note 23	120,725
284,950	283,310	Long-term borrowing	Note 16	251,520
521,235	493,311	Other long-term liabilities	Note 53	641,746
39,086	37,556	Capital receipts in advance	Note 39	25,157
902,816	**914,870**	**Long-term liabilities**		**1,039,369**
1,425,094	**1,711,359**	**Net assets**		**1,777,443**
296,973	386,757	**Total Usable Reserves**	Note 24	510,658
1,128,121	1,324,602	**Total Unusable Reserves**	Note 25	1,266,785
1,425,094	**1,711,359**	**Total Reserves**		**1,777,443**

2013/14 values have been restated. Please see Note 54 for full details.

Cash Flow Statement

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

The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing by the Council).

Restated 2013/14 £'000		Note	2014/15 £'000
192,709	Net surplus/(deficit) on the provision of services		168,767
7,128	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	Note 26	2,320
(106,993)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	Note 26	(137,711)
92,844	**Net Cash Flows from Operating Activities**		**33,376**
(229,661)	**Net Cash Flows from Investing Activities**	Note 27	54,791
57,617	**Net Cash Flows from Financing Activities**	Note 28	6,461
(79,200)	**Net increase/(decrease) in cash and cash equivalents**		**94,628**
237,514	Cash and cash equivalents at the beginning of the reporting period		158,314
158,314	**Cash and cash equivalents at the end of the reporting period**		**252,942**

2013/14 values have been restated. Please see Note 54 for full details.

4 Notes to the Accounts

Page 56

Note 1 Accounting Policies

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, 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 2014/15 and the CIPFA Service Reporting Code of Practice (SeRCOP) for Local Authorities 2014/15, supported by International Financial Reporting Standards (IFRS).

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

ACCRUALS OF INCOME AND EXPENDITURE

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

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

CASH AND CASH EQUIVALENTS

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

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

Note 1 Accounting Policies (continued)

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following charges to record the cost of holding non-current assets during the year:

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

Page 58

COUNCIL TAX INCOME

Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be the accrued income for that year. Each major preceptor's share of the accrued Council Tax income is available from the information required to be produced in order to prepare the Collection Fund Statement.

Since the collection of Council Tax is in substance an agency arrangement, the cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council taxpayers. If the net cash paid to a major preceptor in the year is more than its proportionate share of net cash collected from council tax debtors/creditors in the year, the billing authority will recognise a debit adjustment for the amount overpaid to the major preceptor in the year and the major preceptor will recognise a credit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year.

The Cash Flow Statement includes within operating activities only the Council's own share of council tax net cash collected from council tax debtors in the year; and the amount included for precepts paid excludes amounts paid to the Greater London Authority (GLA). The difference between the GLA's share of the net cash collected from council tax debtors and net cash paid to the GLA as precept and settlement of the previous year's surplus or deficit on the Collection Fund is included within financing activities in the Cash Flow Statement. The Cash Flow Statement of a major preceptor will include within operating activities the net council tax cash received from the Collection Fund in the year (i.e. the precept for the year plus its share of Collection Fund surplus for the previous year, or less the amount paid to the Collection Fund in respect of its share of the previous year's Collection Fund deficit). The difference between the net cash received from the Collection Fund and the major preceptor's share of cash collected from council tax debtors by the billing authority in the year will be included within financing activities in the Cash Flow Statement.

EMPLOYEE BENEFITS

Benefits Payable during Employment

An accrual is made to represent the cost of holiday entitlement earned but not taken at each year end.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. When the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy, these

Note 1 Accounting Policies (continued)

costs are charged on an accruals basis to the respective service line in the Comprehensive Income and Expenditure Statement.

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

Post Employment Benefits
Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.
- The Local Government 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.

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

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

The liabilities of the Westminster City Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis. The basis of calculation is the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.

Liabilities are measured on an actuarial basis discounted to present value, using the projected unit method. The discount rate to be used is determined in reference to market yields at balance sheet date of high quality corporate bonds.

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

- quoted securities – current bid price;
- unquoted securities – professional estimate;
- unitised securities – current bid price; and
- property – market value.

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

- Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

Note 1 Accounting Policies (continued)

- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-distributed Costs.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurement of the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These changes are debited to the Pensions Reserve as Other Income and Expenditure.
- Contributions paid to the Westminster City Council Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

The Council provides discretionary post employment benefits which arise from additional service and are awarded on a discretionary basis. These benefits are unfunded with costs met directly from the Council's revenue account. These are accrued from the point at which decision is taken to grant them.

EVENTS AFTER THE REPORTING PERIOD

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

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

Note 1 Accounting Policies (continued)

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

FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. These are initially measured at fair value and are carried at their amortised cost. The fair value of loans are valued at carrying value because it is not possible to derive a fair market value for the types of loans currently held by the Council. As annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument, the effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Financial Assets

Financial assets are classified into two types:

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

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

Loans and Receivables

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

In addition, the Council has made a number of loans to voluntary organisations at less than market rates which are referred to as soft loans. When such loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the

Note 1 Accounting Policies (continued)

General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

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

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

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis; and
- equity shares with no quoted market prices – professional estimate.

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

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

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Note 1 Accounting Policies (continued)

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

GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

HERITAGE ASSETS

The Council's Heritage Assets which comprise: Statues and Monuments; Civic Regalia and Works of Art are reported in the balance sheet at a current insurance valuation (based on market values) supplemented by a specialist valuation exercise for regalia and works of art which was conducted during the year 2013/14. Acquisitions are recognised at cost. As Heritage Assets are deemed to have indeterminate lives and high residual value, the Council does not deem it appropriate to charge depreciation for these assets.

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

INTANGIBLE ASSETS

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

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

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

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

Note 1 Accounting Policies (continued)

losses posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities during the financial year 2014/15, therefore it has no requirement to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as available for sale assets and carried at fair value.

The Council prepared group accounts in previous financial years but during the 2014/15 financial year, concluded from a review of its arrangements that the Council's interests in subsidiaries and other entities are not material, and consequently the Council has adopted a change in this accounting policy.

INVESTMENT PROPERTY

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Investment Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rental Income received in relation to investment properties is credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

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

Note 1 Accounting Policies (continued)

LEASES

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

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

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

The Council as Lessee

Finance Leases

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

Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Note 1 Accounting Policies (continued)

of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

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

MINIMUM REVENUE PROVISION

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

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

NATIONAL NON-DOMESTIC RATES (NNDR)

Following the introduction of Business Rate Localisation, with effect from 1 April 2013 local authorities are responsible for collecting and distributing 50% of the income from the business rates they collect rather than simply acting wholly in an agency capacity for the DCLG NNDR Pool as they had done until 31 March 2013. The financial reporting requirements for this are articulated in International Public Sector Accounting Standards

Note 1 Accounting Policies (continued)

Board (IPSAS) 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) – so that 50% remaining agency element is not accounted for within the council's Comprehensive Income and Expenditure Statement.

OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP) for Local Authorities 2014/15. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

PRIOR PERIOD ADJUSTMENTS

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

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

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

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

SERVICE CONCESSION ARRANGEMENTS

Service concession arrangements (formerly classed as PFI and similar contracts) are contractual arrangements between the Council and an operator where responsibility for providing public services, using assets provided either by the operator or the Council, passes to the operator for a specified period of time.

Where the Council is deemed to control or regulate the services that are provided under a service concession arrangement and either:

- ownership of the property, plant and equipment pass to the Council at the end of the contracts for no additional charge, or
- the service concession is for the whole life of the assets used, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

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

Note 1 Accounting Policies (continued)

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.

Where the Council either:

- does not control or regulate the services, or
- the assets do not revert back to the council at the end of the concession,

no assets are recognised on the Balance Sheet and the expenditure is debited to the relevant service within the Comprehensive Income and Expenditure Statement.

The amounts payable to service concession operators are analysed into the following elements:

- finance cost – an interest charge of the effective rate of interest on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for property arising during the contract, debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually undertaken; and
- payment towards liability – applied to write down the Balance Sheet liability to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

PROPERTY, PLANT AND EQUIPMENT

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Note 1 Accounting Policies (continued)

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

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

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

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

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- when there is not a balance within the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.
- where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for the depreciation that would have been charged if the loss had not been recognised.

Note 1 Accounting Policies (continued)

Borrowing

The Council does not capitalise borrowing costs.

Depreciation

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

Depreciation is calculated on the following bases:

- buildings – straight-line allocation over the useful life of the property as estimated by a qualified valuer;
- HRA dwellings are depreciated based upon component accounting basis. In the year of disposal a full year's depreciation is charged to the accounts and nothing in the year of acquisition;
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer; and
- infrastructure – straight-line allocation over 10 – 15 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, 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.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

Note 1 Accounting Policies (continued)

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

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

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place whereby the Council has a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

For example, the insurance reserve 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.

Note 1 Accounting Policies (continued)

Contingent Liabilities
A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

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

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

RESERVES

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

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

VALUE ADDED TAX

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

Note 2 Accounting standards issued but not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The following standards have been issued that will be adopted by the Code in 2015/16 and will be applicable to the Council from 1 April.

- IFRS 13 Fair Value Measurement. This introduces a requirement for the concept of fair value measurement to be applied to all assets and liabilities which use fair value as a measurement basis. In respect of property, plant and equipment the only change is in the valuation of surplus property. Currently surplus property is valued at existing use value before being reclassified as surplus assets. In future surplus assets will be valued at fair value.
- IFRIC 21 Levies. This clarifies the recognition point for payment of levies as the activity which triggers the payment of the levy. This is not expected to have any impact on the Council, as this is already current accounting practice.

In addition there have been a number of minor changes to existing accounting standards.

- IFRS 8 Operating Segments will require the Council to disclose the factors used to identify the Council's reportable segments. This will require an additional disclosure in the 2015/16 accounting policies.
- IAS 16 Property, Plant and Equipment. The amendment sets out that where non-current assets are revalued, the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount. This is not expected to have a material impact for the Council.

Note 3 Critical judgements in applying accounting policies

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

- The Council anticipates that the pressures on public expenditure will continue to be severe. These pressures will be mitigated by further service area and corporate savings, and a limited use of reserves. An assessment of the ongoing pressures and means of mitigation has been made by way of the Council's Medium Term Financial Planning process which has assessed the period to 31 March 2018. As a consequence, the Council is of the view that the level of uncertainty is not significant enough in terms of its anticipated impact to warrant an impairment of assets due to reduced levels of service provision or a need to close facilities. Moreover, property prices within Westminster are such that any operational properties deemed surplus to requirements are unlikely to be disposed of for less than their current fair value.
- The Council recognises school assets for Community schools on its balance sheet. The Council has not recognised assets relating to Academies, Voluntary Aided, Voluntary Controlled or Free schools as it is of the opinion that these assets are not controlled by the Council. 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 entered into joint working arrangements with neighbouring local authorities, the London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea. These arrangements are currently referred to as "tri-borough working". These working arrangements and proposals for future related changes will not reduce the level of service provided by the Council. Therefore, the Council believes that it is not necessary to impair any non-current asset in light of these tri-borough working arrangements.
- The Council has a number of interests in other entities which fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. However the Council's interests in aggregate are not sufficiently material to warrant producing consolidated group financial statements (See Note 40 for further information).

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

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

The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Consequence if actual results differ from assumptions
Property, Plant & Equipment	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets and investment properties. The Council's external valuers provided valuations as at 31 March – for all of the Council's investment portfolio and c20% of its operational portfolio, both on a prudent and fair value basis – which reported a decrease in the value of the Council's properties. That said, the number and relevance of asset sales which took place in 2014/15 against which the Council could judge the fair value of its property assets was relatively low. Should evidence emerge in 2015/16 – primarily from the next planned valuation exercise – the Council may amend its estimates of the fair value of its property and dwellings.	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's investment properties were to reduce by say 10%, this would result in a c£40 million charge to the Comprehensive Income and Expenditure Statement. 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 fair value. The net book value of non-current assets subject to potential revaluation is over £1.8 billion.

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

Item	Uncertainties	Consequence if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund 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 £22.6m; • a 0.1% increase in the assumed level of pension increases will increase the net pension liability by £20.9m; • an increase of one year in longevity will increase the net pension liability by £47.0m.

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

Item	Uncertainties	Consequence if actual results differ from assumptions
Business Rates	Following the introduction on 1 April 2013 of the Business rates retention scheme Local Authorities are liable for their proportionate share of successful appeals against business rates charged in the period to 31 March 2015. A provision based on best available information – including Valuation Office (VAO) ratings list of appeals, and an analysis of successful appeals to date – has been recognised for this liability.	The Council's liability in this matter is limited to 7.5% of its baseline funding level. Therefore, the maximum exposure is in the region of £6 million. The Council holds a provision to mitigate this risk in full.
Provision for doubtful debts	As at 31 March 2015, the Council had an outstanding balance of short term debtors totalling £214m. A review of the major areas of debt has led to an updated provision against doubtful debts of £91m. It is not certain that this provision 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 an impairment to be reflected. The provisions held are based on policies adapted to the nature of the debt and service area, past experience and success rates experienced in collection. If collection rates were to deteriorate by 5% then the Council would need to review its policies on the calculation of its doubtful debt provisions.

Note 5 Material items of income and expense

For the purposes of this note the Council considers material items to be those greater than £20m.

The Council had one material item of expenditure, namely an aggregate payment totalling £37m (2013/14: £36m) to Veolia UK Plc under the waste collection, street cleansing and ancillary services contract.

Note 6 Events after the reporting period

There were no material events after the end of the financial year which need to be reported.

Note 7 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.

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

Note 7 Adjustments between accounting basis and funding basis under regulations (continued)

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

Note 7 Adjustments between accounting basis and funding basis under regulations (continued)

	2014/15 Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
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	1,016	108	–	–	–	**(1,124)**
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(42,225)	–	–	–	–	**42,225**
Employer's pensions contributions and direct payments to pensioners payable in the year	17,862	–	–	–	–	**(17,862)**
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	(52,421)	–	–	–	–	**52,421**
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	405	–	–	–	–	**(405)**
Total Adjustments	**(52,936)**	**180,680**	**(10,627)**	**–**	**(72,252)**	**(44,865)**

Note 7 Adjustments between accounting basis and funding basis under regulations (continued)

	2013/14 Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'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 and impairment of non-current assets	(51,828)	146,257	–	–	–	**(94,429)**
Revaluation losses on Property Plant and Equipment	(23,279)	–	–	–	–	**23,279**
Movements in the market value of Investment Properties	(7,881)	25,044	–	–	–	**(17,163)**
Amortisation of intangible assets	(2,686)	–	–	–	–	**2,686**
Capital grants and contributions applied	50,843	812	–	–	–	**(51,655)**
Movement in the Donated Assets Account	–	–	–	–	–	**–**
Revenue expenditure funded from capital under statute	(8,270)	–	–	–	–	**8,270**
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	(24,009)	(5,376)	–	–	–	**29,385**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	2,195	–	–	–	–	**(2,195)**
Capital expenditure charged against the General Fund and HRA balances	–	9,340	–	–	–	**(9,340)**

Note 7 Adjustments between accounting basis and funding basis under regulations (continued)

	2013/14 Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	36,526	–	–	–	(36,526)	**–**
Application of grants to capital financing transferred to the Capital Adjustment Account	–	–	–	–	–	**–**
Adjustments between Capital Grants unapplied and Capital Receipts unapplied	49	–	(2,899)	–	2,850	**–**
Adjustments primarily involving the Capital Receipts Reserve, not Grants Unapplied Account:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,485	17,856	(20,279)	–	–	**(62)**
Use of the Capital Receipts Reserve to finance new capital expenditure	–	–	11,342	–	–	**(11,342)**
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals	(59)	(176)	236	–	–	**–**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	–	(2,360)	2,360	–	–	**–**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(1,079)	–	(3,853)	–	–	**4,932**
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	–	–	–	–	–	**–**

Page 84

Note 7 Adjustments between accounting basis and funding basis under regulations (continued)

	2013/14 Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	–	17,255	–	(17,255)	–	**–**
Use of the Major Repairs Reserve to finance new capital expenditure	–	–	–	17,255	–	**(17,255)**
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	1,267	114	–	–	–	**(1,381)**
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(39,617)	–	–	–	–	**39,617**
Employer's pensions contributions and direct payments to pensioners payable in the year	16,020	–	–	–	–	**(16,020)**
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	(10,438)	–	–	–	–	**10,438**
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	690	–	–	–	–	**(690)**
Total Adjustments	**(59,071)**	**208,766**	**(13,093)**	**-**	**(33,676)**	**(102,925)**

Note 8 Transfers 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 – General Fund	Restated 31 March 2013	Transfers Out	Transfers In	Restated 31 March 2014	Transfers Out	Transfers In	31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adults Services Reserve	(570)	570	–	**–**	–	(10,367)	**(10,367)**
Built Environment Projects Reserve	(603)	353	(859)	**(1,109)**	44	(99)	**(1,164)**
CCTV & Parking Consultation	(670)	682	(2,500)	**(2,488)**	585	–	**(1,903)**
City Management Streetworks Reserves	(1,400)	–	–	**(1,400)**	1,400	–	**–**
Contract Costs Reserve	(1,000)	268	(1,000)	**(1,732)**	1,732	–	**–**
Corporate Risks Reserve	–	–	(4,000)	**(4,000)**	107	–	**(3,893)**
Customer Programme	(3,000)	2,185	(2,000)	**(2,815)**	2,250	–	**(565)**
Economic Development Strategy & Enterprise	(5,245)	708	–	**(4,537)**	3,954	(5,200)	**(5,783)**
Esourcing Reserve	(1,000)	1,000	(1,350)	**(1,350)**	1,350	–	**–**
Income Pressures Reserve	(6,000)	–	–	**(6,000)**	24,772	(29,392)	**(10,620)**
Insurance Reserve	–	–	–	**–**	–	(13,512)	**(13,512)**
Invest to Save Reserve	–	–	(7,000)	**(7,000)**	–	(7,632)	**(14,632)**
Kerbside Management Reserve	(2,485)	513	–	**(1,972)**	–	–	**(1,972)**
Managed Services Business Case Reserve	(4,782)	1,297	(5,220)	**(8,705)**	3,011	–	**(5,694)**
Parking Transformation & Relet	(1,300)	798	(2,600)	**(3,102)**	1,090	–	**(2,012)**
Pension Auto Enrolment Reserve	(2,533)	–	–	**(2,533)**	2,533	–	**–**

Note 8 Transfers to/from earmarked reserves continued)

Earmarked Reserves – General Fund	Restated 31 March 2013	Transfers Out	Transfers In	Restated 31 March 2014	Transfers Out	Transfers In	31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Refurbishment/Transformation of Estate	–	–	(5,000)	**(5,000)**	(10,000)	5,000	**(10,367)**
Reorganisation Reserve	(1,295)	299	(2,000)	**(2,997)**	980	(2,000)	**(4,017)**
Repayment of Debt Reserve	(1,566)	–	–	**(1,566)**	1,566	–	**–**
Safety Net Equalisation Reserve	–	–	(10,696)	**(10,696)**	10,696	(61,468)	**(61,468)**
Other Council Reserves	(9,141)	4,472	(5,960)	**(10,629)**	6,566	(3,668)	**(7,731)**
Total Earmarked Reserves	**(42,590)**	**13,144**	**(50,185)**	**(79,631)**	**52,636**	**(128,338)**	**(155,334)**
Ring Fenced Revenue Schemes							
Adult Education Services (LSC)	(3,866)	3,866	(589)	**(589)**	75	–	**(514)**
Earmarked LMS Balance (DSG)	(2,737)	92	(2,257)	**(4,901)**	1,128	(3,198)	**(6,971)**
Quinton Kyanaston Endowment Fund	(1,537)	–	(9)	**(1,537)**	–	–	**(1,546)**
Public Health Reserve	–	–	–	**–**	–	(8,083)	**(8,083)**
Total Ring Fenced Reserves	**(8,140)**	**3,959**	**(2,855)**	**(7,036)**	**1,203**	**(11,281)**	**(17,113)**
Total Earmarked and Ring fenced Revenue Reserves	**(50,729)**	**17,103**	**(53,040)**	**(86,667)**	**53,839**	**(139,619)**	**(172,447)**

Note 8 Transfers to/from earmarked reserves continued)

Earmarked Reserves – General Fund	Restated 31 March 2013 £'000	Transfers Out £'000	Transfers In £'000	Restated 31 March 2014 £'000	Transfers Out £'000	Transfers In £'000	31 March 2015 £'000
Revenue Grants Reserves (without conditions)							
Adults Reserves	(825)	825	(300)	**(300)**	300	–	**–**
Children's Reserves	(702)	–	(457)	**(1,159)**	995	(4,781)	**(4,946)**
Housing Reserves	(19)	177	(158)	**–**	–	(2,011)	**(2,011)**
Revenue Receipts in Advance without conditions	(28,698)	8,014	(12,721)	**(33,405)**	37,622	(18,753)	**(14,537)**
Total Grants Reserves (without conditions)	**(30,244)**	**9,016**	**(13,636)**	**(34,865)**	**38,917**	**(25,545)**	**(21,493)**
Total General Fund Earmarked Reserves	**(80,974)**	**26,119**	**(66,676)**	**(121,532)**	**92,756**	**(165,164)**	**(193,939)**

Balances as at 31 March 2013 and 31 March 2014 have been restated. Please see Note 54 for details.

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

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

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

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

Note 8 Transfers to/from earmarked reserves continued)

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

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

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

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

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

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

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

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

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

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

Note 8 Transfers to/from earmarked reserves continued)

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

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

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

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

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

Note 9 Other operating expenditure

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

2013/14 £'000		2014/15 £'000
2,038	Levies	2,859
2,365	Payments to the Government Housing Capital Receipts Pool	2,598
11,580	(Gains)/losses on the disposal of non-current assets	(4,970)
15,983	**Total**	**487**

Note 10 Financing and investment income and expenditure

2013/14 £'000		2014/15 £'000
15,831	Interest payable and similar charges	13,130
22,000	Net interest on the net defined benefit liability (asset)	21,328
(5,074)	Interest receivable and similar income	(4,561)
(37,365)	Income and expenditure in relation to investment properties and changes in their fair value	(54,927)
(410)	Other investment income	(410)
(5,018)	**Total**	**(25,440)**

Note 11 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.

31 March 2013/14 £'000		31 March 2014/15 £'000
(44,680)	Council tax income	(45,786)
(26,489)	Non domestic rates income and expenditure	(8,569)
(188,018)	Non-ringfenced government grants	(182,350)
(51,655)	Capital grants and contributions applied	(58,424)
(36,514)	Capital grants and contributions received without conditions	(72,251)
(347,356)	**Total**	**(367,380)**

Note 12a Capital Contractual Commitments

As at 31 March 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years. The major commitments are as follows:

31 March 2014 £'000		31 March 2015 £'000
14,740	Building Schools for the future	1,173
3,428	Building Schools for the future ICT	–
–	FM Conway Various Public Realm Schemes	11,000
6,037	West One Various Public Realm Schemes	–
–	Amey Community Ltd	897
–	Tresham House	3,916
11,818	Ark Atwood development	–
2,100	Parking Enforcement	287
724	City Hall Installations	–
293	Church Street Library Works	–
39,140	**Total**	**17,273**

Note 12b Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Lambert Smith Hampton undertook valuations on behalf of the Council in 2014/15 pertaining to investment and operational properties. HRA stock valuations were carried out internally. The valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations concerning vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices, with consideration given for the condition of the asset. As at 31st March 2015 the value of operational properties has reduced by £20.23m (31st March 2014 £10.58m increase) and for HRA stock increased by £113.03m (31st March 2014 £169.20m).

Note 12c Property, Plant and Equipment – Movement of balances in 2014/15

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

Note 12c Property, Plant and Equipment – Movement of balances in 2014/15 (continued)

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

Note 12c Property, Plant and Equipment – Movement of balances in 2013/14

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Valuation										
At 1 April 2013	949,676	43,197	372,923	61,799	299,680	16,510	686	51,228	**1,795,699**	12,951
Additions	21,500	–	4,975	1,820	17,053	520	–	48,992	**94,860**	–
Donations	–	–	–	–	–	–	–	–	**–**	–
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve		2,295	24,120	–	–	–	–	–	**26,415**	–
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	169,200	–	(22,485)	–	(794)	–	–	–	**145,921**	–
Derecognition – disposals	(5,376)	–	(24,939)	–	–	–	–	–	**(30,315)**	–
Assets reclassified to/from Asset Under Construction	–	–	21,232	1,433	2,860	790	–	(26,315)	**–**	–
Assets reclassified within Property, Plant and Equipment	–	–	–	–		–	–	–	**–**	–
Assets reclassified to/from Investment Properties	–	(875)	2,470	–	(47)	–	(603)	–	**945**	–
Assets reclassified to/from Assets Held for Sale	–	–	–	–	–	–	–	–	**–**	–
Other reclassifications	–	–	–	–	–	–	–	(2,538)	**(2,538)**	–
At 31 March 2014	**1,135,000**	**44,617**	**378,296**	**65,052**	**318,752**	**17,820**	**83**	**71,367**	**2,030,987**	**12,951**

Page 96

Note 12c Property, Plant and Equipment – Movement of balances in 2013/14 (continued)

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment										
At 1 April 2013	–	(1,097)	(8,051)	(51,324)	(66,341)	–	(83)	–	**(126,896)**	(3,477)
Depreciation Charge	(19,282)	(3,092)	(17,202)	(3,497)	(36,805)	–	–	–	**(79,878)**	(449)
Depreciation written out to the Revaluation Reserve	–	929	5,712	–	–	–	–	–	**6,641**	122
Depreciation written out to the Surplus/ Deficit on the Provision of Services	–	–	–	–	–	–	–	–	**–**	–
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(1,482)	–	–	–	–	–	–	–	**(1,482)**	–
Impairment Losses/(Reversal) recognised in the Surplus/Deficit on the Provision of Services	–	–	–	–	–	–	–	–	**–**	–
Derecognition – Disposals	–	–	930	–	–	–	–	–	**930**	–
Derecognition – Other	–	–	–	–	–	–	–	–	**–**	–
Other Movements in Depreciation and Impairments	–	–	–	–	–	–	–	–	**–**	–
At 31 March 2014	**(20,764)**	**(3,260)**	**(18,611)**	**(54,821)**	**(103,146)**	**–**	**(83)**	**–**	**(200,685)**	**(3,804)**
Net Book Value:										
At 31 March 2014	**1,114,236**	**41,357**	**359,685**	**10,231**	**215,606**	**17,820**	**–**	**71,367**	**1,830,302**	**9,147**
At 31 March 2013	**949,676**	**42,100**	**364,872**	**10,475**	**233,339**	**16,510**	**603**	**51,228**	**1,668,803**	**9,474**

Note 13 Heritage Assets

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

Cost or Valuation

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

Notes:

a. This largely comprises of a number of iconic monuments located throughout the borough including a variety of war memorials, decorative fountains, Cleopatra's Needle, Eros etc.

b. This includes the Mayor's chain, works of art and other civic regalia.

Note 14 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:

2013/14 HRA Commercial Properties £'000	2013/14 General Fund Investment Properties £'000	2013/14 Total £'000		2014/15 HRA Commercial Properties £'000	2014/15 General Fund Investment Properties £'000	2014/15 Total £'000
7,503	16,916	**24,419**	Rental income from investment property	7,566	17,090	**24,656**
(139)	(4,078)	**(4,217)**	Direct operating expenses arising from investment property	(1,056)	(3,957)	**(5,013)**
7,364	**12,838**	**20,202**	**Net gain/(loss)**	**6,510**	**13,133**	**19,643**

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 14 Investment Property (continued)

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

2013/14 HRA Commercial Properties £'000	2013/14 General Fund Investment Properties £'000	2013/14 Total £'000		2014/15 HRA Commercial Properties £'000	2014/15 General Fund Investment Properties £'000	2014/15 Total £'000
130,410	**191,969**	**322,379**	**Balance at start of the year**	**156,083**	**184,336**	**340,419**
			Additions:			
73	1,240	**1,313**	Purchases	6,917	1,244	**8,161**
–	–	**–**	Subsequent expenditure	–	17,942	**17,942**
–	–	**–**	Disposals	–	(5)	**(5)**
25,044	(7,881)	**17,163**	Net gains/losses from fair value adjustments	15,808	19,475	**35,283**
			Transfers:			
49	460	**509**	Assets reclassified to/from Asset Under Construction	–	29	**29**
–	–	**–**	Assets reclassified between HRA and GF	–	–	**–**
507	(1,452)	**(945)**	Assets reclassified to/from Property, Plant and Equipment	562	489	**1,051**
156,083	**184,336**	**340,419**	**Balance at end of the year**	**179,370**	**223,510**	**402,880**

Note 15 Intangible assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and general software. A 3 year useful life is assigned to all intangible assets.

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

2013/14				2014/15		
Internally Generated Assets	Other Assets	Total		Internally Generated Assets	Other Assets	Total
£'000	£'000	£'000		£'000	£'000	£'000
			Balance at start of the Year:			
–	8,735	8,735	Gross carrying amounts	–	9,836	9,836
–	(2,451)	(2,451)	Accumulated amortisation	–	(5,137)	(5,137)
–	**6,284**	**6,284**	**Net carrying amount at start of year**	**–**	**4,699**	**4,699**
			Additions:			
–	1,020	1,020	Purchases	–	366	366
–	81	81	Assets reclassified to/from Asset Under Construction	–	348	348
–	(2,686)	(2,686)	Amortisation for the period	–	(3,019)	(3,019)
–	–	–	Other Changes	–	–	–
–	**4,699**	**4,699**	**Net carrying amount at end of year**	**–**	**2,394**	**2,394**
			Comprising:			
–	9,836	9,836	Gross carrying amounts	–	10,550	10,550
–	(5,137)	(5,137)	Accumulated amortisation	–	(8,156)	(8,156)
–	**4,699**	**4,699**	**Total**	**–**	**2,394**	**2,394**

Page 101

Note 16 Financial Instruments

Categories of financial instrument

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

Restated 31 March 2014			31 March 2015	
Long Term	Short Term		Long Term	Short Term
£'000	£'000		£'000	£'000
39,105	437,172	Loans and receivables	11	188,635
–	–	Available for sale financial assets	40,762	156,050
39,105	**437,172**	**Total Investments**	**40,773**	**344,685**
15,618	74,713	Debtors	24,573	51,135
15,618	**74,713**	**Total Debtors**	**24,573**	**51,135**
283,310	1,344	Financial liabilities at amortised cost	251,520	33,902
–	–	Financial liabilities carried at contract amount	–	–
283,310	**1,344**	**Total financial liabilities**	**251,520**	**33,902**
227	111,699	Creditors	221	119,495
227	**111,699**	**Total Creditors**	**221**	**119,495**
–	–	PFI & Finance Lease Liabilities *	15,123	
–	**–**	**Other long term liabilities**	**15,123**	**–**

*PFI and Finance Lease Liabilities were reported as long term creditors in 2013/14 (see Note 22). These have been reclassified as Other Long Term Liabilities in 2014/15.

2013/14 values have been restated. Please see Note 54 for full details.

MATERIAL SOFT LOANS MADE

The loan to Grosvenor Estates to redevelop the Public Realm in the West End is classed as a soft loan. It is an interest free loan for £6.5m advanced in 2010/11.

The interest rate at which the soft loan has been made was based on the Authority's prevailing cost of borrowing at the time.

2013/14		2014/15
£'000		£'000
5,848	**Opening balance**	**6,111**
(1)	Loans repaid	(1)
–	Impairment losses	–
264	Increase in discounted amount	275
	Other changes	
6,111	**Closing balance at end of year**	**6,385**

Note 16 Financial Instruments (continued)

Income, Expense, Gains and Losses

2013/14				2014/15		
Financial Liabilities measured at amortised cost	Financial Assets: Loans & Receivables	Financial Assets: Available for Sale		Financial Liabilities measured at amortised cost	Financial Assets: Loans & Receivables	Financial Assets: Available for Sale
£'000	£'000	£'000		£'000	£'000	£'000
15,831	–	–	Interest Expense	13,130	-	-
15,831	**–**	**–**	**Total Expense in Surplus/Deficit on the Provision of Service**	**13,130**	**-**	**-**
–	4,012	1,189	Interest Income	-	2,928	1,588
–	–	–	Gains on derecognition	-	-	44
–	–	–	Fee Income	-	-	-
–	**4,012**	**1,189**	**Total income in Surplus/Deficit on the Provision of Services**	**-**	**2,928**	**1,632**
–	–	–	Gains on Revaluation	-	-	16,154
–	–	(127)	Losses on Revaluation	-	-	(1,307)
–	**–**	**(127)**	**Surplus/Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income And Expenditure**	**-**	**-**	**14,847**
(15,831)	**4,012**	**1,062**	**Net Gain/(Loss) for the Year**	**(13,130)**	**2,928**	**16,479**

Note 16 Financial Instruments (continued)

Fair value of financial assets and financial liabilities

Restated 31 March 2014			31 March 2015	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
203,717	361,599	Loans and receivables	188,646	188,646
268,017	268,017	Available for sale financial assets	196,812	196,812
90,331	90,331	Debtors	75,708	75,708
562,065	**719,947**	**Total financial assets**	**461,166**	**461,166**
257,675	213,152	Financial liabilities at amortised cost	285,422	335,823
111,926	111,926	Creditors	119,716	119,716
369,601	**325,078**	**Total financial liabilities**	**405,138**	**455,539**
–	–	PFI & Finance Lease Liabilities	15,123	15,123
–	**–**	**Other long term liabilities**	**15,123**	**15,123**

2013/14 values have been restated. Please see Note 54 for full details.

The fair value of Public Works Loan Board (PWLB) loans as calculated using the premature repayment rate published by the PWLB on 31 March 2015. For non-PWLB loans the fair value is deemed to be carrying amount.

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

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

Note 17 Inventories

The Council does not hold a material amount in inventories and so this disclosure is not material to the financial statements.

Note 18 Construction Contracts

The Council has not entered into any material construction contracts and so this disclosure is not material to the financial statements.

Note 19 Debtors

31 March 2014				31 March 2015		
Long-Term £'000	Short-Term £'000	Total £'000		Long-Term £'000	Short-Term £'000	Total £'000
			Central government bodies:			
–	15,350	15,350	– Westminster Share of NNDR Debt	–	15,161	15,161
–	5,635	5,635	– Other local authorities	–	4,720	4,720
–	1,024	1,024	– NHS bodies	–	63	63
–	16,052	16,052	– NNDR, Taxation & Other	–	72,149	72,149
3,000	11,056	14,056	Public corporations and trading funds	–	55	55
			Other entities and individuals:			
–	38,992	38,992	– Parking Fines	–	42,252	42,252
–	18,696	18,696	– Housing Benefits overpayments	–	20,007	20,007
12,618	65,904	78,522	– Other	24,573	58,586	83,159
–	(84,773)	(84,773)	Less: Provision for irrecoverable debts (see below)	–	(90,691)	(90,691)
15,618	**87,936**	**103,554**	**Total**	**24,573**	**122,302**	**146,875**

Provision for Irrecoverable Debt

31 March 2014 £'000		31 March 2015 £'000
(36,436)	Parking Fines	(39,766)
(21,940)	Housing General Fund (incl. Benefits overpayments)	(22,772)
(26,397)	Other Provisions	(28,153)
(84,773)	**Total**	**(90,691)**

Note 20 Cash and Cash Equivalents

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

31 March 2014 £'000		31 March 2015 £'000
355	Cash held by the Authority	346
409	Cash at bank	17,553
157,550	Short-term liquid deposits	235,043
158,314	**Total Cash and Cash Equivalents**	**252,942**

Note 21 Assets held for sale

During the year one property became available for sale and is expected to be sold in the course of the next financial year at a value of £1.950m. There were no properties classified as held for sale at 31 March 2014.

Note 22 Creditors

Restated 31 March 2014				31 March 2015		
Long-Term	Short-Term	Total		Long-Term	Short-Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
–	138,902	138,902	Central government bodies	–	145,449	145,449
–	5,056	5,056	Other local authorities	111	44,660	44,771
–	328	328	NHS bodies	–	2,757	2,757
17,794	117,362	135,156	Public corporations and trading funds	–	28	28
227	23,129	23,356	Other entities and individuals*	110	73,587	73,697
18,021	**284,777**	**302,798**	**Total**	**221**	**266,481**	**266,702**

*PFI and Finance Lease Liabilities of £17.9m have been reclassified to Long Term Liabilities from Long Term Creditors in 2013/14.

2013/14 values have been restated. Please see Note 54 for full details.

Note 23 Provisions

	Balance at 1 April 2014	Additional provisions made in 2014/15	Amounts used in 2014/15	Unused amounts reversed in 2014/15	Balance at 31 March 2015
	£'000	£'000	£'000	£'000	£'000
Insurance Claims	10,081	2,754	(350)	(6,400)	6,085
Special Education Needs	3,921	616	(2,434)	–	2,103
Repayment of Mental Health Charges	1,994	43	(51)	–	1,986
Compensation, Property and Contractual Claims	3,467	3,192	–	(3,277)	3,382
NNDR Appeals	48,955	40,145	–	–	89,100
NNDR Losses to Safety Net	–	6,000	–	–	6,000
Redundancies	–	997	–	–	997
Dilapidations	–	5,800	–	–	5,800
Other	14,254	2,031	(1,721)	(9,292)	5,272
Total	**82,672**	**61,578**	**(4,556)**	**(18,969)**	**120,725**

Closing provisions include the following elements:

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.

Special Education Needs

This provision relates to those Westminster resident children who have special needs, are educated at schools and academies in other local authorities and where the host borough incurs costs associated with the additional needs of these children in excess of £6,000 per child per annum.

Repayment of Mental Health Charges

In July 2002, the House of Lords had upheld the judgement of the Court of Appeal and the High Court that local authorities had no power to charge for residential accommodation under Section 117 of the Mental Health Act 1983. The Council made charges for such accommodation in previous years and thus backdated repayment of charges received may be required. Following a House of Lords decision and Ombudsman guidance the Council sought Counsel opinion relating to the length of liability, type and rate of interest, as well as particular issues relating to self-funders. The Council's provision reflects the potential liability in this area.

Compensation, Property and Contractual Claims

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

NNDR Appeals

Due to the Business Rates Localisation, which became effective from the 1st April 2013, the Council has set aside a provision for any potential liabilities as a result of business rate payers' appeals against rateable valuations.

Note 23 Provisions (continued)

The Council is responsible for a 30% share of this liability along with the CLG and GLA being responsible for a 50% and 20% share respectively.

NNDR Losses to Safety Net
In 2009 the Valuation Office Agency (VOA) incorrectly assessed the Council's Rateable Value. As a result the net collectable debit for 2015/16 was overstated on the NNDR return resulting in a loss to the Council of £6m from falling the wrong side of the safety net.

Redundancies
This is to cover the cost of staff redundancies scheduled between April and November 2015, as a consequence of moving HR and Finance processes to a new managed service model on 1st April 2015.

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

Other
This section includes an estimate of the Council's liability in respect of a number of areas including: provision for the consequential impact of the Hemming's legal case on other areas of the Council. This case has been referred to the Supreme Court and a decision is expected to be made during 2015/16. Other provisions included here include those related to: capital funding, land charges, planning, tree claims and other potential liabilities.

Note 24 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

Note 25 Unusable Reserves

31 March 2014 £'000		31 March 2015 £'000
304,898	Revaluation Reserve	279,347
1,528,224	Capital Adjustment Account	1,668,518
(8,174)	Financial Instrument Adjustment Account	(7,050)
5,082	Deferred Capital Receipts Reserve	1,878
(10,204)	Collection Fund Adjustment Account	(62,625)
(493,311)	Pensions Reserve	(626,623)
(1,787)	Accumulated Absences Account	(1,382)
(127)	Available for Sale Financial Instruments Reserve	14,720
1,324,601	**Total Unusable Reserves**	**1,266,785**

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 2014 £'000		31 March 2015 £'000
280,682	**Balance at 1 April**	**304,898**
60,910	Upward revaluation of assets	27,270
(18,749)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(35,852)
322,843	**Surplus/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services**	**296,316**
(6,641)	Difference between fair value depreciation and historical cost depreciation	(8,911)
(11,304)	Accumulated gains on assets sold or scrapped	(8,057)
(17,945)	**Amount written off to the Capital Adjustment Account**	**(16,968)**
304,898	**Balance at 31 March**	**279,348**

Note 25 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 that are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

31 March 2014 £'000		31 March 2015 £'000
1,370,264	**Balance at 1 April**	**1,528,224**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
107,249	Charges for depreciation and impairment of non-current assets	78,727
(36,038)	Revaluation losses on Property, Plant and Equipment	(43,208)
(2,686)	Amortisation of intangible assets	(3,019)
(8,270)	Revenue expenditure funded from capital under statute	(44,677)
–	Write-out of other capital expenditure	(2,286)
(29,385)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,500)
30,869		**(19,963)**
17,945	Adjusting amounts written out of the Revaluation Reserve	–
48,814	**Net written out amount of the cost of non-current assets consumed in the year**	**(19,963)**
2,195	Minimum Revenue Provision	6,442

Note 25 Unusable Reserves (continued)

31 March 2014 £'000		31 March 2015 £'000
	Capital financing applied in the year:	
194	Use of the Capital Receipts Reserve to finance new capital expenditure	194
11,342	Use of the Capital Receipts Reserve to reduce capital financing requirement	9,070
17,255	Use of the Major Repairs Reserve to finance new capital expenditure	16,592
51,655	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	32,077
–	Application of grants to capital financing from the Capital Grants Unapplied Account	26,346
9,340	Capital expenditure charged against the General Fund and HRA balances	34,252
89,788		**118,531**
17,163	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	35,283
1,528,224	**Balance at 31 March**	**1,668,518**

Note 25 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 2014 £'000		31 March 2015 £'000
(9,555)	**Balance at 1 April**	**(8,174)**
1,381	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	1,124
(8,174)	**Balance at 31 March**	**(7,050)**

Deferred Capital Receipts Reserve

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

31 March 2014 £'000		31 March 2015 £'000
10,208	**Balance at 1 April**	**5,082**
(5,126)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,204)
5,082	**Balance at 31 March**	**1,878**

Note 25 Unusable Reserves (continued)

Collection Fund Adjustment Account

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

31 March 2014 £'000		31 March 2015 £'000
234	**Balance at 1 April – Council Tax**	**492**
258	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	(222)
492	**Balance at 31 March**	**270**
–	**Balance at 1 April – NNDR**	**(10,696)**
(10,696)	Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	(52,199)
(10,696)	**Balance at 31 March**	**(62,895)**
(10,204)	**Grand Total**	**(62,625)**

Note 25 Unusable Reserves (continued)

Pensions Reserve

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

31 March 2014 £'000		31 March 2015 £'000
(521,235)	**Balance at 1 April**	**(493,311)**
51,520	Actuarial gains or losses on pensions assets and liabilities	(108,949)
(23,596)	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	(24,363)
(493,311)	**Balance at 31 March**	**(626,623)**

Note 25 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 2015. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31 March 2014 £'000		31 March 2015 £'000
(2,477)	**Balance at 1 April**	**(1,787)**
2,477	Settlement or cancellation of accrual made at the end of the preceding year	1,787
(2,477)	Amounts accrued at the end of the current year	**(1,787)**
690	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	405
(1,787)	**Balance at 31 March**	**(1,382)**

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 2014 £'000		31 March 2015 £'000
–	**Balance at 1 April**	**(127)**
(127)	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	14,847
(127)	**Balance at 31 March**	**14,720**

Note 26 Cash Flows from Operating Activities

The cash flows for operating activities include the following items:

2013/14 values have been restated. Please see Note 54 for full details.

Restated 2013/14 £'000		2014/15 £'000
5,137	Interest Received	5,182
(17,008)	Interest Paid	(13,337)
	Adjust net surplus or deficit on the provision of services for non cash movements	
83,263	Depreciation	123,051
(144,439)	Impairment	(102,063)
(17,163)	Movement in Investment Property Values	(35,283)
3,172	Increase/(Decrease) in Creditors	(30,253)
(25,971)	(Increase)/Decrease in Debtors	(41,197)
7,992	(Increase)/Decrease in Long Term Debtors	7,893
23,597	Movement in Pension Liability	24,363
45,281	Contributions to/(from) Provisions	38,053
29,385	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	17,740
2,011	Other non-cash items	16
7,128		**2,320**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(86,652)	Capital Grants credited to surplus or deficit on the provision of services	(118,276)
(20,341)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(19,435)
(106,993)	**Total cash flows from operating activities**	**(137,711)**

Note 27 Cash Flows from Investing Activities

2013/14 £'000		2014/15 £'000
(103,654)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(184,567)
(323,060)	Purchase of short and long term investments	(266,286)
20,341	Proceeds from the sale of property plant and equipment, investment property and intangible assets	19,435
90,060	Proceeds from short-term and long-term investments	368,630
86,652	Other Receipts from Investing Activities	117,579
(229,661)	**Total Cash Flows from Investing Activities**	**54,791**

Note 28 Cash Flows from Financing Activities

2013/14 £'000		2014/15 £'000
(34,692)	Repayment of short-term and long-term borrowing	768
94,290	Billing Authorities – council tax and NNDR adjustments	10,541
(1,981)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(4,848)
57,617	**Total Cash Flows from Financing Activities**	**6,461**

Note 29 Amounts reported for resource allocation decisions

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

Note 29 Amounts reported for resource allocation decisions (continued)

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

Page 120

2014/15 Reconciliation to Subjective Analysis

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

Note 29 Amounts reported for resource allocation decisions (continued)

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

Note 29 Amounts reported for resource allocation decisions (continued)

Restated 2013/14	A	B	C	D	E	F	G	H	I	J	K	L	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(5,355)	(5,295)	(28,711)	(19,052)	(9,140)	(43,692)	(11,459)	(108,232)	(2,328)	(1,456)	–	(476,823)	**(711,543)**
Government grants	(1,291)	(7,989)	–	(20,929)	(98,753)	(232,361)	(3,062)	(2,448)	(292)	(2,114)	(26,386)	(120,760)	**(516,385)**
Total Income	**(6,646)**	**(13,284)**	**(28,711)**	**(39,981)**	**(107,893)**	**(276,053)**	**(14,521)**	**(110,680)**	**(2,620)**	**(3,570)**	**(26,386)**	**(597,583)**	**(1,227,928)**
Employee expenses	14,272	14,646	1,377	15,060	80,752	2,667	12,571	24,175	6,210	1,474	1,067	8,471	**182,742**
Other operating expenses	4,355	38,168	25,602	95,116	66,112	305,534	18,463	84,040	3,933	3,051	24,092	526,813	**1,195,279**
Support Service Recharges In	14,174	4,587	3,790	7,586	7,258	6,304	4,736	25,664	3,977	434	1,227	–	**79,737**
Support Service Recharges Out	(15,776)	(39,314)	(14,473)	–	–	–	–	(10,174)	–	–	–	–	**(79,737)**
Total operating expenses	**17,025**	**18,087**	**16,296**	**117,762**	**154,122**	**314,505**	**35,770**	**123,705**	**14,120**	**4,959**	**26,386**	**535,284**	**1,378,021**
Net Cost of Services	**10,379**	**4,803**	**(12,415)**	**77,781**	**46,229**	**38,452**	**21,249**	**13,025**	**11,500**	**1,389**	**–**	**(62,299)**	**150,093**
Council Funding – RSG, Levies & Council Tax	–	–	–	–	–	–	–	–	–	–	–	(163,363)	**(163,363)**
Depreciation	25	2,625	7,882	(38)	3,292	–	37,935	2,103	38	(81)	–	(53,781)	**–**
Total Cash Flows from Financing Activities	**10,404**	**7,428**	**(4,533)**	**77,743**	**49,521**	**38,452**	**59,184**	**15,128**	**11,538**	**1,308**	**–**	**(279,443)**	**(13,270)**

KEY:

- **A** SEB and Strategic Support
- **B** Finance and Operations
- **C** Property
- **D** Adult Social Care
- **E** Children's Services
- **F** Housing
- **G** Built Environment
- **H** City Management
- **I** Libraries and Culture
- **J** Sports and Leisure
- **K** Public Health
- **L** Corporate Items

Note 29 Amounts reported for resource allocation decisions (continued)

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	2013/14
	£'000
Cost of Services in Service Analysis	(13,270)
Adjustment of items reported to Management but held separately on the Income & Expenditure Statement	(29,570)
Inclusion of items not reported to Management to be Included in Income & Expenditure Statement	59,070
HRA not reported in service management accounts	(208,939)
Net Cost of Services in Comprehensive Income and Expenditure Statement	**(192,709)**

Reconciliation to Subjective Analysis	Service Analysis	Adjustment to Service Analysis	Items Not In Analysis	HRA Not in Analysis	Net Cost of Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(708,011)	–	–	–	(708,011)	**(708,011)**
Interest and investment income	(3,532)	–	–	–	(3,532)	**(3,532)**
Revenue Support Grant	(118,683)	–	–	–	(118,683)	**(118,683)**
Income from council tax	(44,680)	–	10,438	–	(34,242)	**(34,242)**
Government grants and contributions	(516,385)	–	(87,370)	(18,067)	(621,822)	**(621,822)**
Total Income	**(1,391,293)**	**–**	**(76,932)**	**(18,067)**	**(1,486,290)**	**(1,486,290)**

Note 29 Amounts reported for resource allocation decisions (continued)

Reconciliation to Subjective Analysis	Service Analysis	Adjustment to Service Analysis	Items Not In Analysis	HRA Not in Analysis	Net Cost of Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Employee expenses	182,742	–	(690)	–	182,052	**182,052**
Other service expenses	1,182,301	–	8,270	(9,340)	1,181,231	**1,181,231**
Depreciation, amortisation and impairment	–	–	54,514	(146,257)	(91,743)	**(91,743)**
Interest Payments	10,242	–	–	–	10,242	**10,242**
Precepts & Levies	2,736	–	–	–	2,736	**2,736**
Contribution to Earmarked/ HRA Reserves	–	(29,570)	–	(173)	(29,743)	**(29,743)**
Adjustment involving the Financial Instruments Adjustment Account	–	–	(1,267)	(114)	(1,381)	**(1,381)**
Reversal of items relating to retirement benefits	–	–	39,617	–	39,617	**39,617**
Employer's pensions contributions and direct payments to pensioners payable in the year	–	–	(16,020)	–	(16,020)	**(16,020)**
Statutory provision for the financing of capital investment	–	–	(1,106)	2,536	1,430	**1,430**
Gain or Loss on Revaluation of Assets	–	–	31,160	(25,044)	6,116	**6,116**
Gain or Loss on Disposal of Assets	–	–	21,524	(12,480)	9,044	**9,044**
Total operating expenses	**1,378,021**	**(29,570)**	**136,002**	**(190,872)**	**1,293,581**	**1,293,581**
Surplus/deficit on the provision of services	**(13,272)**	**(29,570)**	**59,070**	**(208,939)**	**(192,711)**	**(192,709)**

Note 30 Acquired and Discontinued Operations

One of the Council's schools transferred to Academy status in 2014/15 (2013/14: 3 schools). The assets, liabilities and associated reserves have been written out of the Council's accounts and transferred to the school.

In accordance with the Code of Practice, the Council is only required to account for discontinued operations if the activities have actually ceased. Transfers of services to another public sector body are not considered to be discontinued operations. The transfer above has therefore been treated as part of the on-going operating activities of the Council within these financial statements.

Note 31 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.

The income generation aspects of most of these services are included within the council's annual fees and charges that are approved by Cabinet.

The key aim is to ensure that fees and charges are set within a framework of value for public money, whereby financial performance, access and equality are considered fully and appropriately, and decisions taken represent a transparent and balanced approach. In setting the prices, due consideration was given to the current financial climate, ensuring that prices are in line with the market, that services are not being inappropriately subsidised, that the Council is maximising income where it chooses to do so and that income is reviewed within a developed and developing framework.

In line with the latest Code of Practice on Local Authority Accounting, services that are carried out on a commercial basis are included in this note.

Note 31 Trading Operations (continued)

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Authority's services to the public (eg Residential Services), whilst others are support services to the Authority's services to the public (eg Building Control).

		2013/14				2014/15
Turnover	Expenditure	(Surplus) / Deficit		Turnover	Expenditure	(Surplus)/ Deficit
£'000	£'000	£'000		£'000	£'000	£'000
(1,723)	1,521	(202)	Learning Disabilities	(1,734)	1,380	(354)
(2,056)	2,253	197	Older and Disabled People: Westmead and Carlton Dene Residential Services	(2,334)	2,296	(38)
(1,674)	1,350	(324)	Older and Disabled People: Sheltered Wardens	(1,671)	1,285	(385)
(2,145)	3,105	960	Street Markets	(2,008)	2,630	621
(1,145)	1,506	360	Building Control	(868)	1,396	527
(8,743)	**9,735**	**992**	**Net deficit on trading operations**	**(8,615)**	**8,986**	**371**

2013/14		2014/15
£'000		£'000
992	Net deficit on trading operations	371
(329)	Services to the public included in Expenditure of Continuing Operations	(778)
1,321	Support services recharged to Expenditure of Continuing Operations	1,149
–	**Net deficit debited to Other Operating Expenditure**	–

Note 32 Agency Services

2013/14 £'000	2013/14 £'000		2014/15 £'000	2014/15 £'000
		Transport for London		
(4,831)		Contributions	(2,844)	
4,831		Expenditure	2,844	
	–	(Surplus)/ Deficit		–
		Inner West London Coroner's District		
(1,047)		Contributions	(1,085)	
1,047		Expenditure	1,085	
	–	(Surplus)/ Deficit		–
		Collection of Mayoral CIL		
(3,420)		Contributions	(7,698)	
	(137)	Proportion retained by WCC (see note)		(308)
		Thames Water		
(4,039)		Contributions	(4,241)	
3,133		Expenditure	3,278	
	(906)	(Surplus)/ Deficit		(962)
	(1,043)	**Net Surplus**		**(1,270)**

Transport for London

Transport for London reimburses the council for works undertaken on the highway which aim to promote sustainable transport and improve the public realm including traffic management schemes. Contributions totalling £2.8m have been received this year including allocations to the Piccadilly Two-Way scheme and various cycle programmes.

Inner West London Coroner's District

The Inner West London Coroner's District was set up by statute following the abolition of the GLC and provides services to four local authorities (Kensington & Chelsea, Merton, Wandsworth and Westminster). Payments of £1.1m have been made and contributions totalling £0.8m have been received from the other three local authorities. The balance of £0.3m is Westminster's contribution towards the cost of the service.

Note 32 Agency Services (continued)

Collection of Mayoral CIL

The London-wide Community Infrastructure Levy (CIL) is a power given to the Mayor under the Planning Act 2008 designed to raise money for the infrastructure needed to develop an 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. Contributions of £7.7m have been received this year and £7.4m has been paid over to the charging authority (Transport for London). The balance of £0.3m has been retained by Westminster to cover administrative expenses.

Thames Water

The council charges its Housing tenants for water rates on behalf of Thames Water. The amount repayable to Thames Water is reduced by a commission, void rate, arrears and bad debt provision, all at fixed percentages based on the total water charge. Payments of £3.3m have been made to Thames Water and the commission element is £1m.

Note 33 Road Charging Schemes under the Transport Act 2000

The Council has no road charging schemes under the above act which require disclosure.

Note 34 Pooled Budgets

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

The services being provided by the Authority or the Trust is dependent on the mix required by clients. The Authority and the Trust have an agreement in place for funding these services that runs annually, with the partners contributing funds to the agreed budget equal to 56% and 44% of the budget respectively. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

Pooled Budget for Adult Mental Health Services
An annual agreement between Westminster City Council and West London and Central London Clinical Commissioning Group concluded on 31 March 2015. The arrangement was made in accordance with section 75 of the National Health Service Act 2006 and any surplus or deficit was shared on a risk basis. Any surplus exceeding 1% was distributed between partners in proportion to their contribution. The pooled budget was hosted by CNWL as Lead Provider on behalf of the partners privy to the agreement.

2013/14 £'000		2014/15 £'000
	Funding provided to the pooled budget:	
6,984	Westminster City Council	6,924
4,337	Central London Clinical Commissioning Group – previously NHS Westminster	3,984
1,181	West London Clinical Commissioning Group	1,124
12,502		**12,032**
	Expenditure met from the pooled budget:	
6,155	Westminster City Council	6,807
4,190	Central London Clinical Commissioning Group – previously NHS Westminster	3,916
1,181	Central and North West NHS Mental Health Trust	1,104
11,526		**11,827**
976	Net surplus/(deficit) arising on the pooled budget during the year	205
976	**Westminster City Council share of the net surplus/(deficit) arising on the pooled budget**	**117**

Note 34 Pooled Budgets (continued)

Pooled Budget for residual Westminster Adults Services.
An annual agreement between Westminster City Council and West London and Central London Clinical Commissioning Group concluded on 31 March 2015. The purpose of the agreement is to jointly commission adult social care services. The arrangement is made in accordance with Section 75 of the National Health Service Act 2006 and any surplus or deficit generated will be the responsibility of the respective partner who it is attributable to. The pooled budget is hosted by Westminster City Council on behalf of the other two partners in line with the agreement.

2013/14 £000		2014/15 £000
	Funding provided to the pooled budget:	
12,885	Westminster City Council	13,236
9,101	Central London Clinical Commissioning Group – previously NHS Westminster	8,459
100	West London Clinical Commissioning Group	2,386
22,087		**24,081**
	Expenditure met from the pooled budget:	
13,183	Westminster City Council	12,394
9,590	Central London Clinical Commissioning Group – previously NHS Westminster	8,156
100	West London Clinical Commissioning Group	2,301
22,872		**22,851**
(786)	Net surplus/(deficit) arising on the pooled budget during the year	1,229
532	**Westminster City Council share of the net surplus/(deficit) arising on the pooled budget**	**958**

Note 35 Members' Allowances

The Council paid allowances to its members in 2014/15 of £0.932m (2013/14 £0.887m).

Note 36 Officers' Remuneration

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

2014/15	Notes	Salary, Fees and Allowances	Private Health Insurance / Benefits in Kind	Deferred Pay	Expenses	Compensation for Loss of Office	Pension Contributions	Total
		£	£	£	£	£	£	£
Chief Executive – C Parker		200,094	–	43,923	152	–	–	**244,169**
Executive Director City Management and Communities – L Penny	A	126,793	6,747	14,088	–	–	29,882	**177,510**
Executive Director City Management and Communities – S Love	A	11,328	–	–	–	–	2,334	**13,662**
Strategic Director Built Environment – R MacQueen	B	44,135	2,951	14,712	–	147,813	–	**209,611**
Executive Director of Growth, Planning and Housing – B Denton		136,250	2,808	16,037	499	–	31,975	**187,570**
Executive Director of Policy, Performance and Communications – J Corkey		115,655	4,347	11,740	(130)	–	26,580	**158,192**
Section 151 Officer – S Mair	C	81,979	–	9,109	6,154	–	17,954	**115,195**
Acting Section 151 Officer – A D'Alessandro	D	34,837	413	–	62	–	7,267	**42,579**
Chief Operating Officer – B Moorhouse	E	–	–	–	–	127,570	–	**127,570**
Director of Public Health – M Peachey	F & G	94,101	–	–	–	–	19,385	**113,486**
Acting Director of Public Health – E Hrobonova	F & H	29,530	–	–	–	–	3,076	**32,606**

Page 132

Note 36 Officers' Remuneration (continued)

2013/14	Notes	Salary, Fees and Allowances	Private Health Insurance / Benefits in Kind	Deferred Pay	Expenses	Compensation for Loss of Office	Pension Contributions	Total
		£	£	£	£	£	£	£
Chief Executive – M More	I	151,787	–	56,347	126	–	–	**208,260**
Chief Executive – C Parker	J	45,663	–	5,528	6,373	–	–	**57,564**
Strategic Director City Management – L Penny		133,341	2,808	14,011	–	–	22,063	**172,223**
Strategic Director Built Environment – R MacQueen		88,269	5,215	9,808	607	–	–	**103,899**
Strategic Director of Housing – B Denton		132,341	2,808	14,011	–	–	27,514	**176,674**
Acting Section 151 Officer – A D'Alessandro	D	76,944	922	8,093	330	–	16,172	**102,462**
Chief Operating Officer – B Moorhouse	E	81,082	2,407	18,147	528	45,967	–	**148,130**
Director of Public Health – P Brambleby	F & K	144,425	–	–	–	–	–	**144,425**
Director of Public Health – S Atkinson	F & L	48,100	–	–	–	–	–	**48,100**

Note 36 Officers' Remuneration (continued)

NOTES

A. Part year post reported. Stuart Love was appointed Executive Director of City Management and Communities on 27 February 2015. Leith Penny retired on 16 April 2015.

B. Part year post reported. Rosemarie MacQueen left the Council on 30 September 2014.

C. Part year post reported. Steven Mair was appointed as Section 151 Officer on 7 July 2014.

D. Part year post reported. Anna D'Alessandro was appointed as acting Section 151 Officer on 16 July 2013 until 6 July 2014.

E. Part year post reported. Barbara Moorhouse left the Council on 15 July 2013.

F. The Director of Public Health is engaged or employed by Westminster City Council. The costs of this post are shared between the London Borough of Hammersmith & Fulham, the Royal Borough of Kensington & Chelsea and the City of Westminster. The share was 30.9% RBKC; 29.1% LBHF: 40.0% Westminster.

G. Part year post reported. Meradin Peachey was appointed on 10 March 2014 and left on 4 January 2015.

H. Part year post reported. Eva Hrobonova (Deputy Director of Public Health has been acting up in the Director role For Westminster since 4 January 2015.

I. Part year post reported. Mike More left the Council on 31 December 2013.

J. Part year post reported. Charlie Parker was appointed on 13 January 2014.

K. Part year post reported. Peter Brambleby occupied this role on a contract basis from 10 June 2013 to 8 December 2013.

L. Part year post reported. Sue Atkinson occupied this role on a contract basis from 4 December 2013 to 31 March 2014.

M. The Tri-borough Executive Director of Adult Social Care is employed by the London Borough of Hammersmith & Fulham. The costs of this post are shared between the London Borough of Hammersmith & Fulham, the Royal Borough of Kensington & Chelsea and the City of Westminster. The share was 21.2% RBKC: 46.3% LBHF: 32.5% Westminster. Further details are available in the London Borough of Hammersmith & Fulham annual accounts which are available at: *lbhf.gov.uk/Directory/Council_and_Democracy/Plans_performance_and_statistics/Statement_of_accounts/68526_Statement_of_accounts.asp#0*

N. The Tri-borough Executive Director of Children's Services is employed by the Royal Borough of Kensington & Chelsea. The costs of this post are shared between the London Borough of Hammersmith & Fulham, the Royal Borough of Kensington & Chelsea and the City of Westminster. The share was 33.3% RBKC; 33.3% LBHF; 33.3% Westminster. Further details are available in the Royal Borough of Kensington and Chelsea's annual accounts which are available at: *rbkc.gov.uk/Councilanddemocracy/howtheCouncilmanagesmoney.aspx#statements*

O. As part of a secondment agreement Jane West was appointed Bi-Borough Executive Director of Corporate Services for 2014/15 and has taken on line management for City of Westminster's Directors for HR, Legal Services, Information Services and Procurement as well as taking on line management of the Tri-borough Chief Information Officer and the Bi-borough Directors of HR and Legal. For 2014/15 support for Westminster was calculated as being 19% from 1 April 2014 to 30 June 2014 and 20% from 1 July 2014 to 31 March 2015.

Note 36 Officers' Remuneration (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:

2013/14 No of Employees	Remuneration Band	2014/15 No of Employees
125	£50,000–£54,999	137
56	£55,000–£59,999	57
53	£60,000–£64,999	39
23	£65,000–£69,999	42
22	£70,000–£74,999	26
16	£75,000–£79,999	12
8	£80,000–£84,999	7
14	£85,000–£89,999	13
8	£90,000–£94,999	10
5	£95,000–£99,999	2
1	£100,000–£104,999	6
1	£105,000–£109,999	4
7	£110,000–£114,999	1
2	£115,000–£119,999	2
–	£120,000–£124,999	–
2	£125,000–£129,999	4
–	£130,000–£134,999	–
1	£135,000–£139,999	–
–	£140,000–£144,999	1
–	£145,000–£149,999	–
–	£150,000–£154,999	–
–	£200,000–£204,999	–
–	£205,000–£209,999	–
344	**Total**	**363**

The 2013/14 number of employess have been adjusted to include teachers.

Note 36 Officers' Remuneration (continued)

EXIT PACKAGES

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

(b) Number of compulsory redundancies	(c) Number of other departures agreed	(d) Total number of exit packages by cost band [(b) + (c)]	(e) Total cost of exit packages in each band £'000	(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies	(c) Number of other departures agreed	(d) Total number of exit packages by cost band [(b) + (c)]	(e) Total cost of exit packages in each band £'000
2013/14	2013/14	2013/14	2013/14		2014/15	2014/15	2014/15	2014/15
51	-	51	199	£0 – £20,000	94	–	94	812
8	-	8	229	£20,001 – £40,000	30	–	30	885
3	-	3	156	£40,001 – £60,000	6	–	6	296
1	-	1	62	£60,001 – £80,000	4	–	4	284
1	-	1	95	£80,001 – £100,000	2	–	2	181
1	-	1	124	£100,001 – £150,000	4	–	4	506
–	-	–	–	£150,001 – £200,000	1	–	1	195
65	**-**	**65**	**865**	**Total**	**141**	**–**	**141**	**3,159**

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

Note 37 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 to non-audit services provided by the Council's external auditors:

2013/14 £'000		2014/15 £'000
245	Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	248
–	Fees payable to KPMG for additional resources	31
40	Fees payable to KPMG for the certification of grant claims and returns for the year	34
–	Rebate received from Audit Commission for prior years from efficient management of Commission's closure	(59)
61	Fees payable in respect of other services provided by KPMG during the year relating to objections.	15
5	Fees payable in respect of other services provided by Audit Commission (Legal advice to KPMG relating to objections)	5
351	**Total**	**274**

Note 38 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 School Finance (England) Regulations 2011.

The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the Schools Budget funded by DSG receivable for 2014/15 are as follows:

	Central Expenditure £'000	ISB £'000	Total 2014/15 £'000	Total 2013/14 £'000
Final DSG for 2014/15 before Academy Recoupment			**124,212**	**127,186**
Academy figure recouped for 2014/15			**(40,988)**	(39,376)
Total DSG after Academy recoupment for 2014/15			**83,224**	87,810
Brought forward from 2013/14			**3,773**	1,378
Carry forward to 2015/16 agreed in advance			**(3,773)**	(1,378)
Final agreed initial budgeted distribution for 2014/15	**15,517**	**67,707**	**83,224**	**87,810**
In year adjustments	(261)	261	**–**	–
Final budgeted distribution for 2014/15	**15,256**	**67,968**	**83,224**	**87,810**
Less Actual central expenditure	(12,058)	–	**(12,058)**	(19,551)
Less Actual ISB deployed to schools	–	(67,968)	**(67,968)**	(65,864)
Plus Local authority contribution	–	–	**–**	–
(Over)/underspend carried forward	**3,198**	**–**	**3,198**	**2,395**
Total DSG Carried Forward (2013/14 + 2014/15)			**6,971**	**3,773**

Note 39 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

2013/14 £'000		2014/15 £'000
	Credited to Taxation and Non Specific Grant Income	
118,683	Revenue Support Grant	96,283
57,243	NNDR Safety Net	75,140
6,380	New Homes Bonus	8,250
1,626	Education Services Grant	1,610
156	Local Services Support Grant	160
708	Welfare Burdens – Benefit Grant	–
669	S31 – New Homes Bonus	269
626	S31 – Capital Provision Redistribution Grant	–
1,927	Other Grants Credited to Taxation and Non Specific Grant Income	637
188,018		**182,350**

Page 139

Note 39 Grant Income (continued)

2013/14 £'000		2014/15 £'000
	Credited to Services	
3,381	Collection Allowance – NNDR & BSR	3,324
4,674	Discretionary Housing Payments Grant	4,805
86,391	DSG Schools Grant	83,224
–	Health Reform Grant	873
4,273	Housing & C Tax Admin	3,902
227,261	Housing Benefits Subsidy	224,429
10,593	LSC Grant	10,674
26,386	Public Health Grant	27,742
425	Public Service Transformation Grant	486
4,783	Pupil Premium Grant	5,846
1,527	Troubled Families Programme	571
280	Bed & Breakfast Grant	–
1,145	Young Persons Learning Grant	756
632	Youth Justice Grant	711
1,676	Other Grants	46,579
373,427		413,920
561,445	**Total**	**596,270**

2013/14 values have been restated. Please see Note 54 for details.

Note 39 Grant Income (continued)

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

Restated 31 March 2014 £'000		31 March 2015 £'000
	Capital Grants Receipts in Advance (Non-Current)	
11,239	S106 / S278 Contributions	11,905
8,897	Transportation and Infrastructure External Funding	4,300
1,062	Transport for London Grants	4,384
11,706	Building Schools for the Future	–
485	Childrens Standards Fund	–
213	PCT Funding	–
1,222	DFES Childcare Grant	–
2,732	Other Government Grants	1,889
–	Other Grants and Contributions	2,679
37,556	**Total**	**25,157**

Restated 31 March 2014 £'000		31 March 2015 £'000
	Deposits and Receipts in Advance (Current)	
8,943	Central Government Bodies	3,694
32,969	Collection Fund Receipts in Advance	43,509
–	NHS Bodies	25
4,667	Other entities and individuals	8,163
46,579	**Total**	**55,391**

2013/14 values have been restated. Please see Note 54 for full details.

Note 40 Related Party Transactions

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

CENTRAL GOVERNMENT

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates. It provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from Government departments are set out in the analysis in Note 39.

MEMBERS

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 35.

During 2014/15 works and services to the value of £0.7m were commissioned from Westminster Mind, of which co-opted Member Janice Horsman is CEO. Councillor Ruth Bush is an appointee of Westminster SACRE and Chair of Westminster Faith Exchange, for both of which her officer time spent is material for their organisations.

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

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

OFFICERS

Ben Denton, Executive Director of Growth, Planning and Housing, is a director of Westminster Community Homes, an entity which delivers the Council's housing renewal programme and wider City Council housing strategy.

Officers Ben Denton and Matthew Blades are Directors of Hub Make Lab CIC.

Other Public bodies (subject to common control by Central Government)

The Council has pooled budget arrangements which are disclosed in Note 34.

The Council has entered into joint working arrangements with neighbouring local authorities which are disclosed in Note 3 – Critical Judgements in applying Accounting Policies.

Entities Controlled or Significantly Influenced by the Council

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

Note 40 Related Party Transactions (continued)

The Council's subsidiary companies are as follows:

City West Homes Ltd

a) Nature of the business

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

b) Relationship with the Council

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

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

The total number of Board members is 13, of which the Council has four, but the Council can appoint and remove any members.

c) Financial performance

For 2014/15, the company's results showed a loss of £0.164m (£0.254m loss in 2013/14), and net liabilities of £20.279m (£13.345m at 31 March 2014). The net liabilities reflect a pension deficit of £21.053m (£14.005m at 31 March 2014) which is covered by a guarantee from the Council.

d) Related Party Officers/Members

Four Members of the Council are Board Members at City West Homes: Councillor Adams, Councillor Mukerji, Councillor Holloway and Councillor Harvey.

Westminster Community Homes

a) Nature of the business

The company is a housing development vehicle for the Council.

b) Relationship with the Council

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

Loans outstanding from the Council to the company total £10.463m (£4.778m at 31 March 2014).

c) Financial performance

For 2014/15, the company's results showed a profit of £1.042m (£4.847m in 2013/14), and net liabilities of £13.634m (£12.592m at 31 March 2014).

d) Related Party Officers/Members

For the financial year 2014/15, Officer B. Denton and Councillor Rigby were Board Members.

WestCo Trading Ltd

a) Nature of the business

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

b) Relationship with the Council

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

c) Financial performance

For 2014/15, the company's results showed a surplus of £0.054m (£0.128m in 2013/14), and net assets of £0.903m (£0.849m at 31 March 2014).

d Related Party Officers/Members

For the financial year 2014/15, Councillor Devenish was the chairman of Westco Trading Limited. Officers I. Farrow, J. Corkey, D. Williams, N. Wholey and P. Glynne were directors of the company.

Note 40 Related Party Transactions (continued)

Soho Create Ltd

a) Nature of the business

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

b) Relationship with the Council

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

During the year 63,834 additional shares were issued which reduced the Council's shareholding from 68.7% to 54.1%. There has been no loss of control by the Council.

Loans outstanding from the Council are £0.172m (£0.150m at 31 March 2014).

c) Financial performance

For 2014/15, the company's results showed a loss of £0.144m (£0.336m loss in 2013/14), and net assets of £0.085m (£0.076m net liabilities at 31 March 2014).

d) Related Party Officers/Members

There were no related party Officers/ Members during 2014/15

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.

The Council has provided a conditional grant of £0.300m and loans outstanding from the Council are £0.170m (£0.090m at 31 March 2014).

c Financial performance

Financial results for 2014/15 have yet to be reported. The company's results for 2013/14 showed a loss of £0.240m (£0.201m loss in 2012/13), and net assets of £0.360m at 31 March 2014 (£0.608m at 31 March 2014).

d Related Party Officers/Members

For the financial year 2014/15, Officers M. Blades and B. Denton were Directors of the Company.

Note 41 Capital Expenditure and Capital Financing

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

2013/14 £'000		2014/15 £'000
370,506	Opening Capital Financing Requirement	383,389
–	Adjustment to opening CFR	15,708
370,506	**Revised Opening CFR**	**399,097**
	Capital investment	
94,859	Property, Plant and Equipment	124,418
1,314	Investment Properties	26,102
1,020	Intangible Assets	364
	Items from bfwd WIP written out to revenue	(1,132)
7,653	Revenue Expenditure Funded from Capital under Statute	33,778
	Sources of finance	
(3,787)	Capital Receipts	(8,048)
(51,827)	Government grants and other contributions	(58,423)
	Sums set aside from revenue	
(2,480)	Direct revenue contributions	(35,009)
(6,860)	Leaseholders Contributions (HRA)	–
(17,239)	Major Repairs Allowance	(16,592)

Note 41 Capital Expenditure and Capital Financing (continued)

2013/14 £'000		2014/15 £'000
	Debt repayment	
(7,515)	Capital Receipts applied to reduce existing Capital Financing Requirement	(1,532)
(531)	Minimum Revenue Provision	(4,301)
(1,724)	Minimum Revenue Provision PFI & Finance Lease	(2,141)
383,389	**Closing Capital Financing Requirement**	**456,581**
	Explanation of movements in year	
22,653	Increase in underlying need to borrowing (unsupported by government financial assistance)	65,458
(7,515)	Capital Receipts applied to reduce existing Capital Financing Requirement	(1,532)
(531)	Statutory provision for repayment of debt (Minimum Revenue Provision)	(4,301)
(1,724)	Statutory provision for PFI & Finance Lease debt (Minimum Revenue Provision)	(2,141)
12,883		**57,484**

Note 42 Leases

COUNCIL AS LESSEE

Finance Leases

The Council has two properties under a finance lease arrangement along with the waste management fleet vehicles. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31-Mar-14		31-Mar-15
£'000		£'000
14,377	Other Land and Buildings	14,060
5,386	Vehicles, Plant, Furniture and Equipment	3,590
19,763		**17,650**

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

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

31 March 2014			31 March 2015	
Minimum Lease Payment	Finance lease Payments		Minimum Lease Payment	Finance lease Payments
£'000	£'000		£'000	£'000
4,465	2,602	Not later than one year	4,465	2,085
10,082	4,660	Later than one year and not later than five years	6,195	3,152
29,989	25,765	Later than five years	29,412	25,189
44,536	**33,027**		**40,072**	**30,425**

Operating Leases

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

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

31 March 2014		31 March 2015
£'000		£'000
9,229	Not later than one year	25,377
17,466	Later than one year and not later than five years	20,281
32,897	Later than five years	617,705
59,592	**Total**	**663,363**

Note 42 Leases (continued)

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

31 March 2014		31 March 2015
£'000		£'000
28,711	Minimum lease payments	25,545
751	Contingent rents	877
(28,710)	Sublease payments receivable	(29,016)
752	**Total**	**(2,593)**

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 2014		31 March 2015
£000		£000
20,604	Minimum lease payments	22,545
72,827	Contingent rents	79,237
315,039	Sublease payments receivable	610,595
408,470		**712,377**

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 43 Service Concessions

Under the Haven PFI scheme, the operator provided the Council with a new nursing home at Forrester Court. The Council occupies the majority of the beds (max 90 and min 78) and a small element (approx 20 beds) is sold to the market place by the operator. Westminster City Council is freeholder of the land. The operator valued the building at £4.2 million at bid and contract stage. There is no fixed unitary charge but the Council is charged per bed and they must use the max 90 bed allocation (78 guaranteed) otherwise adjustments to charges are made. The Council however retains control of the building and title passes to the Council at the end of the lease term.

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. The Council provided the operator with a site for demolition and development with a lease for 99 years and the Council retains 100% nomination rights and therefore controls the asset. Notting Hill Housing Trust receive the income generated from the asset.

The underlying asset is recognised in the Council's balance sheet.

The financial position is shown net in the Council's accounts.

	31 March 2014 £'000	31 March 2015 £'000
Balance outstanding at start of the year	8,693	8,436
Capital expenditure incurred in the year	(383)	(383)
Other movements	126	94
Balance outstanding at year end	**8,436**	**8,147**

Assets acquired under a PFI and similar contract that are recognised on the authority's Balance Sheet are subject to MRP in the same way as assets acquired by other forms of borrowing.

Obligations under PFI contracts include:

	Reimbursement of Capital Expenditure £'000	**Interest** £'000	**Total** £'000
Payable in 2015/16	383	(92)	291
Payable within 2 to 5 years	1,531	(227)	1,304
Payable within 6+ years	6,569	(17)	6,552
Total	**8,483**	**(336)**	**8,147**

Note 44 Impairment Losses

There were no impairment losses during the year.

HRA dwellings are valued annually at open market value (vacant possession) which is then discounted to account for the cost of making the units available for only social housing. In 2010/11, Council Dwellings incurred an impairment loss of £345.7m following the change in social housing discount factor from 37% to 25%, in 2013/14 a total of £169.2m was reversed using the in year revaluation gains and a further £145.3m in 2014/15.

Note 45 Capitalisation of Borrowing Costs

The Council has not capitalised any borrowing costs in the year.

Note 46 Termination Benefits

The Council terminated the contracts of 141 employees in 2014/15. Of the total payment/ liability of £3.159m (Note 36 refers), £0.701m related to the enhancement of retirement benefits for 22 officers.

Note 47 Pensions Schemes accounted for as Defined Contribution Schemes

TEACHERS' PENSION 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 costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014/15 the Council paid £3.5m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £3.7m and 14.1%. There were no contributions remaining payable at the year-end. The Council is responsible for costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in the note on Defined Benefit Pension Schemes.

NHS PENSION SCHEME

Westminster staff that have transferred into the Council from the NHS as a result of the Public Health Reform effective from 1st April 2013 are entitled to retain 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 technically a defined benefit scheme. However, the Scheme is unfunded and the Council is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014/15 the Council paid £0.140m to NHS Pensions Scheme in respect of retirement benefits for WCC employees formerly employed by the NHS, representing 14% of pensionable pay. The figures for the previous year were £0.165m and 14%. There were no contributions remaining payable at the year-end.

Note 48 Defined Benefit Pension Schemes

PARTICIPATION IN PENSION SCHEMES

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

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

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

The two pensions funds which the Council participates in are:

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

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

Note 48 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 2014 £'000	LPFA Pension Scheme 31 March 2014 £'000	Comprehensive Income and Expenditure Statement	WCC Pension Scheme 31 March 2015 £'000	LPFA Pension Scheme 31 March 2015 £'000
		Cost of Services		
		Service Cost Comprising:		
18,128	27	Current service cost	19,757	38
522	–	Past service cost	650	–
(1,587)	–	(Gain)/Loss from settlements	(72)	–
498	29	Administration Expenses	493	31
		Finance and investment income and expenditure:		
21,842	158	Net interest expense	21,272	56
39,403	**214**	**Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services**	**42,100**	**125**

Note 48 Defined Benefit Pension Schemes (continued)

31 March 2014			31 March 2015	
WCC Pension Scheme	**LPFA Pension Scheme**	**Other Post employment benefits charged to the Comprehensive Income and Expenditure Statement**	**WCC Pension Scheme**	**LPFA Pension Scheme**
£'000	£'000		£'000	£'000
		Remeasurement of the net defined benefit liability comprising:		
(18,330)	(51)	Return on plan assets (excluding the amount included in the net interest expense)	(41,610)	(528)
(15,805)	436	Actuarial gains and losses arising on changes in demographic assumptions	–	–
10,626	(1,419)	Actuarial gains and losses arising on changes in financial assumptions	148,967	1,939
5,127	(2,997)	Other (if applicable)	–	–
		Total actuarial Gains		
(29,659)	552	Experience gain/(loss) on defined benefit obligation	181	–
(48,041)	**(3,479)**	**Total Post Employment Benefits Charged to other Comprehensive Income and Expenditure Statement**	**107,538**	**1,411**
		Movement in Reserves Statement		
(39,403)	(214)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(42,100)	(125)
		Actual amount charged against the General Fund Balance for pensions in the year:		
15,900	**120**	**Employers contributions payable to scheme**	**17,730**	**132**

Note 48 Defined Benefit Pension Schemes (continued)

PENSIONS ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET

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

31 March 2014			31 March 2015	
WCC Pension Scheme	LPFA Pension Scheme		WCC Pension Scheme	LPFA Pension Scheme
£'000	£'000		£'000	£'000
1,111,682	22,163	Present value of the defined benefit obligation	1,296,801	23,699
(617,017)	(20,730)	Fair value of plan assets	(669,911)	(20,862)
494,665	**1,433**	**Net liability arising from the funded defined benefit obligation**	**626,890**	**2,837**
(2,785)	(1)	Present Value of unfunded obligation	(3,102)	(1)
491,880	**1,432**	**Net liability arising from the defined benefit obligation**	**623,788**	**2,836**

Note 48 Defined Benefit Pension Schemes (continued)

RECONCILIATION OF THE MOVEMENTS IN FAIR VALUE OF PLAN ASSETS

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

31 March 2014			31 March 2015	
WCC Pension Scheme	LPFA Pension Scheme		WCC Pension Scheme	LPFA Pension Scheme
£'000	£'000		£'000	£'000
599,172	19,186	Opening fair value of scheme assets	617,017	20,730
25,330	599	Interest income	26,821	826
		Expected Return on fund assets	–	–
		Remeasurement gain/(loss):		
18,330	51	Return on plan assets, excluding the amount included in the net interest expense	41,610	528
(5,127)	2,997	Other	–	–
		Total actuarial gains/(losses)	–	–
(498)	(29)	Administration Expenses	(493)	(31)
–	–	Effect of changes in foreign exchange rates	–	–
15,900	120	Contributions from employer	17,730	132
5,592	5	Contributions from employees into the scheme	6,233	7
(40,031)	(2,199)	Benefits paid:	(39,003)	(1,330)
(1,651)	–	Other	(4)	–
617,017	**20,730**	**Closing fair value of assets**	**669,911**	**20,862**

Note 48 Defined Benefit Pension Schemes (continued)

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

31 March 2014			31 March 2015	
WCC Pension Scheme	LPFA Pension Scheme		WCC Pension Scheme	LPFA Pension Scheme
£'000	£'000		£'000	£'000
1,115,590	24,003	Opening Balance at 1st April	1,108,897	22,162
18,128	27	Current Service Cost	19,757	38
47,172	757	Interest Cost	48,093	882
5,592	5	Contributions from Scheme Participants	6,233	7
		Remeasurement (gains) and losses:		
(15,805)	436	Actuarial gains/losses arising from changes in demographic assumptions	–	–
10,626	(1,419)	Actuarial gains/losses arising from changes in financial assumptions	148,967	1,939
(29,659)	552	Experience loss/(gain) on defined benefit obligation	181	–
522	–	Losses/(gains) on curtailment (where relevant)	650	–
(40,031)	(2,199)	Benefits Paid	(39,003)	(1,330)
(3,238)	–	Liabilities extinguished on settlements (where relevant)	(76)	–
1,108,897	**22,162**	**Closing Balance at 31st March**	**1,293,699**	**23,698**

Note 48 Defined Benefit Pension Schemes (continued)

LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPRISED:

31 March 2014			31 March 2015	
WCC Pension Scheme			WCC Pension Scheme	
£'000	%		£'000	%
8,879	1%	Gilts – UK	11,155	2%
58,554	9%	Corporate Bonds – UK	73,766	11%
9,318	2%	Corporate Bonds – Overseas	8,151	1%
122,641	20%	Listed Equities – UK	–	0%
35,802	6%	Listed Equities – Overseas	–	0%
89,137	14%	Unlisted Equities – UK	155,155	23%
221,270	36%	Unlisted Equities – Overseas	346,243	52%
24,681	4%	Property	57,976	9%
9,632	2%	Pooled Fixed Interest	8,302	1%
83	0%	Derivatives	243	0%
5,002	1%	Investment Debtors	1,709	0%
27,355	4%	Cash	6,122	1%
5,199	1%	Net Current Assets – debtors	3,331	0%
(536)	0%	Net Current Assets – creditors	(2,242)	0%
617,017	**100%**	**Total**	**669,911**	**100%**

Note 48 Defined Benefit Pension Schemes (continued)

31 March 2014			31 March 2015	
LPFA Pension Scheme			LPFA Pension Scheme	
£'000	%		£'000	%
10,987	53%	Equities	9,051	43%
1,244	6%	LDI/ Cashflow matching	1,566	8%
6,219	30%	Target Return Portfolio	6,031	29%
829	4%	Infrastructure	1,034	5%
207	1%	Commodities	194	1%
622	3%	Property	591	3%
622	3%	Cash	2,395	11%
20,730	**100%**	**Total**	**20,862**	**100%**

a: All scheme assets have quoted prices in active markets

b: The risks relating to assets in the scheme are also analysed by company size:

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

Note 48 Defined Benefit Pension Schemes (continued)

The significant assumptions used by the actuary have been:

31 March 2014			31 March 2015	
WCC Pension Scheme	LPFA Pension Scheme		WCC Pension Scheme	LPFA Pension Scheme
		Mortality assumptions:		
		Longevity at 65 for current Pensioners (years):		
22.0	21.1	Men	22.1	21.2
25.1	24.1	Women	25.2	24.2
		Longevity at 65 for future Pensioners (years):		
24.1	23.5	Men	24.2	23.6
27.4	26.4	Women	27.6	26.5
3.6%	3.4%	Rate of Inflation (RPI)	3.2%	2.9%
2.8%	2.6%	Rate of Inflation (CPI)	2.4%	2.1%
4.6%	4.4%	Rate of Increase in salaries	4.2%	3.9%
2.8%	2.6%	Rate of increase in pensions	2.4%	2.1%
4.4%	4.1%	Rate for discounting scheme liabilities	3.3%	2.9%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis on page 150 have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis on page 150 did not change from those used in 2013/14.

Note 48 Defined Benefit Pension Schemes (continued)

IMPACT ON THE DEFINED BENEFIT OBLIGATION IN THE SCHEME:

	WCC Pension Scheme	
	Increase in Assumption	Decrease in Assumption
	£'000	£'000
Longevity (increase or decrease in 1 year)	46,166	(46,606)
Rate of inflation (increase or decrease by 0.1%)	(20,559)	20,198
Rate of increase in salaries (increase or decrease by 0.1%)	(2,367)	2,351
Rate of increase in pensions (increase or decrease by 0.1%)	(20,559)	20,198
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	22,333	(22,747)

IMPACT ON THE COUNCIL'S CASH FLOWS

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

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

The Council expect to pay £18.069m employer contributions to the scheme in 2015/2016.

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

- for members of the WCC pension fund – 18 years, 2014/15 (18 years 2013/14); and
- for members of the LPFA pension fund – 13 years, 2014/15 (13 years 2013/14).

Note 49 Contingent Liabilities

City West Homes, a wholly owned subsidiary of Westminster City Council, has a pension deficit of £21.05m as at 31 March 2015. This represents a contingent liability for Westminster City Council because, in the event of the failure of City West Homes, the responsibility for making good any funding shortfall would fall back on Westminster City Council.

The Council has entered into an agreement with Veolia ES Ltd, through a special purpose vehicle Veolia ES Westminster Vehicles Ltd, to ensure that the Council retains the use of 41 'Front Line' vehicles in the event of the premature termination of the waste collection contract. The Council may be required to purchase the vehicles if the contract is terminated or at the end of the contract period in September 2017. As at 15th September 2014 these vehicles had a net book value of £3.5m.

The main Paddington LTVA construction contract and scheme has been completed but there are a number of issues which have arisen resulting in a contingent liability for Westminster of £0.69m. 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. Closure can be achieved through a settlement of the claim or if 12 years have passed from the date of the submission of the claim without it being referred to an arbitrator. This position is expected to be reached at the end of 2018.

A contingent liability has been disclosed on a possible obligation to pay £0.87m for rent and service charges unpaid on car parking spaces let between October 2002 and October 2008. As the claim was made in October 2014, it is likely that the statute of limitations will preclude this element of the claim.

A contingent liability exists with the NHS in respect of a legacy contract that was transferred to the authority on 1 April 2013. This has a value of up to approximately £0.13m and results from on-going negotiations in respect of a claim by the NHS Trust for reimbursement of inflation related costs. This claim was rejected by the authority on the basis that the contract does not automatically provide for such increases. The NHS Trust however intends to review its position and has signalled that following this review it may seek to remodel the structure of the service, whilst maintaining outcomes, in order to mitigate the Trust's claimed additional costs.

Note 50 Contingent Assets

In connection with the sale of Dolphin Square, a company – the Dolphin Square Company – was set up to manage tenants' rights. The Company was part funded by a proportion of the Council's proceeds. 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.

The Council has agreed to developments at North Wharf Road, Moxon Street, Chiltern Street, 42 Westbourne Park Road and Cleveland Street. As a result, the Council potentially will be able to benefit from a share of profits above a certain threshold resulting from the value enhancement associated with these schemes. The amounts and timings of these receipts will depend on market conditions.

For both items it is not possible to quantify their value at this point in time, therefore they are included as contingent assets.

Note 51 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 51 Nature and Extent of Risk (continued)

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

31 March 2014			31 March 2015	
Available for Sale	Loans and receivables	Fitch Rating	Available for Sale	Loans and receivables
£'000	£'000		£'000	£'000
15,838	126,000	AAA	45,442	150,039
242,179	10,000	AA+	99,561	30,700
9,990	49,246	AA	19,994	–
–	25,000	AA-	–	84,283
–	–	A+	–	–
–	123,398	A	–	108,656
26,475	–	NA	16,432	50,001
294,484	**333,644**		**181,430**	**423,678**

The credit quality of debtors is reflected in the level of the bad debt provision for trade debtors shown in Note 19.

The Council does not generally allow credit for customers, such that £4m of the £16m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31 March 2014		31 March 2015
£'000		£'000
13,785	Less than three months	13,957
877	Three to six months	901
385	Six months to one year	755
1,145	More than one year	197
16,192		**15,810**

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 2014		31 March 2015
£'000		£'000
1,344	Less than one year	33,902
31,788	Between one and two years	56
30,247	Between two and five years	30,191
40,629	Maturing in five to ten years	40,627
180,646	Maturing in more than ten years	180,646
284,654		**285,422**

Note 51 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 investments being short-term or at variable rates of interest. Consequently falls in interest rates will have an adverse impact on the Council's finances.

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

Applying the Council's assessment, at 31 March 2015, if interest rates had been 1% lower with all other variables held constant, the financial effect would be:

31 March 2014 £'000		31 March 2015 £'000
(6)	Decrease in interest payable on variable rate borrowings	–
2,805	Decrease in interest receivable on variable rate investments	1,192
2,799	**Impact on Surplus or Deficit on the Provision of Services**	**1,192**

Price Risk

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

Foreign Exchange Risk

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

Note 52 Trust Funds

The Council acts as trustee for other funds shown below, which are not included in the accounts.

	Note	31 March 2014	Expenditure	Income	31 March 2015
		£'000	£'000	£'000	£'000
City of Westminster Charitable Trust	A	(57)	19	(6)	(44)
Sir John Hunt's Gift	B	(30)	–	–	(30)
Harvist Fund	C	(121)	62	(52)	(111)
Arundel Street Trust	C	(12)	–	–	(12)
Education Trust Funds	D	(81)	–	(3)	(84)
Other Funds		(13)	–	–	(13)
Total	**E**	**(314)**	**81**	**(61)**	**(294)**

NOTES:

A. These funds are used mainly for donations to local charities and voluntary organisations operating within Westminster and to support Christmas activities for the elderly.

B. This fund was set up for making grants to reduce hardship of former employees of Westminster Council.

C. These funds are used for one-off grants (not exceeding £5,000 per grant) to voluntary organisations.

D. The Education Trust Funds are used for prize giving purposes by schools. No applications for assistance were received during the year.

E. These Trust Funds are not audited by the Council's appointed Auditor, but are audited under separate arrangements.

Note 53 Other Long Term Liabilities

Other Long Term Liabilities consists of PFI and Finance Lease liabilities (as disclosed in Note 16) as well as the Council's Pension Fund Liability (as disclosed in Note 48). The balance sheet total for Other Long Term Liabilities is analysed as follows:

31 March 2014 £'000		Note	31 March 2015 £'000
–	PFI and Finance Lease Liabilities	16	15,123
493,311	Pension Fund	48	626,623
493,311	**Total**		**641,746**

PFI and Finance Lease Liabilities were reported as long term creditors in 2013/14 (see Note 22). These have been reclassified as Other Long Term Liabilities in 2014/15.

Note 54 Prior Period Adjustments

Prior period adjustments have been made to the Council's 2013/14 published financial statements in relation to the matters below.

The impact of these changes on the Council's 2013/14 published core statements is shown in the tables following. Where disclosures have been restated in line with the adjustments, the 2013/14 column on the disclosure table is headed as 'Restated 2013/14'.

RECEIPTS IN ADVANCE

During 2014/15 the Council identified several items of funding being held as Receipts in Advance which, upon further investigation, met the criteria for recognition as income within the Comprehensive Income and Expenditure Account. During previous reporting periods it was deemed that the criteria for recognition (often grant conditions) had not been satisfied.

As a result of recognition, the 2012/13 value of Receipts in Advance was overstated by a total of £20.684m and a further £10.003m in 2013/14. These amounts have been reversed out of Receipts in Advance, through a restated Comprehensive Income and Expenditure Account (CIES) and transferred to Earmarked Reserves.

SECTION 106 CAPITAL GRANTS

Following a review in line with CIPFA guidance, it was identified that some Section 106/Section 278 Contributions recorded as capital receipts in advance did not have repayment conditions so should be recognised in the year of receipt. The outcome of the review means additional capital grant income of £64.062m in 2012/13 and £32.063m in 2013/14 needs to be recognised in the CIES. The core statements and associated notes have been restated with a cumulative impact on the balance sheet of £96.125m.

BUSINESS RATES RECEIPT IN ADVANCE

During 2014/15 the Council identified NNDR Receipts in Advance were being classified as Short Term Creditors within the Balance Sheet. As the Council discloses Receipts in Advance separately on the face of the Balance Sheet it is necessary to restate prior periods in order to allow meaningful comparison across periods. This adjustment is made through increasing the Council's Receipts in Advance balance and reducing its Short Term Creditors value on the Balance Sheet. The value restated for 2013/14 was £26.978m.

Comprehensive Income and Expenditure Statement

	Net Expenditure 13/14	Receipts in Advance now classified as Reserves	Recognition of Capital Grants	Restated Net Expenditure 13/14
	£'000	£'000	£'000	£'000
Central services to the public	65,747	1,686	–	67,433
Cultural and related services	15,164	(69)	–	15,095
Environmental and regulatory services	34,644	–	–	34,644
Planning services	7,621	132	–	7,753
Education and children services	38,396	(669)	–	37,727
Highways and transport services	25,328	(1,037)	–	24,291
Local authority housing (HRA)	(185,054)	–	–	(185,054)
Other housing services	46,259	(48)	–	46,211
Adult social care	93,572	(7,126)	–	86,446
Public Health	26	(4,419)	–	(4,393)
Corporate and democratic core	11,940	1,547	–	13,487
Non distributed costs	42	–	–	42
Material items of income and expenditure	–	–	–	–
Cost of services	**153,685**	**(10,003)**	**–**	**143,682**

Comprehensive Income and Expenditure Statement (continued)

	Net Expenditure 13/14	Receipts in Advance now classified as Reserves	Recognition of Capital Grants	Restated Net Expenditure 13/14
	£'000	£'000	£'000	£'000
Other operating expenditure	15,983	–	–	15,983
Financing & investment income & expenditure	(5,018)	–	–	(5,018)
Taxation and non – specific grant Income	(315,293)	–	(32,063)	(347,356)
(Surplus)/Deficit on Provision of Services	**(150,643)**	**(10,003)**	**(32,063)**	**(192,709)**
(Surplus)/deficit on revaluation of Property, Plant and Equipment assets	(42,161)	–	–	(42,161)
Impairment losses on non-current assets charged to the Revaluation Reserve	–	–	–	–
Actuarial gains/losses on pension assets and liabilities	(51,520)	–	–	(51,520)
	(244,324)	**(10,003)**	**(32,063)**	**(286,390)**
Items that will be reclassified to the (Surplus) or Deficit on the Provision of Services				
(Surplus)/deficit on revaluation of financial assets (Available for sale)	127	–	–	127
Other Comprehensive Income and Expenditure	–	–	–	–
Comprehensive Income & Expenditure Total	**(244,197)**	**(10,003)**	**(32,063)**	**(286,263)**

Movement in Reserves Statement

Original published 2013/14 Movement in Reserves Statement.

						Revenue Reserves
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	DSO Surpluses Account	Schools Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2013 carried forward	**32,027**	**60,291**	**93,061**	**–**	**804**	**6,921**
Movement in reserves during 2013/14						
Surplus or (deficit) on provision of services (accounting basis)	(58,296)	–	208,939	–	–	–
Other Comprehensive Income and Expenditure	–	–	–	–	–	–
Total Comprehensive Income and Expenditure	**(58,296)**	**–**	**208,939**	**–**	**–**	**–**
Adjustments between accounting basis & funding basis under regulations *	91,134	–	(208,766)	–	–	–
Net Increase / Decrease before Transfers to Earmarked Reserves	32,838	–	173	–	–	–
Transfers to / from Earmarked Reserves	(29,570)	30,554	–	–	–	(984)
Increase / Decrease In Year	3,268	30,554	173	–	–	(984)
Balance at 31 March 2014 carried forward	**35,295**	**90,845**	**93,234**	**–**	**804**	**5,937**

Movement in Reserves Statement (continued)

Capital Reserves		Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
Capital Receipts Reserve	Capital Grants Unapplied			
£'000	£'000	£'000	£'000	£'000
8,483	**10,640**	**212,227**	**1,128,121**	**1,340,348**
–	–	**150,643**	–	**150,643**
–	–	**–**	93,554	**93,554**
–	**–**	**150,643**	**93,554**	**244,197**
13,093	1,613	**(102,926)**	102,926	**–**
13,093	1,613	**47,717**	196,480	**244,197**
–	–	**–**	–	**–**
13,093	1,613	**47,717**	196,480	**244,197**
21,576	**12,253**	**259,944**	**1,324,601**	**1,584,545**

Page 171

Restated 2013/14 Movement in Reserves Statement

	Revenue Reserves					
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	DSO Surpluses Account	Schools Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2013 carried forward	**32,027**	**60,291**	**93,061**	**–**	**804**	**6,921**
Restatment	–	20,684	–	–	–	–
Capital Grants recognition	–	–	–	–	–	–
Restated Balance at 31 March 2013	**32,027**	**80,975**	**93,061**	**–**	**804**	**6,921**
Movement in reserves during 2013/14						
Surplus or (deficit) on provision of services (accounting basis) – restated	(16,230)	–	208,939	–	–	–
Other Comprehensive Income and Expenditure	–	–	–	–	–	–
Total Comprehensive Income and Expenditure	**(16,230)**	**–**	**208,939**	**–**	**–**	**–**
Adjustments between accounting basis & funding basis under regulations *	59,071	–	(208,766)	–	–	–
Net Increase / Decrease before Transfers to Earmarked Reserves – restated	42,841	–	173	–	–	–
Transfers to / from Earmarked Reserves – restated	(39,573)	40,557	–	–	–	(984)
Increase / Decrease In Year	3,268	40,557	173	–	–	(984)
Restated Balance at 31 March 2014 carried forward	**35,295**	**121,532**	**93,234**	**–**	**804**	**5,937**

Restated 2013/14 Movement in Reserves Statement (continued)

Capital Reserves		Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
Capital Receipts Reserve	Capital Grants Unapplied			
£'000	£'000	£'000	£'000	£'000
8,483	**10,640**	**212,227**	**1,128,121**	**1,340,348**
–	–	**20,684**	–	**20,684**
–	64,062	**64,062**	–	**64,062**
8,483	**74,702**	**296,973**	**1,128,121**	**1,425,094**
–	–	**192,709**	–	**192,709**
–	–	**–**	93,554	**93,554**
–	**–**	**192,709**	**93,554**	**286,263**
13,093	33,676	**(102,926)**	102,926	**–**
13,093	33,676	**89,784**	196,480	**286,263**
–	–	**–**	–	**–**
13,093	33,676	**89,784**	196,480	**286,263**
21,576	**108,378**	**386,757**	**1,324,601**	**1,711,357**

Balance Sheet

	31 March 2013	Receipts in Advance now classified as Reserves	Recognition of Capital Grants	Restated 31 March 2013
	£'000	£'000	£'000	£'000
ASSETS				
Non-current				
Property, Plant and Equipment	1,668,803	–	–	1,668,803
Heritage Assets	27,000	–	–	27,000
Investment property	322,379	–	–	322,379
Intangible Assets	6,284	–	–	6,284
Long -term Investments	38,017	–	–	38,017
Other capitalised expenditure	2,286	–	–	2,286
Long -term debtors	23,610	–	–	23,610
Total long term assets	**2,088,379**	**–**	**–**	**2,088,379**
Current				
Short-term investments	205,260	–	–	205,260
Inventories	207	–	–	207
Short-term debtors	61,965	–	–	61,965
Cash and other cash equivalents	237,514	–	–	237,514
Assets held for sale	–	–	–	–
Current assets	**504,946**	**–**	**–**	**504,946**

	31 March 2013	Receipts in Advance now classified as Reserves	Recognition of Capital Grants	Restated 31 March 2013
	£'000	£'000	£'000	£'000
LIABILITIES				
Short-term borrowing	34,395	–	–	34,395
Short-term creditors	214,589	–	–	214,589
Revenue - Receipts in Advance	37,115	(20,684)	–	16,431
Current Liabilities	**286,099**	**(20,684)**	**–**	**265,415**
Long-term creditors	20,155	–	–	20,155
Provisions	37,390	–	–	37,390
Long-term borrowing	284,950	–	–	284,950
Other long-term liabilities	521,235	–	–	521,235
Donated Assets Account	–	–	–	–
Capital - Receipts in Advance	103,148	–	(64,062)	39,086
Long-term liabilities	**966,878**	**–**	**(64,062)**	**902,816**
Net assets	**1,340,348**	**20,684**	**64,062**	**1,425,094**
Total Usable Reserves	212,227	20,684	64,062	296,973
Total Unusable Reserves	1,128,121	–	–	1,128,121
Total Reserves	**1,340,348**	**20,684**	**64,062**	**1,425,094**

Balance Sheet (continued)

	Opening Restated 31 March 2014	Receipts in Advance now classified as Reserves	Recognition of Capital Grants	NNDR Creditor now classified as Receipt in Advance	Closing Restated 31 March 2014	Original 31 March 2014 for information
	£'000	£'000	£'000	£'000	£'000	£'000
ASSETS						
Non-current						
Property, Plant and Equipment	1,830,302	–	–	–	1,830,302	1,830,302
Heritage Assets	42,746	–	–	–	42,746	42,746
Investment property	340,419	–	–	–	340,419	340,419
Intangible Assets	4,699	–	–	–	4,699	4,699
Long -term Investments	39,105	–	–	–	39,105	39,105
Other capitalised expenditure	2,286	–	–	–	2,286	2,286
Long -term debtors	15,618	–	–	–	15,618	15,618
Total long term assets	**2,275,175**	**–**	**–**	**–**	**2,275,175**	**2,275,175**
Current						
Short-term investments	437,172	–	–	–	437,172	437,172
Inventories	332	–	–	–	332	332
Short-term debtors	87,936	–	–	–	87,936	87,936
Cash and other cash equivalents	158,314	–	–	–	158,314	158,314
Assets held for sale	–	–	–	–	–	–
Current assets	**683,754**	**–**	**–**	**–**	**683,754**	**683,754**

Page 176

Balance Sheet (continued)

	Opening Restated 31 March 2014	Receipts in Advance now classified as Reserves	Recognition of Capital Grants	NNDR Creditor now classified as Receipt in Advance	Closing Restated 31 March 2014	Original 31 March 2014 for information
	£'000	£'000	£'000	£'000	£'000	£'000
LIABILITIES						
Short-term borrowing	1,344	–	–	–	1,344	1,344
Short-term creditors	311,755	–	–	(26,978)	284,777	311,755
Revenue - Receipts in Advance	29,605	(10,004)	–	26,978	46,579	50,289
Current Liabilities	**342,704**	**(10,004)**	**–**	**–**	**332,700**	**363,388**
Long-term creditors	18,021	–	–	–	18,021	18,021
Provisions	82,672	–	–	–	82,672	82,672
Long-term borrowing	283,310	–	–	–	283,310	283,310
Other long-term liabilities	493,311	–	–	–	493,311	493,311
Donated Assets Account	–	–	–	–	–	–
Capital - Receipts in Advance	69,619	–	(32,063)	–	37,556	133,681
Long-term liabilities	**946,933**	**–**	**(32,063)**	**–**	**914,870**	**1,010,995**
Net assets	**1,669,292**	10,004	32,063	**–**	**1,711,359**	**1,584,546**
Total Usable Reserves	344,690	10,004	32,063	–	386,757	259,944
Total Unusable Reserves	1,324,602	–	–	–	1,324,602	1,324,602
Total Reserves	**1,669,292**	**10,004**	**32,063**	**–**	**1,711,359**	**1,584,546**

Cash Flow Statement

	2013/14	Receipts in Advance now classified as Reserves	Recognition of Capital Grants	NNDR Creditor now classified as Receipt in Advance	Restated 2013/14
	£'000	£'000	£'000	£'000	£'000
Net surplus or (deficit) on the provision of services	150,643	10,003	32,063	–	192,709
Adjustment to surplus or deficit on the provision of services for non-cash movements	49,194	(10,003)	(32,063)	–	7,128
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(106,993)	–	–	–	(106,993)
Net Cash flows from operating activities	**92,844**	**–**	**–**	**–**	**92,844**
Net Cash flows from Investing Activities	(229,661)	–	–	–	(229,661)
Net Cash flows from Financing Activities	57,617	–	–	–	57,617
Net increase or decrease in cash and cash equivalents	**(79,200)**	**–**	**–**	**–**	**(79,200)**
Cash and cash equivalents at the beginning of the reporting period	237,514	–	–	–	237,514
Cash and cash equivalents at the end of the reporting period	**158,314**	**–**	**–**	**–**	**158,314**

Page 178

5 Supplementary Accounts

HRA Income and Expenditure Account and movement on HRA Balance

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

2013/14 £'000		HRA Note	2014/15 £'000
(72,796)	Dwellings Rents(gross)		(75,386)
(8,899)	Non-dwellings Rents (gross)		(1,562)
(8,254)	Tenants' Charges for Services and Facilities		(8,645)
(10,127)	Leaseholders' Charges for Services and Facilities		(9,648)
(2,359)	Contributions Towards Expenditure		2,644
(102,436)	**Total HRA Income**		**(92,597)**
17,273	Repairs and Maintenance		22,420
36,741	Supervision and Management		35,900
9,172	Special Services		9,356
1,401	Rents, Rates, Taxes and Other Charges		64
(1,079)	Increase/(decrease) in Provision for Bad or Doubtful Debts		847
(146,265)	Depreciation, Impairment and Revaluation losses in relation to Non-current Assets		(94,085)
138	Debt Management Cost		150
(82,618)	**Total HRA Expenditure**		**(25,349)**
(185,054)	**Net Cost of HRA services including HRA share of costs not allocated to specific services**		**(117,946)**

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

2013/14 £'000		HRA Note	2014/15 £'000
(9,944)	Gain or loss on sale of HRA non-current assets		(7,956)
13,570	HRA share of interest payable and similar charges including amortisation of premiums and discounts	Note 6	12,767
–	HRA Investment Property Income and Expenditure		(6,510)
(26,700)	HRA Investment Income		(16,567)
(812)	Capital Grants Applied		(12,724)
–	Capital Grants Unapplied		(190)
(208,939)	**Surplus or deficit for the year on HRA Income and Expenditure Account**		**(149,127)**
	Movement on the Housing Revenue Account Statement		
(208,939)	Surplus or deficit for the year on the HRA Income and Expenditure Account	(149,127)	(149,127)
114	Difference between any other item of income and expenditure determined in accordance with The Code and those determined in accordance with statutory HRA requirements (if any)	108	108
9,944	Gain or loss on sale of HRA non-current assets	7,956	7,956
9,340	Capital expenditure funded by the Housing Revenue Account	33,218	33,218
(189,541)	**Net Increase/decrease before transfers to/from reserves**	**(107,845)**	**(107,845)**

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

2013/14 £'000		HRA Note	2014/15 £'000
(4,206)	Transfer to/from Housing Major Repairs Reserve	Note 10	(2,429)
193,574	Transfer to/from the Capital Adjustment Account		141,637
–	Capital Grants Unapplied		190
–	Contribution to/from Earmarked Reserves	Note 11	1,730
(173)	**(Increase)/decrease in the HRA Balance for the year**		**33,284**
(93,061)	**HRA Balance Brought Forward**		(93,234)
–	Transfer Between Reserves	Note 11	10,000
(93,234)	**HRA Balance Carried Forward**		**(49,950)**
–	**HRA Earmarked Reserves Carried Forward**		**(11,730)**

HRA 1 Housing Assets Valuation

31 March 2014 £'000		31 March 2015 £'000
	Council Dwellings	
4,456,916	a) Tenanted dwellings – vacant possession value	5,013,305
(3,342,687)	b) Less reduction for use as Social Housing (note 3b)	(3,759,979)
1,114,229	**c) Tenanted dwellings – Social Housing value**	**1,253,326**
41,403	Other Land and Buildings	56,939
22,459	Assets under construction	37,673
156,085	Investment properties	179,371
1,334,176	**Total Property Assets**	**1,527,309**

HRA 2 Housing Stock

31 March 2014		31 March 2015
744	Rented Houses	743
11,347	Rented Flats	11,193
58	Shared Ownership	59
9,047	Leasehold Properties	9,146
21,196	**Total stock**	**21,141**

HRA 3 Housing Asset Valuation Notes

a) The vacant possession value of HRA tenanted dwellings is £5,013m (Note 1a).

b) The difference between the vacant possession value and the balance sheet value of dwellings within the HRA (Note 1b) shows the economic cost to the Government of providing housing at below market rents. This cost is determined by applying the government prescribed discount rate, (25% of Market Value) to the vacant possession value.

HRA 4 Analysis of Capital Funding

31 March 2014 £'000	Capital Expenditure	31 March 2015 £'000
17,338	HRA Major Works	23,689
8,518	Regeneration & Renewal	15,839
4,162	Other Capital Expenditure	32,043
30,018		**71,571**

31 March 2014 £'000	Funding	31 March 2015 £'000
–	Borrowing	–
2,619	Usable Capital Receipts	8,413
12	Capital Grants	1,540
9,340	Revenue Contributions	33,839
17,247	Major Repairs Reserve	16,595
–	Government Grants – LDA	–
800	Section 106	11,183
30,018		**71,571**

HRA 5 Impairment

There were no impairment losses during the year.

HRA dwellings are valued annually at open market value (vacant possession) which is then discounted to account for the cost of making the units available for only social housing. In 2010/11, Council Dwellings was charged an impairment loss of £345.7m following the change in social housing discount factor from 37% to 25%. In 2013/14 a total of £169.2m was reversed using the in-year revaluation gains and a further £145.3m in 2014/15.

HRA 6 Capital Asset Charges Accounting Adjustment

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

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

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

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

Where HRA interest payable is less than Residual Capital Asset Charges, the difference is credited to the HRA. As at 31 March 2015 HRA Interest Payable was £12.767m (31 March 2014: £13.570m)

31 March 2014 £'000		31 March 2015 £'000
13,570	HRA Interest Payable	12,767
	Less:	
–	Impairment	–
–	Deferred Charges	–
13,570	**Capital Asset Charges Accounting Adjustment**	**12,767**

HRA 7 Depreciation Charges

31 March 2014 £'000		31 March 2015 £'000
19,282	Council Dwellings	17,477
2,171	Other land and buildings	1,544
21,453		**19,021**

HRA 8 Rent Arrears and Provisions

31 March 2014 £'000		31 March 2015 £'000
3,057	Rent Arrears	2,669
2,168	Bad Debt Provision	1,981
2,451	Lessee Major Works BDP	1,946
115	Rechargeable Repairs Insurance Claims	115
7,791		**6,711**

HRA 9 HRA Movement in Reserves Statement

2014/15	Housing Revenue Account £'000	Major Repairs Reserve £'000	Usable Capital Receipts £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	126,323	–	–	–	–	(126,323)
Revaluation losses on Property Plant and Equipment	(32,239)	–	–	–	–	32,239
Movements in the market value of Investment Properties	15,808	–	–	–	–	(15,808)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,281)	–	–	–	–	5,281
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Capital expenditure charged against the General Fund and HRA balances	33,218	–	–	–	–	(33,218)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	190	–	–	(190)	–	–
Application of grants to capital financing transferred to the Capital Adjustment Account	12,724	–	–	–	–	(12,724)

HRA 9 HRA Movement in Reserves Statement (continued)

2014/15	Housing Revenue Account £'000	Major Repairs Reserve £'000	Usable Capital Receipts £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000
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	15,985	–	(15,985)	–	–	–
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals	(150)	–	150	–	–	–
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(2,598)	–	2,598	–	–	–
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	16,592	(16,592)	–	–	–	–
Use of the Major Repairs Reserve to finance new capital expenditure	–	16,592	–	–	–	(16,592)
Adjustment primarily involving the Financial Instruments Adjustment 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	108	–	–	–	–	(108)
Total Adjustments between accounting basis and funding basis under regulation	**180,680**	**–**	**(13,237)**	**(190)**	**–**	**(167,253)**

HRA 10 Major Repairs Reserve

31 March 2014 £'000		31 March 2015 £'000
–	**Balance brought forward**	–
21,461	Transfer to MRR (depreciation)	19,021
(4,206)	Transfer to HRA	(2,429)
(17,255)	Capital expenditure	(16,592)
–	**Balance carried forward**	–

HRA 11 Earmarked Reserves

31 March 2014 £'000		31 March 2015 £'000
	In year transfers to/from reserves:	
–	Business Transformation Earmarked Reserve	1,730
–	Housing Infill Scheme Reserve	10,000
–	**Total**	**11,730**

The **Business Transformation Reserve** is to help provide investment to improve services and efficiency.

The **Housing Infill Scheme Reserve** is to provide new homes on small scale sites such as disused garages, basements or adding to the ends of buildings.

Collection Fund Accounts

2013/14 Business Rates £'000	2013/14 Business Rates Supplement £'000	2013/14 Council Tax £'000	2013/14 Total £'000		2014/15 Business Rates £'000	2014/15 Business Rates Supplement £'000	2014/15 Council Tax £'000	2014/15 Total £'000
				INCOME				
–	–	(83,905)	(83,905)	Council Tax	–	–	(84,841)	(84,841)
(1,735,368)	–	–	(1,735,368)	Non-domestic rates	(1,731,156)	–	–	(1,731,156)
(14,484)	–	–	(14,484)	Transitional protection payments – non-domestic rates	(3,937)	–	–	(3,937)
–	(65,288)	–	(65,288)	Income collectable in respect of Business Rate Supplements	–	(62,586)	–	(62,586)
				Contributions towards previous year's Collection Fund deficit:				
–	–	–	–	Central Government	(15,512)	–	–	(15,512)
–	–	–	–	City of Westminster Council	(9,307)	–	–	(9,307)
–	–	–	–	Greater London Assembly	(6,205)	–	–	(6,205)
(1,749,852)	**(65,288)**	**(83,905)**	**(1,899,045)**	**Total amounts to be credited**	**(1,766,117)**	**(62,586)**	**(84,841)**	**(1,913,544)**

Collection Fund Accounts (continued)

2013/14					2014/15			
Business Rates	Business Rates Supplement	Council Tax	Total		Business Rates	Business Rates Supplement	Council Tax	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				EXPENDITURE				
37,466	–	–	37,466	Transitional protection payments – non-domestic rates	47,738	–	–	47,738
				Precepts, demands and shares				
784,569	–	–	784,569	Central Government	872,010	–	–	872,010
470,742	–	44,681	515,423	City of Westminster Council	523,206	–	45,786	568,992
313,828	–	35,814	349,642	Greater London Assembly	348,804	–	36,108	384,912
				Business Rate Supplement:				
–	64,703	–	64,703	Payment to levying authority's Business Rate Supplement Revenue Account	–	61,991	–	61,991
–	200	–	200	Administrative Costs	–	169	–	169
				Charges to Collection Fund				
11,115	385	1,098	12,598	Write-offs of uncollectable amounts	12,527	426	2,150	15,103
1,420	–	1,300	2,720	Increase/(decrease) in allowance for impairment	(1,140)	–	200	(940)
163,185	–	–	163,185	Increase/(decrease) in allowance for appeals	133,815	–	–	133,815
3,180	–	–	3,180	Charge to General Fund for allowable collection costs for non-domestic rates	3,155	–	–	3,155

Page 192

Collection Fund Accounts (continued)

2013/14					2014/15			
Business Rates	Business Rates Supplement	Council Tax	Total		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:				
–	–	304	304	City of Westminster Council	–	–	555	555
–	–	246	246	Greater London Assembly	–	–	445	445
1,785,505	**65,288**	**83,443**	**1,934,236**	**Total amounts to be debited**	**1,940,115**	**62,586**	**85,244**	**2,087,945**
35,653	**–**	**(462)**	**35,191**	**(Surplus) /deficit arising during the year**	**173,998**	**–**	**403**	**174,401**
–	**–**	**(425)**	**(425)**	**(Surplus)/deficit b/f at 1 April**	**35,653**	**–**	**(887)**	**34,766**
35,653	**–**	**(887)**	**34,766**	**(Surplus)/deficit c/f at 31 March**	**209,651**	**–**	**(484)**	**209,167**

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 2014/15, the proportions were as follows:

	Council Tax	Business Rates
Department of Communities & Local Government	-	50.0%
Greater London Authority	44.2%	20.0%
Westminster City Council (General Fund)	55.8%	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 and calculation of the tax base (adjusted to reflect relevant discounts and exemptions) was approved by Full Council in January 2014, and is summarised in the table right:

Band	Range of property values (£)		Number of chargeable dwellings	2013/14 Band D equivalent dwellings	Multiplier	Number of chargeable dwellings	2014/15 Band D equivalent dwellings
	£	£					
A		40,000	1,740	954	6/9	1,757	973
B	40,001	52,000	6,774	4,142	7/9	6,784	4,156
C	52,001	68,000	15,820	11,847	8/9	15,853	11,884
D	68,001	88,000	22,548	19,381	9/9	22,500	19,389
E	88,001	120,000	22,303	23,631	11/9	22,369	23,768
F	120,001	160,000	16,887	21,430	13/9	16,964	21,542
G	160,001	320,000	21,731	32,402	15/9	21,848	32,587
H	320,001		14,506	27,084	18/9	14,679	27,422
			122,309	**140,871**		**122,754**	**141,721**
Adjustment for Council Tax Reduction Scheme				(18,314)			(16,393)
Ministry of Defence Adjustment				564			467
Total				123,121			125,795
Westminster Council Share (96%)				118,196			120,763

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	48.2p / £ Rateable Value (47.1p in 2013/14)
Small Business Multiplier	47.1p / £ Rateable Value (46.2p in 2013/14) (RV less than £25,500)

The total rateable value for business premises as at the end of March 2015 was £4.113bn (£4.189bn for the prior year). £171m of the March 2015 value relates to small businesses.

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:

A system of Tariff and Top-Up payments operates on the localised shares distributed to local government bodies (Westminster and the GLA) such that a significant proportion of Westminster's retained share (£453m in 2014/15 – £444m in 2013/14) is subsequently top-sliced from the General Fund and returned to DCLG.

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 will receive a Safety Net grant. This grant is paid for by imposing a levy of 50% on all localised business rate receipts in excess of the Baseline Funding level. In 2014/15, the Council has claimed £65m in Safety Net payments (£57m for 2013/14). These shortfalls are the result of successful and on-going appeals being lodged against the Valuation Office Agency determinations of rateable value set in 2010.

2013/14 £'000		2014/15 £'000
784,569	Central Government	872,010
470,742	Westminster City Council	523,206
313,828	Greater London Assembly	348,804
1,569,139		**1,744,020**

COLL 4 Business Rates Supplement – Crossrail

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

The aggregate rateable value of properties liable for BRS at 31 March 2015 was £3.698bn (the equivalent figure at 31 March 2014 being £3.731bn). The multiplier has remained at 2.0p/£ since the BRS was introduced in April 2010.

Page 197

Pension Fund Accounts and Explanatory Notes

FUND ACCOUNT

2013/14		Notes	2014/15
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
(52,381)	From Employers	6	(24,717)
(7,583)	From Members	6	(8,777)
(3,677)	Individual Transfers in from Other Pension Funds		(1,513)
(63,641)			**(35,007)**
	Benefits		
38,244	Pensions	7	39,894
6,991	Commutation, Lump Sum Retirement and Death Benefits	7	5,060
	Payments to and on Account of Leavers		
3,162	Individual Transfers Out to Other Pension Funds		2,049
–	Bulk transfers		4,243
81	Refunds to Members Leaving Service		43
48,478			**51,289**

Pension Fund Accounts and Explanatory Notes (continued)

2013/14		Notes	2014/15
(15,163)	**Net (Additions)/Withdrawals from Dealings with Members**		**16,282**
5,333	Management Expenses	8	7,047
	Returns on Investments		
(16,071)	Investment Income	9	(8,726)
(2)	Other Income		(9)
736	Taxes on Income (Irrecoverable Withholding Tax)	9	10
(15,337)			(8,725)
(96,354)	**Profit and loss on disposal of investments and changes in the market value of investments**	**11**	**(117,879)**
(111,691)	**Net return on investments**		**(126,604)**
(121,521)	**Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year**		**(103,275)**
(874,176)	**Opening Net Assets of the Scheme**		**(995,697)**
(995,697)	**Closing Net Assets of the Scheme**		**(1,098,972)**

Net Assets Statement for the year ended 31 March 2015*

2013/14 £'000		Notes	2014/15 £'000
	Investment assets		
128,343	Fixed Interest Securities	14	145,426
208,296	Equities	14	–
585,990	Pooled Investment Vehicles	14	948,674
	Derivative Contracts:		
137	Futures	14	318
105	Forward Foreign Exchange	14	97
23,979	Cash Instruments	14	–
	Other Investment Balances:		
2,981	Income Due	14	2,689
	Debtors	14	49
14,604	Cash Deposits	14	1,071
964,435			**1,098,324**

Net Assets Statement
for the year ended 31 March 2015* (continued)

2013/14 £'000		Notes	2014/15 £'000
	Investment Liabilities		
	Derivative Contracts:		
–	Futures	14	(87)
(15)	Forward Foreign Exchange	14	(164)
–	Other investment balances	14	(50)
(15)			(301)
–	Amounts payable for purchases of investments	11	(1,107)
964,420	**Net Value of Investment Assets**		**1,096,916**
32,514	**Current Assets**	**18**	**3,104**
(1,237)	**Current Liabilities**	**19**	**(1,048)**
995,697	**Net Assets of the Fund Available to Fund Benefits at the Period End**		**1,098,972**

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

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 LGPS Regulations 2013 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2009 (as amended).

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 2015. Employers also pay contributions into the Fund based on triennial funding valuations. The last such valuation was as at 31 March 2013. Currently employer contribution rates range from 8.1% to 27.5% of pensionable pay.

b) Pension Fund Committee

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 Director of Corporate Finance and Investment, and obtains, as necessary, advice from the Fund's appointed investment advisors, fund managers and actuary.

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

c) Investment Principles

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

westminster.gov.uk/council-pension-fund

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

d) Membership

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

Organisations participating in the City of Westminster Pension Fund include:

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

The following table summarises the membership numbers of the scheme:

31 March 2014		31 March 2015
26	**Number of employers with active members**	**28**
3,862	Active members	4,232
5,307	Pensioners receiving benefits	5,433
6,335	Deferred Pensioners	6,395
15,504		**16,060**

Note 2 Basis of Preparation of Financial Statements

The Statement of Accounts summarise the Fund's transactions for 2014/15 and its position at year end as at 31 March 2015. The accounts been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The accounts have been prepared on an accruals basis, apart from transfer values which have been accounted for on a cash basis (see Note 3(b) below).

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. 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 17.

Note 3 Summary of Significant Accounting Policies

FUND ACCOUNT – REVENUE RECOGNITION

a) Contribution Income

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

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

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

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment Income

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

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

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

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

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

FUND ACCOUNT – EXPENSE ITEMS

d) Benefits Payable

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

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 3 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. The comparator figures for 2013/14 have been restated to reflect the implementation of the CIPFA guidance. Consequently management expenses reported in the Fund Account for 2013/14 have been increased by £1.555m to £5.333m and Profit and Loss on disposal of investments and changes in the market value of investments has similarly been increased by £1.555m to £96.354m to reflect the fees which had been deducted at source.

ADMINISTRATIVE EXPENSES

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

OVERSIGHT AND GOVERNANCE COSTS

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

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

INVESTMENT MANAGEMENT EXPENSES

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

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

NET ASSETS STATEMENT

g) Financial Assets

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

h) Derivatives

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

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

Note 3 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

n) Recharges from the General Fund
The LGPS (Management and Investment of Funds) Regulations 2009 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 21.

Note 4 Critical Judgements in Applying Accounting Policies

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

PENSION FUND LIABILITY

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
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 £130m. A 0.2% increase in assumed earnings would increase the value of liabilities by approximately £6m, a 0.2% increase in pension increases would increase the liability by about £50m and a one year increase in life expectancy would increase the liability by about £57m

Note 6 Contributions Receivable

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

By Authority

31 March 2014 £'000		31 March 2015 £'000
21,106	Administering Authority	24,310
1,605	Scheduled bodies	2,447
37,253	Admitted bodies	6,737
59,964		**33,494**

By Type

31 March 2014 **£'000**		31 March 2015 **£'000**
7,583	Employees' normal contributions	8,777
	Employer's contributions:	
18,588	Normal contributions	23,698
33,435	Deficit recovery contributions	120
358	Augmentation contributions	899
59,964		**33,494**

Employer contributions were significantly higher in 2013/14 due to a payment of £30m from the Homes and Communities Agency. This was in respect of deficits in the Fund following a decision to close down the Tenant Services Authority and transfer some of its operations to the Homes and Communities Agency.

Note 7 Benefits Payable

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

2013/14 £'000		2014/15 £'000
38,244	Pensions	**39,894**
5,349	Commutation and lump sum retirement benefits	**4,852**
1,642	Lump sum death benefits	**208**
45,235		**44,954**

The fund paid benefits to members of the following employers. The summary for 2013/14 excludes lump sum retirement benefits and death benefits as this information was not held at employer level in that year.

2013/14 £'000		2014/15 £'000
33,332	Administering Authority	39,710
50	Scheduled Bodies	124
4,862	Admitted Bodies	5,120
38,244		**44,954**

Note 8 Management Expenses

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

2013/14 £'000		2014/15 £'000
447	Administration Expenses	**534**
295	Oversight and Governance	**318**
4,591	Investment Management Expenses	**6,195**
5,333		**7,047**

Of the investment management expenses in 2014/15, a total of £2.176m was in respect of performance-related fees paid to the Fund's investment managers (£1.250m in 2013/14). It also includes £1.160m in respect of transaction costs (£1.047m in 2013/14 restated for costs of £0.457m originally netted off income). Fees rose during the year because the standard management fees increased in line with the growth in the fund and the performance element of fees also rose reflecting improvement in fund performance.

Note 9 Investment Income

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

2013/14 £'000		2014/15 £'000
6,533	Fixed interest securities	6,249
7,400	Equity dividends	141
2,050	Pooled investments – unit trust and other managed funds	932
–	Pooled property investments	838
88	Interest and cash deposits	566
16,071	**Total before taxes**	**8,726**
(736)	Taxes on income	(10)
15,335	**Total**	**8,716**

Following the change of Custodian in October 2014, pooled property investments have been disclosed as a separate asset class from pooled equity investments. Income from pooled property investments has been separately reported from 1 October 2014, but income for previous periods has not been restated.

Note 10 Investment Management Arrangements

As at 31 March 2015, 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), 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 Committee appointed Northern Trust as its global custodian, with effect from 1 October 2014 (prior custodian was BNY Mellon). They are responsible for safe custody and settlement of all investment transactions and collection of income.

During the year, the Committee also appointed Longview as a global equity manager. 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 2015 was as follows:

31 March 2014 Market Value £'000	%	Fund Manager	Mandate	31 March 2015 Market Value £'000	%
239,390	24.8%	Majedie	UK Equity (Active)	256,513	23.4%
10	–	State Street Global Advisors (UK)	UK Equity (Passive)	–	–
239,400	**24.8%**	**UK Equity**	**Sub-Total**	**256,513**	**23.4%**
130,150	13.5%	Baillie Gifford	Global Equity (Active)	180,729	16.5%
348,680	36.2%	LGIM	World Equity (Passive)	281,978	25.7%
–	–	Longview	Global Equity (Active)	109,569	10.0%
478,830	**49.7%**	**Global Equity**	**Sub-Total**	**572,276**	**52.2%**
16,750	1.7%	Insight	Fixed Interest Gilts	17,871	1.6%
141,870	14.7%	Insight	Sterling non-Gilts	156,329	14.3%
158,620	**16.5%**	**Bonds**	**Sub-Total**	**174,200**	**15.9%**

Note 10 Investment Management Arrangements (continued)

31 March 2014 Market Value £'000	%	Fund Manager	Mandate	31 March 2015 Market Value £'000	%
43,450	4.5%	Hermes	Property	45,712	4.2%
43,830	4.5%	Standard Life	Property	47,913	4.4%
87,280	**9.1%**	**Property**	**Sub-Total**	**93,625**	**8.5%**
964,130	**100.0%**		**Total (exc. cash)**	**1,096,614**	**100.0%**
290		Other (cash deposits)		302	
964,420			**Total**	**1,096,916**	

Page 214

Note 11 Reconciliation in Movement in Investments

2014/15	Market value 1st April 2014	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Asset reclassification	Change in market value during the year	Market value 31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	128,343	67,637	(59,212)	485	8,173	145,426
Equities	208,296	182,564	(232,330)	(160,861)	2,331	–
Pooled equity investments	585,990	568,945	(481,080)	80,742	101,062	855,659
Pooled property investments	–	870	(438)	87,409	5,174	93,015
Derivatives:						
Futures	137	421	(859)	–	532	231
Forward foreign exchange	90	735	(1,640)	–	748	(67)
Cash Instruments	23,979	33,441	(49,379)	(8,041)	–	–
Total	**946,835**	**854,613**	**(824,938)**	**(266)**	**118,020**	**1,094,264**
Cash deposits	14,604			(350)	(19)	1,071
Amounts receivable for sales of investments	2,981			(1,754)	(11)	216
Investment income due	–			2,435	–	2,473
Spot FX contracts	–			–	(111)	(1)
Amounts payable for purchases of investments	–			(65)	–	(1,107)
Net investment assets	**964,420**			**–**	**117,879**	**1,096,916**

During the financial year the Fund changed custodian which prompted a reclassification of some categories of financial instrument. Transaction costs have been reported separately for the first time this year (see Note 8).

Note 11 Reconciliation in Movement in Investments (continued)

2013/14	Market value 1st April 2013	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 2014
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	160,912	48,978	(77,017)	(4,530)	128,343
Equities	172,424	118,980	(115,424)	32,316	208,296
Pooled investments	506,299	325,655	(314,296)	68,332	585,990
Derivatives:					
Futures	85	1,025	(679)	(294)	137
Forward foreign exchange	159	388	(1,130)	673	90
Cash Instruments	29,648	231,563	(237,233)	1	23,979
Total	**869,527**	**726,589**	**(745,779)**	**96,498**	**946,835**
Cash deposits	(161)			(135)	14,604
Amounts receivable for sales of investments	3,411			(9)	2,981
Net investment assets	**872,777**			**96,354**	**964,420**

Transaction costs have been reported separately for the first time this year (see Note 8).

Note 12 Investments exceeding 5% of Net Assets

The table below shows the Fund's investments which exceed 5% of net assets. These are all pooled investment vehicles, which are made up of underlying investments, each of which represent substantially less than 5%.

2013/14 Market Value £'000	2013/14 Holding %		2014/15 Market Value £'000	2014/15 Holding %
185,466	19.2%	L&G – World Equity Index – GBP Hedged	282,340	25.7%
–	–	Majedie – Institutional Trust Class B Shares	256,511	23.4%
130,150	13.5%	Baillie Gifford – Life Global Alpha Pension Fund	180,729	16.5%
–	–	Longview – Conventum Asset Management	109,569	10.0%
315,616	**32.7%**	**Total Top Holdings**	**829,149**	**75.6%**
964,420		**Total Value of Investments**	**1,096,916**	

Note 13 Analysis of Derivatives

OBJECTIVES AND POLICIES FOR HOLDING DERIVATIVES

The Committee has authorised the use of derivatives for efficient portfolio management purposes and to reduce certain investment risks in particular, foreign exchange risk. All uses of derivatives are outsourced to the Fund's external asset managers which must adhere to the detailed requirements set out in their investment management agreements.

a) Liquidity

The Fund uses interest rate futures to hedge some of the non-Sterling interest rate risk, subject to the restrictions in the investment guidelines (not more than 30% of the portfolio's value may be exposed to non-Sterling bond risk).

b) Forward foreign currency

The Fund uses forward foreign exchange contracts to reduce the foreign currency exposure from overseas bond holdings that are within the portfolio (foreign currency exposure is fully hedged into Sterling).

FUTURES

Outstanding exchange traded futures contracts are as follows.

Economic Exposure £'000	Market Value 31 March 2014 £'000	Type	Expires	Economic Exposure £'000	Market Value 31 March 2015 £'000
		Assets			
–	–	UK Fixed Income	less than 1 year	17,509	318
17,525	100	UK Equity	less than 1 year	–	–
(12,223)	37	Overseas equity	less than 1 year	–	–
	137	**Total Assets**			**318**
		Liabilities			
–	–	Overseas Fixed Income	less than 1 year	(11,023)	(87)
	–	**Total Liabilities**			**(87)**
	137	**Net futures**			**231**

Note 13 Analysis of Derivatives (continued)

FORWARD CURRENCY CONTRACTS

Outstanding exchange traded futures contracts are as follows.

Settlement	Currency Bought	Local Value	Currency Sold	Local value	Asset Value	Liability Value
		000		000	£'000	£'000
Up to one month	GBP	5,399	EUR	(7,389)	60	(8)
Up to one month	GBP	5,768	USD	(8,772)	4	(146)
Up to one month	USD	1,385	GBP	(914)	19	–
Up to one month	EUR	2,156	GBP	(1,548)	13	(1)
One to six months	GBP	688	EUR	(963)	1	(9)
Net forward currency contracts at 31 March 2015					**97**	**(164)**
Prior year comparative						
Open forward currency contracts at 31 March 2014					105	(15)
Net forward currency contracts at 31 March 2014						**90**

Note 14a Classification of Financial Instruments

The following table shows the classification of the Fund's financial instruments and also shows the split by UK and overseas. All investments are quoted unless stated.

31 March 2014				31 March 2015		
Fair value through profit and loss	Loans & receivables	Financial liabilities at amortised cost		Fair value through profit and loss	Loans & receivables	Financial liabilities at amortised cost
£'000	£'000	£'000		£'000	£'000	£'000
			Financial Assets			
			Fixed interest securities			
			Quoted:			
15,680	–	–	UK Public sector	26,056	–	–
96,202	–	–	UK Corporate	59,549	–	–
–	–	–	Overseas Public sector	804	–	–
16,461	–	–	Overseas Corporate	59,017	–	–
			Equities			
			Quoted:			
147,614	–	–	UK	–	–	–
60,682	–	–	Overseas	–	–	–
			Pooled funds – investment vehicles			
21,960	–	–	UK Managed Funds Other	719,208	–	–
82,508	–	–	UK Unit Trusts Property	93,014	–	–
481,522	–	–	Overseas Managed	136,452	–	–
			Derivative Contracts			
137	–	–	Futures	318	–	–
105	–	–	Forward Foreign Exchange	97	–	–

Note 14a Classification of Financial Instruments (continued)

		31 March 2014				31 March 2015
Fair value through profit and loss	Loans & receivables	Financial liabilities at amortised cost		Fair value through profit and loss	Loans & receivables	Financial liabilities at amortised cost
£'000	£'000	£'000		£'000	£'000	£'000
			Cash Instruments			
–	23,979	–	UK	–	–	–
–	30,066	–	Cash Balances (held directly by Fund)	–	1,995	–
2,981	–	–	Other investment balances	2,689	–	–
–	14,604	–	Cash Deposits	–	1,071	–
–	2,448	–	Debtors	49	1,109	–
925,852	**71,097**	**–**		**1,097,253**	**4,175**	**–**
			Financial Liabilities			
			Derivative Contracts			
–	–	–	Futures	(87)	–	–
(15)	–	–	Forward Foreign Exchange	(164)	–	–
–	–	–	Other Investment Balances	(50)	–	–
–	(1,237)	–	Creditors	–	(1,048)	(1,107)
(15)	(1,237)	–		(301)	(1,048)	(1,107)
925,837	**69,860**	**–**	**Total**	**1,096,952**	**3,127**	**(1,107)**
	995,697		**Grand Total**		**1,098,972**	

Note 14b Net Gains and Losses on Financial Instruments

This table summarises the net gains and losses on financial instruments classified by type of instrument.

31 March 2014 £'000		31 March 2015 £'000
	Financial Assets	
96,889	Designated at fair value through profit and loss	118,020
(134)	Loans and receivables	(19)
96,755		**118,001**
	Financial Liabilities	
(401)	Designated at fair value through profit and loss	(122)
(401)		**(122)**
96,354	**Total**	**117,879**

Note 14c Valuation of Financial Instruments carried At Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 – where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities, quoted index linked securities and unit trusts). Listed investments are shown at bid prices.

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 2014				31 March 2015		
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			
696,482	229,370	–	Designated at fair value through profit and loss	843,760	253,493	–
			Financial Liabilities			
–	(15)	–	Designated at fair value through profit and loss	–	(301)	–
696,482	**229,355**	**–**		**843,760**	**253,192**	**–**
	925,837		**Grand Total**		**1,096,952**	

Note 15 Nature and extent of Risks arising from Financial Instruments

RISK AND RISK MANAGEMENT

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Responsibility for the Fund's risk-management strategy rests with the Committee. Risk management policies are established that aim to identify and analyse the investment risks faced by the Fund and these are regularly reviewed in the light of changing market and other conditions.

a) Market Risk

Market risk is the risk of loss emanating from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investment activities. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset class, geographical and industry sectors and individual securities. To mitigate market risk, the Committee and its investment advisors undertake regular monitoring of market conditions and benchmark analysis.

PRICE RISK

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments (with the exception of derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

The following table demonstrates the change in the net assets available to pay benefits if the market price had increased or decreased by 10%. The analysis excludes cash, debtors, creditors, other investment balances and forward foreign exchange, as these financial instruments are not subject to price risk.

Assets exposed to price risk	Value	Value on 10% price increase	Value on 10% price decrease
	£'000	£'000	£'000
As at 31 March 2014	922,766	1,015,043	830,489
As at 31 March 2015	1,094,418	1,203,860	984,976

Note 15 Nature and extent of Risks arising from Financial Instruments (continued)

INTEREST RATE RISK

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Committee and its investment advisors regularly monitor the Fund's interest rate risk exposure during the year. The Fund manages its interest risk exposure through the use of futures derivatives (see Note 13a).

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	Value	Value on 1% price increase	Value on 1% price decrease
	£'000	£'000	£'000
As at 31 March 2014	196,992	198,962	195,022
As at 31 March 2015	148,492	149,977	147,007

CURRENCY RISK

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than Sterling. The Fund aims to mitigate this risk through the use of derivatives (see Note 13). The Committee recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds 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 15 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 2014	552,899	608,189	497,609
As at 31 March 2015	678,339	746,173	610,505

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 2015, liquid assets were £1,003m representing 91% of total fund assets (£877m at 31 March 2014 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 16 Funding Arrangements

The LGPS Regulations require that a full actuarial valuation of the Fund is carried out every three years. The purpose of this is to establish that the City of Westminster Pension Fund is able to meet its liabilities to past and present contributors and to review the employer contribution rates.

The latest full triennial valuation of the Fund was carried out by Barnett Waddingham, the Fund's actuary, as at 31 March 2013 in accordance with the Funding Strategy Statement of the Fund and Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008. The results were published in the triennial valuation report dated 28 March 2014. The report and Funding Strategy Statement are both available on the Council's website at

westminster.gov.uk/council-pension-fund

The actuary's smoothed market value of the scheme's assets at 31 March 2013 was £866.9m and the Actuary assessed the present value of the funded obligation at £1,164m. This indicates a net liability of £297.3m, which equates to a funding position of 74% (2010: £238.1m and 74%).

The actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions, the main ones being:

Future assumed returns at 2013	%	Risk adjusted
Gilts	3.3	6
Cash	3.1	4
Bonds	3.9	13
Equities	6.9	74
Property	6.0	4

Financial assumptions	2013	2010
Discount rate – scheduled bodies	5.9	7.5
Discount rate – admitted bodied	4.9	6.3
RPI	3.5	3.8
CPI	2.7	3.3
Pension increases	2.7	3.3
Short-term pay increases	1.0	n/a
Long-term pay increases	4.5	5.3

The 2013 valuation certified an aggregate employer contribution rate of 29.8% of pensionable pay (2010: 20.4%). The contribution rate is set on the basis of the cost of future benefit accrual, increased to bring the funding level back to 100% over a period of 25 years, as set out in the Funding Strategy Statement (2010: 30 years). The common future service contribution rate for the Fund was set at 13.3% of pensionable pay (2010: 12.4%).

The triennial valuation also sets out the individual contribution rate to be paid by each employer from 1 April 2014 depending on the demographic and actuarial factors particular to each employer. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

The next actuarial revaluation of the Fund will be as at 31 March 2016 and will be published in 2017.

Note 17 Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2015. 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 2014 £'000		31 March 2015 £'000
(1,364,117)	Present Value of Promised Retirement Benefits	(1,605,955)
994,420	Fair Value of Scheme Assets (bid value)	1,089,091
(369,697)	**Net Liability**	**(516,864)**

Present Value of Promised Retirement Benefits comprise of £1,479.5m (2013/14: £1,254.5m) and £126.5m (2013/14: £109.6m) in respect of vested benefits and non-vested benefits respectively as at 31 March 2015.

ASSUMPTIONS

To assess the value of the Fund's liabilities at 31 March 2015, the value of Fund's liabilities calculated for the funding valuation as at 31 March 2013 have been rolled forward, using financial assumptions that comply with IAS19.

DEMOGRAPHIC ASSUMPTIONS

The demographic assumptions used are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 110%, for males and 100% for females. These base tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The assumed life expectations from age 65 are:

Life expectancy from age 65 years		31 March 2015	31 March 2014
Retiring today	Males	22.1	22.0
	Females	25.2	25.1
Retiring in 20 years	Males	24.2	24.1
	Females	27.6	27.4

FINANCIAL ASSUMPTIONS

The main financial assumptions are:

	31 March 2015	31 March 2014
RPI increases	3.1	3.5
CPI increases	2.3	2.7
Salary increases	4.1	4.5
Pension increases	2.3	2.7
Discount rate	3.2	4.4

Page 229

Note 18 Current Assets

31 March 2014 £'000		31 March 2015 £'000
	Debtors:	
1,621	Contributions due – employers	853
638	Contributions due – employees	228
189	Sundry debtors	28
30,066	Cash balances	1,995
32,514		**3,104**

ANALYSIS OF DEBTORS

31 March 2014 £'000		31 March 2015 £'000
2,448	Other entities and individuals	1,109
2,448		**1,109**

Note 19 Current Liabilities

31 March 2014 £'000		31 March 2015 £'000
(872)	Sundry creditors	(542)
(365)	Benefits payable	(506)
(1,237)	**Total**	**(1,048)**

ANALYSIS OF CREDITORS

31 March 2014 £'000		31 March 2015 £'000
(1,237)	Other entities and individuals	(1,048)
(1,237)	**Total**	**(1,048)**

Note 20 Additional Voluntary Contributions

The Pension Fund's Additional Voluntary Contributions (AVC) providers are Aegon and Equitable Life Assurance Society. The table below shows information about these separately invested AVCs.

Market Value 31 March 2014 £'000		Market Value 31 March 2015 £'000
1,258	Aegon	1,358
457	Equitable Life	474
1,715	**Total**	**1,832**

Additional voluntary contributions of £0.2m were paid directly to Aegon during the year (2013/14: £0.1m).

In accordance with Regulation 4(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

Note 21 Related Party Transactions

The Fund is administered by Westminster City Council. The Council incurred costs of £0.31m in the period 2014/15 (2013/14: £0.32m) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Fund uses the same Banking and Control Service provider as WCC and no charge is made in respect of this.

The Council has a significant interest in one scheduled body (City West Homes) who are within the Fund and it received £2.3m in employer contributions, deficit and early retirement costs from this body (2013/14: £1.3m).

KEY MANAGEMENT PERSONNEL REMUNERATION

The key management personnel of the Fund are the Members of the Pension Fund Committee, the City Treasurer, the Director of Corporate Finance and Investment and the Acting Director of Human Resources. Total remuneration payable to key management personnel is set out below:

31 March 2014		31 March 2015
£'000		£'000
51	Short-term benefits	51
153	Post-employment benefits	195
204	**Total**	**246**

Page 232

6

Glossary and Contact details

Glossary of Terms

ACCOUNTING POLICIES
The rules and practices adopted by the authority that determine how the transactions and events are reflected in the accounts.

ACCRUALS
Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

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

BALANCES (OR RESERVES)
These represent accumulated funds available to the authority. Some balances (reserves) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities. There are a number of unusable reserves which set out for technical purposes, it is not possible to utilise these to provide services.

CAPITAL EXPENDITURE
Payments for the acquisition, construction, enhancement or replacement of assets such as land, buildings, roads, and computer equipment.

CAPITAL ADJUSTMENT ACCOUNT
A reserve set aside from revenue resources or capital receipts to fund capital expenditure or the repayment of external loans and certain other capital financing transactions.

CAPITAL RECEIPTS
Income received from the sale of land, buildings or equipment.

CENTRAL SUPPORT SERVICES
Support provided to front line services by the administrative and professional officers, including financial, legal, personnel, computer, 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 Taxpayers and the sums paid to the national NNDR pool and to the precepting authorities.

COMMUNITY ASSETS
The class of Fixed Assets held by an authority in perpetuity that have no determinable useful life and may have restriction on their disposal, such as parks and open spaces, historical buildings, works of art, etc.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
A statement which details the total income received and expenditure incurred by the authority during a year in line with IFRS reporting as required by the Code.

CONTINGENT ASSET
An asset arising from past events, whereby its existence can only be confirmed by one or more uncertain future events not wholly within the control of the Council.

Glossary of Terms (continued)

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 cost relating to the corporate management and democratic representation.

COUNCIL TAX

A local tax on properties within the City Council, set by the charging (Westminster) and precepting (GLA) authorities. The level is determined by the revenue expenditure requirements for each authority divided by council tax base for the year.

COUNCIL TAX BASE

The amount calculated for each billing authority from which the grant entitlement of its share is derived. The number of properties in each band is multiplied by the relevant band proportion in order to calculate the number of Band D equivalent properties in the area. The calculation allows for exemptions, discounts, appeals and a provision for non-collection.

CREDITORS

Amounts owed by the Council for goods and services received but not paid for as at 31 March.

CURRENT SERVICE COST

An estimate of the true economic cost of employing people in a financial year. It measures the full liability estimated to have been generated in the year.

DEBTORS

Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31 March.

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.

Glossary of Terms (continued)

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employee pays regular fixed contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to the employee service in the current and prior periods.

DEPRECIATION

A measure of the cost of the economic benefits of the tangible fixed asset consumed during the period.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Council, which need to be disclosed separately by virtue of their size or incidence to give a fair representation in the account.

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 substantially all of the fair value of the leased asset.

FIXED ASSETS

Assets that yield benefit to the Council and the services it provides for a period of more than one year.

GENERAL FUND

The account to which the cost of providing 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).

Glossary of Terms (continued)

INTEREST COST

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

INFRASTRUCTURE ASSETS

A class of assets whose life is of indefinite length and which are not usually capable of being sold, such as highways and footpaths.

INTANGIBLE FIXED ASSETS

'Non-financial' fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custody or legal rights. Purchased intangibles, such as software licences, are capitalised at cost whilst internally developed intangibles are only capitalised where there is a readily ascertainable market value for them.

LEVIES

Payments made to the London Pensions Fund Authority, the Environment Agency and the Lee Valley Regional Park Authority.

LONG TERM DEBTORS

These debtors represent the capital income still to be received, for example, from the sale of an asset or the granting of a mortgage or a loan.

MINIMUM REVENUE PROVISION

The minimum amount that the Council must charge to the income and expenditure account to provide for the repayment of debt.

MOVEMENT IN RESERVES STATEMENT

This financial statement presents the movement in usable and unusable reserves (the Council's total reserve balances).

NATIONAL NON-DOMESTIC RATE (NNDR)

Rates are payable on business premises based on their rateable value (last assessed in the 2010 Rating List by the Valuation Office Agency) and a national rate poundage multiplier (48.2p / £ in 2014/15). Westminster acts as the "billing authority" for its area and under the Localised Business Rates regime retains 30% of the net yield from business rates with the Greater London Authority receiving 20% and central government the other 50%. A system of Tariffs and Top-ups as well as a Safety Net scheme operate within the Council's General Fund to further adjust the amount the Council ultimately retains.

NET BOOK VALUE

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value, less the cumulative amount provided for depreciation.

Glossary of Terms (continued)

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 is included in the total costs of services;
- the costs associated with unused shares of IT facilities; and
- the costs of shares of other long-term unused but unrealisable assets.

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
Arise 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.

Glossary of Terms (continued)

PROJECTED UNIT METHOD – PENSION FUND VALUATION

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

PROVISIONS

A liability that is of uncertain timing or amount which is to be settled by transfer of economic benefits.

PRIVATE FINANCE INITIATIVE (PFI)

A Government initiative that enables authorities to carry out capital projects, through partnership with the private sector.

PRUDENTIAL CODE

Since 1 April 2004, local authorities have been subject to a self-regulatory “prudential system” of capital controls. This gives authorities 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 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 authority and its pension fund.

Glossary of Terms (continued)

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets 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.

THE CODE

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

NOTE: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

Contact Information

This document gives details of Westminster City Council's Annual Accounts and is available on the Council's website at *westminster.gov.uk*.

FOR FURTHER DETAILS PLEASE CONTACT:

Daniel Peattie
Finance Manager
Corporate Finance
City Hall
Victoria Street
London
SW1E 6QP

Telephone: 020 7641 6260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Westminster City Council · Westminster City Hall, 64 Victoria Street, London SW1E 6QP · westminster.gov.uk · #CityforAll

City of Westminster

Cabinet

Date:	**1st June 2015**
Classification:	**General Release**
Title:	**2014/15 Treasury Outturn Report**
Report of:	**City Treasurer**
Cabinet Member Portfolio:	**Cabinet Member for Finance and Corporate Services**
Wards Involved:	**All**
Policy Context:	**The efficient management of the Council's financial affairs**
Financial Summary:	**Treasury management continues to operate in a challenging environment.**
Report Author and Contact Details:	**Jackie Shute Interim Treasury Manager jshute@westminster.gov.uk**

1. EXECUTIVE SUMMARY

1.1. This report presents the Council's Annual Treasury Outturn Report for 2014/15 in accordance with the Council's treasury management practices. It is a regulatory requirement for this outturn report to be presented to full Council by 30 September each year.

1.2. The Local Government Act 2003 (the Act) and related regulations issued by the Secretary of State require the production of an annual treasury report following year-end setting out the activities undertaken during the year. As well as the Act and relevant regulations, authorities are also required to have regard to guidance issued by the Secretary of State and the Chartered Institute of Public Finance and Accountancy (CIPFA); namely:

- Guidance on Local Government Investments
- Guidance on Minimum Revenue Provision
- CIPFA Code of Practice on Treasury Management in the Public Services
- CIPFA Prudential Code for Capital Finance

This report meets the requirements set out in the above guidance.

1.3. The Act also requires Authorities to determine an affordable borrowing limit for the year, which cannot be breached. This report confirms that borrowing remained well within the limit set prior to the start of the financial year.

1.4. There are two aspects of Treasury performance – debt management and cash investments. Debt management relates to the City Council's borrowing and cash investments to the investment of surplus cash balances. This report covers:

- investment activity during 2014/15
- borrowing activity during 2014/15
- the capital expenditure and financing for 2014/15;
- the UK economy and interest rates
- compliance with treasury limits and prudential indicators
- way forward for treasury in 15/16

1.5. The key treasury position is set out as follows:

Key Indicators	**2013/14 Actual £m**	**2014/15 Indicator £m**	**2014/15 Actual £m**
Capital Expenditure	**105**	**189**	**184**
Capital Financing Requirement			
General Fund	107	115	165
Housing Revenue Account	276	276	276
Total	**383**	**391**	**441**
Total borrowing	285		283
Total investments	628		605
Total Net	**343**		**322**

1.6 Capital Expenditure was slightly below the estimate for the year mainly as a result of slippage. The net surplus for the authority moved down from £343m to £322m over the year; this cash outflow of £21m was predominantly as a result of capital expenditure, off-set by positive reserve movements and working capital. This was reflected in the reduction in investment balances. Borrowings remained broadly unchanged over the year, with a small reduction as principal was repaid.

2. RECOMMENDATION

2.1 Cabinet is recommended to note the report and to refer the report to full Council in accordance with regulatory requirements.

3. BACKGROUND

3.1. The Council has fully adopted the recommendations in CIPFA's Code of Practice on Treasury Management in the Public Services. Specifically this includes:

- Creation of a Treasury Management Policy Statement

- Development and maintenance of Treasury Management Practices setting out how the treasury objectives will be met

- Production of reports to Council including annual strategy in advance of the start of the year, a mid-year review and an annual review following the year-end

- Delegation to City Treasurer of the responsibility for implementation and monitoring the policies and practices as well as the execution and administration of the treasury management decisions

3.2. This report presents the Council's Annual Treasury Report for 2014/15 in accordance with the Council's treasury management practices. This report covers:

- investment activity during 2014/15
- borrowing activity during 2014/15
- capital Expenditure & Financing
- the UK economy and interest rates
- compliance with treasury limits and prudential indicators
- the way forward in 2015/16

4. INVESTMENT ACTIVITY DURING 2014/15

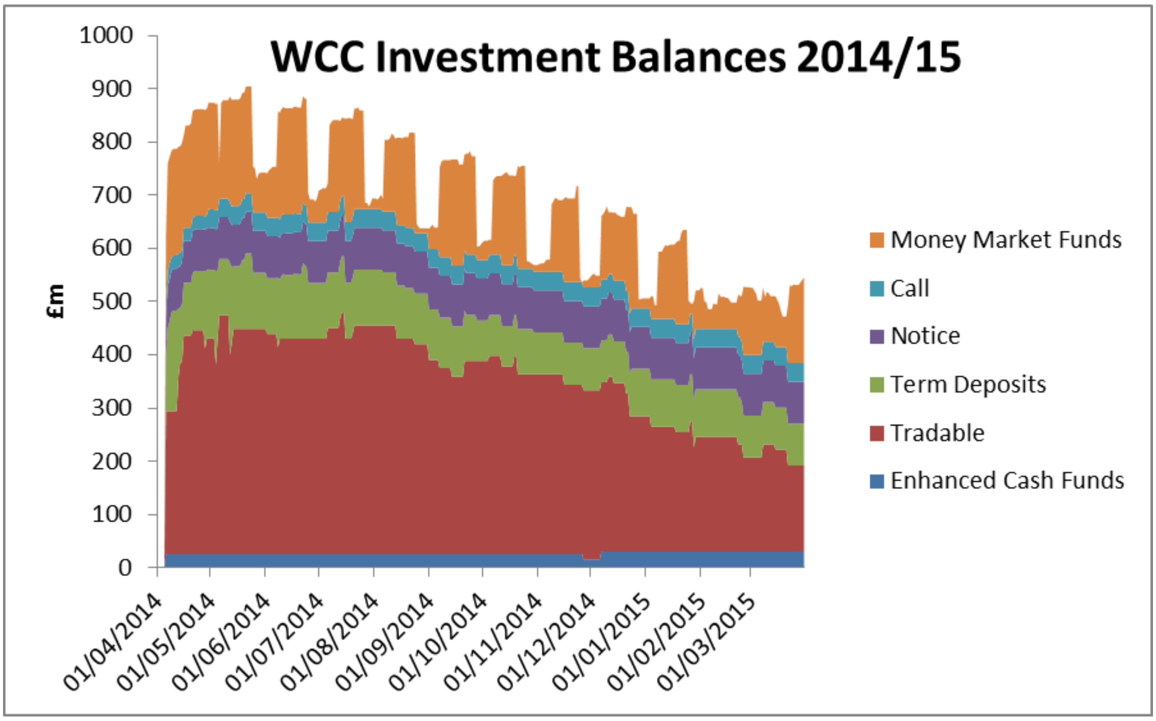
Position at 31st March 2015

4.1. The table below provides a breakdown of the cash deposits, together with comparisons from the previous year:

Investment Type	Investment balance 31 March 2014 (£m)	Investment balance 31 March 2015 (£m)	Movement (£m)
Money Market Funds	126.00	200.00	74.00
Call Accounts	30.09	35.00	4.91
Notice Accounts	78.56	78.72	0.16
Term Deposits	99.00	109.70	10.7
Tradable Securities	268.01	149.99	(118.02)
Enhanced Cash Funds	26.48	31.32	4.84
Total:	**628.14**	**604.73**	**(23.41)**

Activity During 2014/15

4.2. Total cash balances during 2014/15 varied considerably, predominantly as a result of the significant peaks and troughs arising from the payment profile of Business Rates collection and Rates Retention payments to CLG and GLA. The investment balance therefore ranged between £478m and £904m and averaged £683m.



4.3. Liquidity was managed through call accounts and money market funds. At year end there was just one call account balance held with a highly rated European bank and a further £200m of liquid balances invested in four money market funds. The funds return 0.40% - 0.55% depending on their investment approach (all are rated AAA by at least one, and in most cases two, rating agencies). The average balance was £119m over the course of the year, and peaked at £218m.

4.4. There are two notice accounts utilised, where rates are based on LIBOR plus a margin and notice is required for 65 days and 3 months. The balances have remained relatively static throughout the year, although for one of the accounts interest is added to the balance in the account rather than being repaid to the Council.

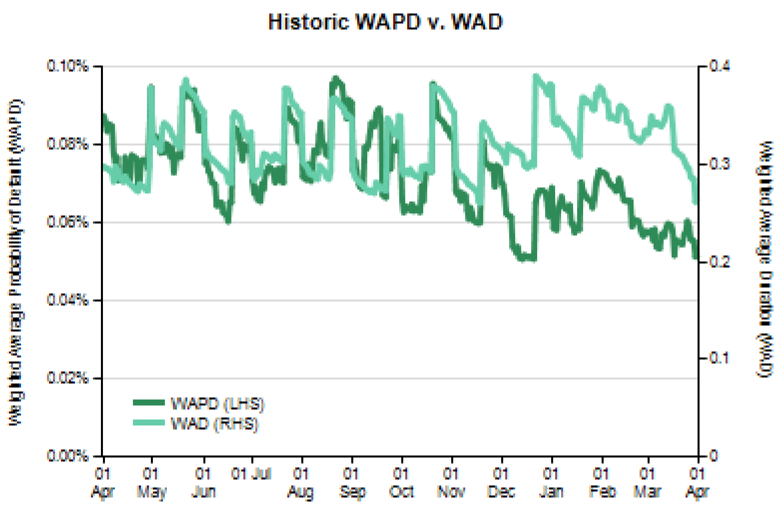
4.5. The term deposits at year-end comprise seven fixed term bank deals and a deposit with the Debt Management Office. All deposits will be maturing before November 2015. Two of the deposits were entered into in 2010 and were variable, and one had a floor ensuring a minimum rate of 3% was achieved. The remaining deposits are all shorter term fixed rate deals and were raised during 2014/15.

4.6. The Council has been reasonably active in tradable securities during the year, comprising commercial paper issued by Transport for London, Network Rail bonds, Supranational Bank bonds, UK Government issued gilts and treasury bills. The vast majority of these securities have been short dated and purchased on the secondary market with a few months remaining until maturity. It is the Council's policy to hold these assets to maturity and has no intention of disposing prior to this. During 14/15 no securities were sold prior to maturity.

4.7. As at 31st March 2015 the Council had investments in two enhanced cash funds. These funds do not distribute income and instead any gains are accumulated into the unit price. Therefore the returns on the funds are reflected as unrealised gains which only become realised once units are sold. During 2014/15 some units were disposed of in one of the funds, producing a small gain, this was followed by the purchase of further units at a later date thus increasing the value invested in the Enhanced cash funds from £26m to £31m during the year.

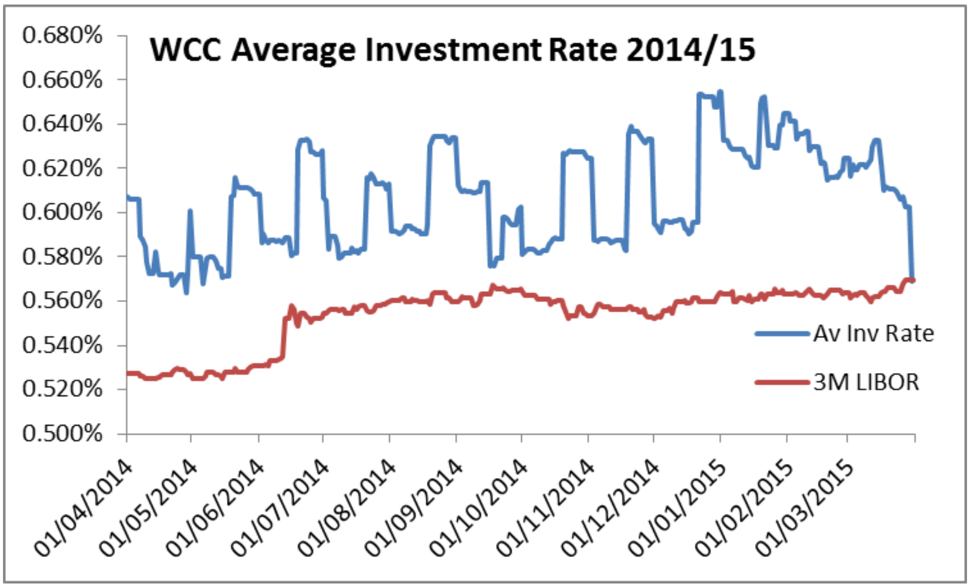
Performance

4.8. All investments entered into by the authority during 2014/15 were fully compliant with the Annual Investment Strategy. The strategy makes clear that the investment priorities are given to security of principal then liquidity over yield. To this extent all investments have only been made with counterparties of high credit quality. The chart below quantifies the credit exposure over the year by calculating the weighted average probability of default (WAPD) for each investment entered into over the course of the year and compares to the weighted average duration (WAD) of the portfolio



4.9 This chart shows volatility in the duration of the portfolio; generally as a result of the large swings in money market fund balances, which effectively have a zero duration as a result of the instant liquidity. The credit risk of the portfolio has reduced over the course of the year. This is largely down to reduction in the exposure to some UK banks.

4.10 The weighted average interest rate of return on the investments over the year was 0.60%, with total interest received of £3.93m. The respective figures for 2013/14 were 0.60% and £3.97m.



4.11 The chart above shows the relative volatility in the rate during the year calculated as a weighted average on a daily basis. Towards the end of the year, the rate dropped off as deposits were placed with the Debt Management Office on a very short term timescale which impacted on the rate being achieved. The rate achieved has been significantly above 3 month LIBOR over the course of the year.

5. BORROWING ACTIVITY DURING 2014/15

Position at 31st March 2015

5.1 The Council operates a two-pool approach to the apportionment of its debt, with each revenue account bearing an appropriate proportion of external debt; reflecting the manner in which historic capital has been incurred. The HRA's gross indebtedness is measured by its Capital Financing Requirement and where the actual level of borrowing falls below this level, this is considered as borrowing from the General Fund in order that each revenue account is appropriately charged with the costs of its indebtedness.

5.2 The table below shows the details around the Council's external borrowing (as at 31 March 2015), split between the General Fund and HRA. This is a gross position not taking into account any internal cross lending.

	31/03/2014 Balance £m	31/03/2015 Balance £m	Average Balance £m	Average Rate
General Fund	25.53	26.07	25.86	4.161%
HRA	258.59	257.78	258.08	4.804%
Total	**284.12**	**283.85**	**283.94**	**4.745%**

5.3 The outstanding loans comprise a combination of PWLB and Market loans, with a very small amount of historic mortgages advanced in the 1960s.

Activity During 2014/15

5.4 Total borrowings decreased by £1.3m as loans matured during the year and no new borrowing was undertaken.

5.5 Whilst opportunities for debt restructuring / repayment continued to be monitored, it was not considered that it was an appropriate opportunity at this stage to pursue this strategy as discount rates were deemed to be very low, and consequently premia considered high.

Performance

5.6 The portfolio average rate remained reasonably stable throughout the year, starting at 4.757%, and ending the year at 4.737%. This reduction was as a result of the small value of high coupon loans maturing.

	Average Balance £m	**Average Rate**
PWLB Loans	213.3	4.625%
Market Loans	70.0	5.08%
Total	**283.3**	**4.737%**

6 CAPITAL EXPENDITURE & FINANCING

Capital Expenditure

6.1 The level and financing decisions of capital spend have a major impact on the treasury management position of the Council. The Council has a number of available sources of financing to apply to capital expenditure and makes decisions based on maximising the available resources.

6.2 The Prudential Code requires indicators to be set in respect of the overall level of Capital Expenditure for the General Fund and Housing Revenue Account. The table below sets out the indicator and the sources of financing used to fund this spend:

	2013/14 Actual £m	**2014/15 Indicator £m**	**2014/15 Actual £m**
General Fund Capital Expenditure	75	71	76
HRA Capital Expenditure	30	118	108
Total Capital Expenditure	**105**	**188**	**184**
Financed by:			
Capital Receipts	4	8	8
Capital Grants	52	61	58

Revenue	9	42	35
Major Repairs Allowance	17	17	17
Prudential Borrowing	23	61	65

6.3 The small underspend on capital resulted in a lower charge to revenue than was anticipated at the time the indicator was determined, and Prudential borrowing was marginally higher than expected.

Capital Financing Requirement

6.4 Ultimately all expenditure incurred by the Council has to be resourced in some way. Revenue expenditure must be resourced using revenue sources of finance. Capital expenditure, as shown by the table above, has a number of financing options available. If the Council is able to receive a grant for certain schemes, or charge to a revenue account, by way of example, this has the impact of immediately resourcing that expenditure. However, if these sources are not available, or sufficient to meet the extent of the planned expenditure, then Prudential Borrowing can be undertaken which defers the total resourcing. The amount of historic capital expenditure which has yet to be resourced is measured by the Capital Financing Requirement (CFR).

6.5 Ultimately this resourcing will take place through the Minimum Revenue Provision (MRP) mechanism which requires authorities to make an annual charge to the revenue account over the lifetime of the assets being financed in this way. Guidance issued by the Secretary of State set out recommendations for authorities to follow when determining this provision. The guidance requires authorities to produce an annual MRP policy in advance of the start of the year. The policy for 2014/15 was included within the Treasury Management Strategy report approved by Council in February 2014. So the CFR increases each year by the value of capital expenditure met by Prudential Borrowing, and reduces as MRP resources this spend on an annual basis.

6.6 In addition to MRP which reduces the underlying need to borrow over time, authorities can also make additional MRP charges to revenue known as Voluntary MRP or apply capital receipts up to the value of any debt that has been repaid.

6.7 Another component of the CFR is the element relating to other long term liabilities; specifically finance leases and PFI contracts. This element of the CFR is written down each year by the principal elements of the lease repayments.

6.8 Once of the key Prudential Indicators relates to the CFR and ensuring that gross borrowing does not exceed the CFR. The Prudential Indicator in respect of the CFR is set out overleaf:

	General Fund £m	Housing Revenue Account £m	Total £m
Adjusted Opening CFR 31/03/2014	**107.27**	**276.12**	**399.10**
Prudential Borrowing for 2014/15	65.46	-	65.46
Capital Receipts applied to reduce CFR	(1.53)	-	(1.53)
Minimum Revenue Provision	(4.30)	-	(4.30)
MRP in respect of Other Long Term Liabilities	(2.14)	-	(2.14)
Closing CFR	**164.76**	**276.12**	**456.59**
Prudential Indicator projected closing position 2014/15	**114.79**	**275.87**	**390.01**

6.9 The increase in the General Fund CFR for 2014/15 is predominantly as a result of capital expenditure to be financed by Prudential Borrowing.

7 THE ECONOMY AND INTEREST RATES

7.1 UK growth was robust in the first quarter of the year largely as a result of strong household spending, and confidence reached the highest levels seen since 2005 according to the GfK consumer confidence survey.

7.2 GDP posted a 3% annual increase over 2014, and forward looking indicators such as the Purchasing Managers Index were all in positive territory for the year for both Manufacturing and Services. Unemployment continued its fall over the year, dropping from 6.6% in April to 5.5% in February 2015. A large contributor of this growth was consumer spending, which was supported by very strong Consumer Confidence Surveys; the GfK figure for March showed the strongest seen for 13 years.

7.3 Oil had an interesting year, initially increasing on Q1 2014/15 as geopolitical risks in the Middle East caused worries over supply. However this was reversed over the following quarter as concerns over growth in China as well as a strengthening dollar exerted downward pressure. Over the rest of 2014 the decline steepened as North American attempts at fracking and extracting from Oil Sands reduced their overall demand from global markets. The decision taken by Saudi Arabia to maintain market share and allow the price to drop was a major contributor. Despite a small recovery in Q1 2015, Oil ended up at approximately half the value it started the year at.

7.4 This had a direct bearing on inflation, with CPI reaching a 12 year low in November 2014 of 1%. The decline continued, reaching zero in February and remaining at that level in March.

7.5 The market began the year with the expectation that interest rates would be unlikely to be raised until 2015 and, despite strongly positive messages from Governor Carney suggesting rises sooner than the market expects, and that the point at which interest rates begin to normalise was getting closer, the dipping of CPI proved more of a driving force behind the markets, and the consensus at the year-end was for the expectation of the first rate rise to occur in Q3 2016. Longer term rates fell over the course of 2014, and had a small bounce back in Q1 2015.

8 COMPLIANCE WITH TREASURY LIMITS AND PRUDENTIAL INDICATORS

8.4 During the financial year to March 2015, the Council operated within the treasury limits as set out in the TMS. The outturn for the Treasury Management Prudential Indicators are shown below.

External debt indicator	**Approved limit (£m)**	**Maximum Borrowing in year**	**Days exceeded**
Authorised limit[1]	486	285	None
Operational boundary[2]	466	285	None

Maturity structure of borrowing	**Lower limit (%)**	**Upper limit (%)**	**Actual at 31 March 2014 (%)**
Under 12 months	0	40	11.2
1-2 years	0	35	0.0
2-5 years	0	35	10.7
5-10 years	0	50	14.3
10 years and over	35	100	63.8

Upper limits on interest rate exposure	**Approved maximum limit**	**Actual as at 31 March 2015**
Borrowing		
Fixed interest rate exposures	100%	75.0%
Variable interest rate exposures[3]	50%	25.0%
Investments		
Fixed interest rate exposures	50%	4.1%
Variable interest rate exposures[4]	100%	95.9%

[1] Authorised limit for external debt is the limit above which external debt must not go without changing Council Policy.

[2] Operational boundary for external debt is the limit against which external debt will be constantly monitored.

[3] Variable interest rate include all debt under 1 year to maturity and LOBOs.

[4] Includes all investments with maturity less than 1 year.

£ million	Approved maximum limit £m	Actual as at 31 March 2014 £m
Limit on investments for periods over 364 days	200	24.8

9. THE WAY FORWARD

9.1 The Council has a clear ambition to be a leader amongst its peers for effective performance of financial management, including treasury management function. As part of the tri-borough team for Treasury & Pensions, there is also the opportunity to learn from and influence other authorities to constantly improve the service.

9.2 Officers are currently exploring a range of options to improve on the treasury management and related investment strategies to ensure the best use of the available resources. During 2015/16 a report will be presented which will identify a number of options which may include for example future initiatives covering:

- cashflow projections to provide back drop against which to make strategic treasury management decisions through development of a long term cashflow forecast based off expected spending plans, using liability benchmark approach to portfolio management
- revised levels of investments held on short term basis to meet liquidity requirements, and address interest rate risk
- detailed analysis of treasury implications of debt pooling approach for HRA self-financing
- embedding risk management fully into the treasury decision making process in line with the CIPFA Code of Practice
- appropriately articulated treasury management objectives of reducing net interest cost, reducing net interest risk, management of credit risk, and enterprise risk management techniques. This will include active consideration of strategies to:

  - Repay / defease external loans
  - Finance part of pension deficits to attract equity like returns on the Council's cash balances
  - Invest in longer dated instruments to lock in better returns, reduce interest rate risk without exposing the authority to greater credit risk

- operational benefits to tri-borough service maximised through standardisation in procedures, more streamlined processes

10. Legal Implications

10.1 The submission of this report to full Council on 8 July will ensure that the Council meets the regulatory requirement to present this information to full Council by 30 September each year.

Background Papers

Cabinet Reports

Treasury Management – Annual Strategy for 2014/15, including Prudential Indicators and Statutory Borrowing Determinations – 23rd Feb 2015.

If you have any questions about this report, or wish to inspect one of the background papers, please contact Jackie Shute on 020 7641 1067 or jshute@westminster.gov.uk.