



City of Westminster

# Cabinet

<b>Date:</b>	Monday 1 June 2015
<b>Classification:</b>	General Release
<b>Title:</b>	2014/15 Annual Accounts
<b>Report of:</b>	City Treasurer
<b>Cabinet Member Portfolio</b>	Cabinet Member for Finance and Corporate Services
<b>Wards Involved:</b>	All
<b>Policy Context:</b>	The efficient and effective management of the Council's financial affairs
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## 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 16<sup>th</sup> 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 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)**

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

- 7.3 Details of the major variances are given below:

### 7.3.1 Leader of the Council (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
<b>CRG Capital Programme</b>				
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
<b>TOTAL (NET)</b>	<b>57,521</b>	<b>65,483</b>	<b>45,938</b>	<b>19,545</b>
<b>Other Capital projects</b>				
Grosvenor Waterside	0		1,244	(1,244)
Ark Atwood Academy	0		4,091	(4,091)
Ebury UTC	0		322	(322)
Temporary Accommodation	0		9,214	(9,214)
<b>TOTAL (NET)</b>	<b>0</b>	<b>0</b>	<b>14,872</b>	<b>(14,872)</b>
<b>TOTAL CAPITAL PROGRAMME</b>	<b>57,521</b>	<b>65,483</b>	<b>60,810</b>	<b>4,673</b>

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
<u>Current Assets</u>			
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
<u>Current Liabilities</u>			
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
<u>Long Term Assets</u>			
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
<u>Long Term Liabilities</u>			
Provisions	82,672	120,725	38,053
Other long-term liabilities	832,198	918,644	86,446
	914,870	1,039,369	124,499
<b>Total Net Assets</b>	<b>1,711,359</b>	<b>1,777,443</b>	<b>66,084</b>

## **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**  
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## **BACKGROUND PAPERS**

### **Appendix 1**

**Westminster City Council Statement of Account 2014/15**