AGENDA ITEM No:

City of Westminster

Audit and Performance Committee

Date:	Thursday 12th May 2016
Classification:	General Release
Title:	2015/16 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 2015 set out the requirements for the production and publication of the annual Statement of Accounts. Regulations state that the Council should submit its accounts for audit by 30 June 2016 and that a committee should approve the final, audited 2015-16 Statements for both the Council and the Pension Fund by 30th September 2016. In accordance with the Council's considerably enhanced closure programme (quality and pace) these accounts:

- were submitted to Grant Thornton for external audit on the 9th April 2016. Thus the Council has achieved in 9 days what most local government bodies take 3 months to complete
- are the earliest public sector accounts ever issued
- have exceeded the performance of 94% of the FTSE 100, including the 9 largest companies
- were reported to the Audit and Performance Committee on the 12th May, four and half months before the statutory deadline

1.2 This builds on the performance for 2014/15 when the Council submitted its accounts on the 16th April 2015, published its accounts earlier than any other local government body on the 18th May 2015, were the earliest local government body accounts for 70 years and exceeded the performance of 83% of the FTSE 100

1.3 Other key items to note are:

- The revenue outturn shows an underspend of £5.54m against budget.

- The capital programme original budget including 2014/15 slippage of £13.86m was £188.3m. This was re-profiled to £94.697m after adjustments and virements with the forecast outturn reported as £75.46m as at Period 10. As at year end the outturn position is reported as £69.432m which represents an underspend against original gross budget of £118.87m (63%).

- The original HRA capital budget for 2015-16 was £93.4m including slippage from 2014/15 of £3.6m. At period 10 the forecast outturn reported as £49.6m. The actual outturn position was £54.7m, which represents an underspend against original gross budget of £38.7m (41%).

- The overall Council capital programme position was therefore an original budget of £281.7m, a re-profiled budget of £188.097m after adjustments and virements with the forecast outturn reported as £125.06m as at Period 10. As at year end the outturn position is reported as £124.132m which represents an underspend against original gross budget of £157.568m (56%).

- The balance sheet strengthened during the financial year with overall net assets increasing from £1,777m in 2014/15 to £1,898m as at 31 March 2016. As a consequence of the improved financial position for the year the Council was able to increase its General Fund Reserves by £5.54m to a closing balance of £41.58m to provide the Council with on-going financial resilience in an increasingly austere economic climate over the medium-term.

- This year's closedown process has been challenging given the need to bed down the new Agresso system which went live 1 April 2015 as part of the Managed Services Programme. However, despite these challenges there have been a range of improvements in the accounts and accounting year on year covering back office processes and systems (e.g. a refreshed "cloud based" asset register) and improved presentation, accuracy, better inclusion of information and improved accounting.

1.4 There is a technical change related to the publication of local authority accounts effective from this year whereby the accounts are subject to new arrangements for the exercise of electors' rights, which take effect from the 2015-16 financial statements. One of the most significant changes is that the auditor is no longer required to 'call the audit' and specify a date upon which electors can meet with the auditor and ask questions about the accounts. In addition, the period for the exercise of electors' rights is set at 30 working days, and for 2015-16 must include the first 10 working days of July.

1.5 The Council's meeting to consider and approve the accounts must take place after the period for the exercise of electors' rights has ended. In practice this means therefore that the inspection period this year cannot end before 14 July 2016. This means that no authority is able to formally approve and publish their accounts before 14 July 2016 with the Inspection period starting on 3rd June 2016. To comply with this a special Audit and Performance Committee has been called for 5pm on the 14th July which is after the end of the Council's inspection period which concludes at 4pm on the 14th July.

2. Background

2.1 The Council prepared its final accounts for 2015/16 and submitted them to the Council's external auditors, Grant Thornton, for audit on 9th April 2015. This is a full 12 weeks in advance of the statutory requirement of the 30 June.

2.2 The Council has very significantly improved the quality and the timeliness of its accounts. This has been achieved the through the financial transformation programme that was put in place for 2014/15 and which has continued into 2015/16 and which will continue going forward.

2.3 The accounts are shown as the Appendix 1 and contain full detail of the Authority's finances for the year.

3 Timetable

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

3.2 In recent prior years the date that the Authority has submitted its accounts for audit has been as follows:

- 2012/13 30th June 2013
- 2013/14 19th May 2014
- 2014/15 16th April 2015
- 2015/16 9th April 2016

4 Financial Management Quality Transformation

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

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

- lessons learned from 2014/15 were identified and implemented in this year's timetable which was rolled out for period 5 as a partial hard closedown and then monitored and updated throughout the year. This enabled us to identify new requirements such as the implementation of IFRS13 'Fair Value measurement' early and establish a strategy for its successful implementation.

- the Core Statements and a number of notes can now be generated automatically from the Trial Balance. This reduction in the production time means more attention can be spent interrogating and reviewing the figures which underpin the statements.

- an enhanced Quality Assurance process which ensured all working papers were produced in a standardised way to enable consistency and accuracy through a centralised QA team.

- a number of training courses on technical issues were run throughout the year as well as more informal sessions. These covered areas including technical accounting issues, working paper production and Agresso training.

- the asset register was moved onto a cloud based platform significantly improving performance. This enabled a reduction the time required in uploading year end information significantly contributing towards the faster close.

4.3 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.

4.4 There have been a series of improvements in the 2015/16 accounts themselves. Some examples of matters improved during 2015/16 which in previous years had not been dealt with to the same standard are noted below:

- "de-cluttering" of the accounts, removing those items which are of a non-material nature or do not help to clarify for users of the document.

- the order of the notes has been amended to help improve the flow of the document. Notes are now ordered based on which Core statement they relate to in order to aid the reader of the accounts.

- a full review of service concessions and similar contracts has taken place to reclassify reference to PFI schemes.

- inclusion of a “Narrative Report”, replacing the Explanatory Forward.

- more detailed disclosure of material items of income and expenditure

- improved formatting of draft accounts, so there is minimal difference between the version first presented to audit and that posted online as the final design version.

4.5 Work to drive forward quality further in 2016/17 will be further prioritised

5 Benefits of the Early Closure of Accounts

5.1 The early closure of accounts continues to brings with it the following benefits:

- the ability to provide earlier assurance and information to stakeholders providing 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 the 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 accounts finalisation 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 2016/17

- 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.

6 Revenue Outturn – By EMT Member

6.1 As shown in Table 1 below, the full year outturn for the Council amounted to an under spend of £5.540m against the net service area budget of £196.306m. This is primarily due to City Management and Communities delivering a favourable variance of £4.671m combined with surpluses in the Chief of Staff (£0.189m), Adult Services (£0.199m) and other smaller net favourable variances across the other directorates.

6.2 In respect of key savings initiatives, the directorates were able to deliver against the targets or mitigate any shortfalls in savings which did not deliver in full, thereby delivering the surplus against budget of £5.540m. A review will be undertaken to verify whether the mitigating actions were on an on-going or one-off basis and hence whether there will be any risk for the 2016/17 outturn.

6.3 Risks and opportunities as reported at P10 were either mitigated or did not materialise by year end. Reporting on these recommence with 2016/17 monitoring, when the potential of these impacting the next financial year's outturn will be assessed.

Table 1 – Period 12 Actual Outturn by EMT Member

SERVICE AREAS - EMT Structure	Budget £000	Actual Outturn £000	Variance to Budget £000
Chief of Staff	2,721	2,532	(189)
City Treasurer	6,277	6,266	(11)
Director of Policy, Performance and Communications	9,008	8,991	(17)
Executive Director of Adult Services	64,030	63,831	(199)
Executive Director of Childrens Services	41,043	40,914	(129)
Executive Director of City Management and Communities	21,972	17,301	(4,671)
Executive Director of Corporate Services	19,260	19,095	(165)
Executive Director of Growth, Planning and Housing	31,995	31,836	(159)
SERVICE AREA TOTAL	**196,306**	**190,766**	**(5,540)**
Council Tax	46,043	46,043	-
Business Rates Net of Tariff	80,224	80,224	-
Revenue Support Grant	70,039	70,039	-
Corporate Financing	**196,306**	**196,306**	**-**
Net (Surplus) / Deficit	**-**	**(5,540)**	**(5,540)**

The above position is comprised of the following set out below:

Chief of Staff (Siobhan Coldwell)

6.4 The year-end position for the Chief of Staff's directorate was an under spend of £0.189m against the annual budget of £2.721m. The key drivers for the under spend were the Members Service (£0.158m), mainly relating to allowances; reduced pay spend (£0.095m), of which £0.061m was due Complaints and Customer service not recruiting to vacant posts;and under spends on other overheads (£0.052m). This was offset by an over spend on the Coroner's Service (£0.116m), of which £0.074m related to funeral expenses.

City Treasurer (Steve Mair)

6.5 The year-end position for the City Treasurer directorate was an under spend of £0.011m against a budget of £6.277m. The under spend comprises improved net interest earnings on loans and investments which delivered a favourable impact on net financing costs offset by technical adjustments required in the financial statements.

6.6 WCC business rates income has been significantly lower than CLG assumed baseline funding levels since the start of localised rates. (Lower by £57m in 2013/14 and £66m in 2014/15). It was a further £65m lower in 2015/16. The Council is however protected against a loss in excess of £6m loss by the safety net and thus the Council's budget was balanced in this regard. It is likely that a safety net payment will also be required next year. The 2017 Revaluation has the potential to create further similar problems in future years

Policy, Performance and Communications (Julia Corkey)

6.7 The final position was an under spend of £0.017m which was effectively in line with the forecasted position reported as at P10. The key drivers of the underspend were: employee costs lower than budget £0.686m; additional income of £0.417m, mainly relating to air quality grant income (£0.160m), funding of the business intelligence project (£0.121m) and over achievement on City Promotion, Events and Filming (£0.092m). However, non-pay expenditure was over spent mainly due to £0.544m on contracts, £0.524m against payments to service providers under Cross River Partnership, and £0.275m on other non-pay lines.

Adult Services (Liz Bruce)

6.8 The outturn position for Adult Services as at 31st March 2016 is an under spend of £0.199m. The position projected at P10 was a balanced budget and the main reasons for the variance are direct payment claw-backs of care payments received in March and general movements in placement packages. This was the result of a review of circumstances and needs of customers who were found to have a lower level of need and therefore were in receipt of excess funds which were to be returned to the Council. All in year budget pressures were contained within existing resources and the outturn includes the achievement of the £6m savings target for 2015/16.

6.9 The anticipated risk in the Homecare forecast of £0.1m at P10 did not materialise as it was mitigated by a slower than expected transfer of packages to new contracts.

6.10 There will continue to be on-going pressures on ASC budgets and a forecast growth in demand for care services as a result of increasing numbers of older people, people with disabilities and people with long term health conditions needing care. These demographic pressures are exacerbated by increasing pressure from hospitals to discharge patients in a timely fashion, particularly during the winter months. In addition there is pressure from a reduced capacity to make efficiencies from external care providers without affecting the quality of care they provide along with an increase in Homecare costs. Internal reviews of all areas of expenditure are on-going in order to mitigate pressure from care placements. Using ONS & GLA data, demographic pressures have been estimated as being approximately 1.7% of total placement budgets each year for the next 10 years at approximately £1.1m to £1.2m p.a. and this is being closely monitored for financial planning.

6.11 On the 4th June 2015 it was announced by the Treasury that Non-NHS Health budgets are to be cut in-year by £200m (6.2%) across England. WCC's current share of the total Public Health funding for 2015/16 is £33.477m. For WCC this equated to a cut of £2.076m which was met from contract underspends and unexpected underspends in Public Heath Investment Fund approved projects. In the Spending Review the Chancellor advised that there would be further savings in the Public Health grant - an average real terms saving of 3.9% each year to 2020/21.

Children's Services (Andrew Christie)

6.12 Overall the Children's Services directorate has reported an outturn underspend of £0.129m. This is an improvement on the breakeven projection at P10.

6.13 The Commissioning service was underspent by £0.042m as it delivered early MTP savings on Early Years, Legal & Family Partnership budgets, which offset overspends on Assessment and Contact services, plus staffing and transitional costs associated with the delayed implementation of the restructure to the service.

6.14 Family Services had an adverse outturn of £1.136m mainly arising from significant demand-led pressures relating to external private and residential placement costs brought about through Government strategy and/or legislative changes. Although placement expenditure has decreased by the MTP target, it still remains a significant cost pressure to the service overall. There were also in-year cuts in Government grant funding for the Youth Offending Service and also the late delivery of MTP savings relating to Play and Children's Centres.

6.15 There were also overspends within the Schools Commissioning and Education service of £0.364m mainly due to overspends on the SEN passenger transport contract as the number of high needs, high cost service users have been higher than anticipated. There were also pressures as a result of additional expenditure required to support service stability through the conversion of SEN Statements into the new Education, Health and Care Plan (EHCP) format. These overspends were partially mitigated by underspends within school standards as a result of increased income.

6.16 The Safeguarding and Quality Assurance service had a small overspend a result of additional agency expenditure to cover short term vacancies (£0.052m).

6.17 The Finance and Resources service had a favourable outturn of £1.580m as it has delivered underspends from Social Care Legal, Transport and Building Schools Future budgets.

City Management and Communities (Stuart Love)

6.18 City Management and Communities reports an overall net surplus to budget at year-end of £4.671m.

6.19 This is partly due to the Parking service having a net surplus of £2.190m, arising from contract budget underspends (£1.5m), combined with additional income resulting from implementing the tariff review recommendations in-year (£0.690m).

6.20 The Waste service delivered a net surplus of £1.878m from growth in commercial waste sales and fees, after offsetting additional disposal and collection costs of £0.7m.

6.21 Highways and Public Realm was underspent by £1.842m due to staffing vacancies of £0.641m, additional savings in supplies and services (£0.201m) and lower volumes of reactive maintenance (£1.0m), especially in respect of footways.

6.22 Public Protection and Licensing had a favourable outturn variance of £1.115m predominantly due to staffing vacancies. Within that figure a surplus from Tables and Chairs licensing (£0.615m) has offset the impact of funding the CCTV service. Some income pressures in Roads Management were mitigated by underspends in supplies and services in other areas.

6.23 The Libraries and Registrars Service is reporting a small underspend of £22k; while this is small, there have been larger variances within Registrar’s income, offset by underspends in salaries.

6.24 The service was also able to establish resources of £1.8m which are held on the Council’s balance sheet and which, subject to approval of business case submissions, may be available for release to fund future years’ MTP change initiatives, by way of example the digitisation agenda and libraries transformation. A further £0.335m of digital programme costs were funded by the directorate from the above underspends during the year.

Corporate Services (Nick Dawe)

6.25 The year-end position for Corporate Services was an under spend of £0.164m against the full year budget of £19.260m – £0.064m better than the position reported at P10, after expensing c£0.79m in respect of the Office 365 and Strategic Infrastructure Platform projects (spend longer qualifying as capital). The key driver for the overall under spend was staff vacancies in HR. At P10 it was viewed that the Procurement service could undergo a restructure at a Bi-Borough level which would have delivered savings and equivalent costs of delivery. No decision was confirmed however and no restructure has taken place.

Growth, Planning and Housing (Ed Watson)

6.26 Growth, Planning and Housing has a small surplus overall against budget at year end of £0.159m. This compares with a projected overspend at P10 of £0.25m. There are several significant variances within GPH that contribute to this including overspends on Temporary Accommodation as a result of the increase in demand for TA and the average weekly cost of provision (£3.5m) and delays in starting major projects that adversely impacted on developer income (£1.3m).

6.27 These overspends were largely mitigated from underspends and savings within Rough Sleeping and Supporting People contracts (£1.3m) and the application of the TA reserve (£2.0m). In addition there were underspends within Development Planning on staffing (£0.8m), increased income from planning applications (£0.6m), offset by reduced income on rechargeable work, notably building control (£0.73m) and other overhead overspends of £0.1m. Lastly within Corporate Property there was an under spend on premises related expenditure. Underperformance against key indicators on the part of a service provider and a change control rebate adjustment relating to the canteen subsidy amounted to £0.3m, while other net premises cost underspends (including NNDR and energy) amounted to £0.2m.

7 **Capital Outturn**

7.1 The table below shows the Approved Budget and projects by EMT member for 2015/16

Table 2 – Capital 2015/16 Outturn by EMT member

SERVICE AREAS - EMT Structure	Revised Gross Capital £000	Revised External Income £000	Budget (Net) £000	Final Gross Capital £000	Final External Income £000	Outturn Net £000	Gross Expend vs Budget £000	External Income vs Budget £000	Net Spend Variance £000
Chief of Staff	0	0	0	0	0	0	0	0	0
City Treasurer	0	0	0	0	0	0	0	0	0
Director of Policy, Performance and Communications	0	0	0	0	0	0	0	0	0
Executive Director of Adult Services	92	(165)	(73)	262	(151)	110	(170)	(14)	(183)
Executive Director of Childrens Services	6,124	(5,565)	559	7,521	(7,223)	297	(1,396)	1,658	262
Executive Director of City Management and Customer Services	34,523	(17,397)	17,126	32,071	(19,413)	12,657	2,452	2,016	4,469
Executive Director of Corporate Services	1,475	0	1,475	711	0	711	764	0	764
Executive Director of Growth, Planning and Housing	52,483	(31,751)	20,732	28,868	(14,742)	14,126	23,615	(17,010)	6,606
		0							
SERVICE AREA TOTAL	**94,697**	**(54,878)**	**39,819**	**69,432**	**(41,530)**	**27,903**	**25,265**	**(13,349)**	**11,916**
Financing			(39,819)			(27,903)			
Net			**0**			**0**			

City Management and Communities (Stuart Love)

7.2 City Management and Communities covers a wide range of capital schemes relating to sports and leisure, waste management, parks and cemeteries maintenance, library refurbishments, residential facilities improvements, highways assets maintenance and public realm works. The directorate underspent against its revised gross expenditure budget by £2.452m and over achieved its income budget by £2.016m leaving a net underspend position of £4.469m. On a net basis this represents a 26% underspend against a budget of £17.126m. The variance of gross expenditure relates to under spending projects within the categories of:

- Plant improvements: £0.4m
- Parking capital budgets: £0.85m
- Footways maintenance: £0.247m
- Public lighting maintenance: £0.244m
- Oxford Street West: £0.568m
- Westbourne and Paddington: £0.400m
- Queensway street scene: £0.250m
- Moberly Leisure Scheme: £0.9m

7.3 Offsetting these underspend variances were some areas of over-performance where budgets previously re-profiled were able to deliver over and above the revised budget. These were primarily a number of Bridges and Structures projects totalling £850k.

7.4 The surplus variance on income of £2.016m relates predominantly to circa 65 externally-funded schemes (such as Developer-funded Footways works) that have come in or commenced during the year which have raised external income levels above the revised budget figure. A review of the highways element of the capital programme is starting to review the profiling and grouping of the schemes.

Growth, Planning and Housing (Ed Watson)

7.5 The revised gross budget for capital expenditure in GPH was £52.483m, the outturn was £28.868m producing an overall variance of £23.615m. The main reason for this was the Affordable Housing Fund (AHF) which has been re-profiled to 2016/17 caused by delays in Westminster Community Homes (£5m) Housing Infill Programme and in Dolphin square progressing its Incubator scheme (£18m).This was partly offset by an additional +£2m spend upon acquiring TA properties for temporary accommodation, where 40 properties rather than 37 were purchased and the average cost was £27k more than budget due to market conditions.

7.6 Minor variances included underspends of (£434k) on the new Tresham House community centre where the final costs out-turned at £4m. There was also slippage of £129k on feasibility costs for the new Marylebone library (budget £590k), and £600k on the Sir Simon Milton Westminster UTC (budget £3.9m). These were offset by increased in year expenditure against expectation of £1.4m on site assembly costs at Huguenot house (approved budget £1.1m) where spend is largely determined by opportunity, and five properties became available and were purchased in year. The landlords responsibility budget of £2.9m underspent by £2m, this budget is essentially resources that can be drawn down if required to undertake essential repairs on corporate property. The forward management plan a contractually committed works budget of £1.6m managed by AMEY also slipped £742k.

Adult Services (Liz Bruce)

7.7 The 2015/16 final outturn position is a gross capital expenditure over achievement against net budget of £170k or £183k on a net basis. This variance to revised budget is because of a late addition of a grant funded Resources Allocation System in Period 11 (£39k) and the Barnard & Florey reconfiguration (£0.182m) which had been slipped into 2016/17 due to issues related to permissions and extension of leases which incurred more expenditure against programme than planned. A number of other small project variances make up the balance.

Children’s Services (Andrew Christie)

7.8 The Children’s Services capital programme delivered £7.521k of works in 2015/16, of which £7.223k was funded externally and £297k by the Council’s own funds. Of the £7.520k, £6.414k was spent on projects delivering additional school places, whilst £1.106k of refurbishment works were delivered across schools (£883k) and non-schools sites (£223k).

7.9 The variance to revised budget of £1.396m is materially explained by an overachievement against programme of the final school in the Building Schools for the Future programme (Quintin Kynaston) of £1.778m. The remainder of the variance is a result of various other smaller project underspend variances which offset this to return to the £1.396m outturn.

7.10 Income varied by £1.658m primarily because of the grant income associated with the £1.778m Quintin Kynaston BSF project. The overall net position was therefore £262k.

Corporate Services (Nick Dawe)

7.11 At the end of March 2016 Corporate Services year end capital spend was £711k which compared to the revised budget of £1,475k. The main reason for this under spend of £764k was the reclassification of one project from capital to revenue which is explained below.

7.12 In 2015/16 a capital budget of £790k was created for Office 365 and Strategic Infrastructure Platform (SIP). The nature of the expenditure was deemed to be revenue and was funded by underspends as the council is procuring a service from a provider and not owning an asset. In addition, there was an under spend of £10k relating to software licences.

7.13 The key capital projects related to data centre and network refresh which made up £541k of the total spend of £711k. The data centre and network refresh covered equipment refresh, planned activity for transition away from VMB/Ericsson contracts and general LAN switch updates which are not covered by the City Hall refurbishment programme e.g. Lisson Grove. Also work was under taken on the existing Westminster Netcall platform and a telephony software upgrade under the existing Ericsson contract. A further £112k was been incurred on the purchase and configuration of computers for end users. The remaining balance was made up of smaller ad hoc projects.

8 Housing Revenue Account

8.1 This section details the Housing Revenue Account year end position for 2015/16.

Revenue Expenditure

8.2 The HRA commenced the year with some significant financial challenges as a result of continuing policy and legislative changes from Central Government. However, the operating position for the year culminated in a surplus of £1.380m, which represented an adverse variance of £6.6m from budget. This is mainly due to lower than expected recovery of leaseholders major works income as a result of slippages in the last and current year capital programme, lower than expected net rental income due to higher right to buy (RTB) and discretionary stock disposals and higher depreciation charges for the dwelling stock. These adverse variances are partially compensated for by lower than expected repairs and maintenance costs and release of lessee bad debt provision that is no longer required.

Capital Expenditure

Table 3 HRA Capital Outturn - 2015-16

Description	Revised Budget £'000	Forecast Outturn £'000	Variance £'000
Major Works	46,500	29,887	(16,613)
Regeneration/Renewals	28,686	15,612	(13,074)
Other Projects	18,257	9,187	(9,070)
Total Capital Expenditure	93,443	54,685	(38,758)

8.3 The HRA Capital outturn was £54.6m against a revised budget of £93.4m, resulting in a variance of £38.8m, see table above. This overall variance is made up of £16.6m on major works to existing stock, £13.1m on Regeneration and Renewal schemes and £9.1m on non-delegated schemes. It is anticipated that this slippage will be reviewed and re-profiled in future years.

8.4 The major works variance is largely the result of a number of factors including the need to re-scope and repackage schemes in order to reduce the impact of multiple leaseholder bills, and to protracted leaseholder consultation processes that have delayed some schemes getting on site.

8.5 The regeneration and renewal variance is made up of variances on Ebury Bridge £9.7m, Lisson Arches £2.4m, Tollgate Gardens £1.8m, Parsons North £0.7m and Luton St £0.6m along with some other smaller variances.

- Ebury Bridge – The £9.7m slippage is due to delay in completing the compulsory purchase order (CPO) of 31 of the 66 properties planned buybacks, decanting of tenants and the Soho block acquisition. The construction programme originally envisaged to commence on site in 2015/16 is now likely to be delayed into 2017/18 depending on the rephrasing option selected and procurement route to secure a developer. The unspent buyback budget will be carried forward to meet future buyback costs.

- Lisson Arches - The £2.4m slippage is due to delay in completing enabling works as the build programme is now expected to commence in 2016/17. The unspent enabling works budget will be carried forward to complete enabling works in advance of the build programme.

- Tollgate Gardens – The £1.8m slippage is due to delay in completing buyback of units for Tollgate Gardens. A Letter of Intent is underway that provides pre-construction services under the development agreement. Buy-backs are expected to re-commence in mid-2016 so the unspent budget will be carried forward to meet the buyback costs.

- Parsons North – The £0.7m slippage is due to delay in securing a development partner. The unspent budget will be carried forward to meet project commitments.

- Luton Street – The £0.6m slippage is due to delay in completing enabling works. The unspent budget will be carried forward to meet project commitments

8.6 The £9.1m variance mainly relates to slippage related tor Ashbridge £6.9m and the Infill scheme £0.5m as both these projects are slow to start plus slippage for the Self financing scheme £1m all of which are to be carried forward to 2016/17. The planned acquisitions for Dudley House and Moberly/Jubilee are now complete and no further costs are expected in the HRA. The Edgware Road redevelopment is being re-scoped and reports an underspend.

9 Balance Sheet

9.1 The Balance Sheet net assets moved from £1,777m in 2014/15 to £1,898m in 2015/16. This is mainly due to cash/investment balances increasing year on year and liabilities decreasing following a reduction in short term borrowing and revenue receipts in advance.

9.2 There was an increase in the Council’s fixed asset base due to capital expenditure incurred in Westminster’s City for All capital programme.

A summary position is shown in **Table 5** below:

Table 4 – Balance Sheet Summary

31 March 2015 £'000		31 March 2016 £'000	Movement £'000
	ASSETS		
	Non-current		
1,937,025	Property, plant and equipment	1,952,377	15,352
42,746	Heritage assets	42,746	-
402,880	Investment property	405,269	2,389
2,394	Intangible assets	1,830	(564)
40,773	Long-term investments	45,916	5,143
24,573	Long-term debtors	12,394	(12,179)
2,450,391	**Total long term assets**	**2,460,532**	**10,141**
	Current		
344,685	Short-term investments	514,833	170,148
316	Inventories	235	(81)
122,302	Short-term debtors	137,666	15,364
252,942	Cash and other cash equivalents	117,580	(135,362)
1,950	Assets held for sale	2,250	300
722,195	**Current assets**	**772,564**	**50,369**
	LIABILITIES		
33,902	Short-term borrowing	2,109	(31,793)
266,481	Short-term creditors	259,931	(6,550)
55,391	Revenue receipts in advance	6,151	(49,240)
355,774	**Current Liabilities**	**268,191**	**(87,583)**
221	Long-term creditors	202	(19)
120,725	Provisions	153,936	33,211
251,520	Long-term borrowing	251,465	(55)
641,746	Other long-term liabilities	605,540	(36,206)
25,157	Capital receipts in advance	55,388	30,231
1,039,369	**Long-term liabilities**	**1,066,531**	**27,162**
1,777,443	**Net assets**	**1,898,374**	**120,931**

10. Cashflow Outturn

10.1 The Council's level of cash and cash equivalents (that is, investments that mature in no more than three days) moved from £252.9m in 2014/15 to £117.6m in 2015/16.

10.2 There was a net outflow of £173m as the Council used its cash reserves to make short-term investments (less than one year). This was offset by capital receipts in £86m for use by the Council for investment in its capital programme.

11. Pensions

11.1 The Pension Fund annual accounts for 2015/16 were produced and submitted to the same timescales as the council's main accounts. As at the 31 March 2016, the market value of the Fund was £1,066m compared to £1,099m at the start of the financial year. This reduction of £33m can largely be attributed to the disinvestment of assets to cover cash flow requirements. There is a monthly shortfall of £1.5m-£2m which is required to pay the pension benefits and this led to a withdrawal of assets amounting to £25m over the year.

11.2 The Fund consists of approximately 70% allocation to equities. Over the final quarter of the year, equity markets have been particularly volatile with the MSCI World index falling more than 11% between the start of 2016 and mid-February, before rebounding to end the quarter down -1.96%. There were no changes to the fund managers during the year.

11.3 The Fund's actuary, Barnett Waddingham, estimate the net liability of the Fund as at 31 March 2016 to be £501m compared to £517m the previous year. Their estimate of the duration of the Fund's liabilities is 17 years.

12. Staffing Implications

12.1 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.

13. Recommendation to Committee

13.1 That the Audit and Performance Committee notes the 2015/16 accounts.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact Steven Mair 020 7641 2904

BACKGROUND PAPERS

Appendix 1
Westminster City Council Statement of Account including Pension Fund Accounts 2015/16

See link below:

http://transact.westminster.gov.uk/docstores/publications_store/accounts/annual_accounts_2015_16.pdf