



  
City of Westminster

City  
for  
All

# Annual Accounts

Westminster City Council • **2018/19**



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The Statement of Accounts for Westminster City Council for the year ended 31 March 2019 has been prepared and published in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy. The Code is based on International Financial Reporting Standards, as adapted for the UK public sector under the oversight of the Financial Reporting Advisory Board.



**1.**

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Member  
Preface  
and Annual  
Governance  
Statement  
2018/19

# Member Preface

## **INTRODUCTION TO THE 2018/19 STATEMENT OF ACCOUNTS BY CABINET MEMBER FOR FINANCE PROPERTY AND REGENERATION, COUNCILLOR RACHAEL ROBATHAN**

The year proved challenging but successful as the Council delivered according to its City for All commitments.

Despite funding pressures the Council has made strong progress in its priorities of providing opportunity for all.

Headlines of our achievements in the year include:

- Remaining on course to build more than 1,850 new affordable homes by 2023.
- Helping 750 Westminster adults back into work.
- Ensuring more than 800 older residents continue to lead independent lives in their own homes.
- Opening creative hubs in areas like Paddington to give a boost to local entrepreneurs.

In addition to the above, for 2019/20 we have set a deliverable budget which includes circa £36m of financial savings through efficiency programmes and income generation activities, with minimal impact to front line services.

In 2019 we took the tough decision to increase council tax by 2.1%, in line with inflation. This increase will help to deliver services for all of our residents. However, our Band D council tax (the average for most people) remains the lowest in the country.

The political uncertainties around the United Kingdom's departure from the European Union and the question mark over local authority funding posed by the Government's forthcoming fair funding review frame an uncertain landscape. To add to this we face changes with business rates devolution and the government's spending review. The outcomes of all these changes are not yet fully understood but may impact significantly on the council's finances. Notwithstanding this, the Council remains absolutely committed to deliver its priorities and ensure that Westminster remains a City for All.

I would like to take this opportunity to thank all of our staff who have worked throughout the year to balance the Council's budget, deliver savings and provide value for money, in addition to closing the accounts so promptly and to such a high standard.

Continued innovation in our financial management enables us to go forward with confidence and deliver the quality of services that residents, visitors and businesses have every right to expect.

## **COUNCILLOR RACHAEL ROBATHAN, CABINET MEMBER FOR FINANCE, PROPERTY AND REGENERATION**

# Annual Governance Statement 2018/19

## INTRODUCTION

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

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

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

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



### KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

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

<p><b>Council, Cabinet and Leader</b></p> <ul style="list-style-type: none"> <li>◊ Provide leadership, develop and set policy</li> <li>◊ Develop and set policy to maintain the City's global standing</li> <li>◊ Support the City's diverse communities and distinctive neighbourhoods to thrive and succeed</li> </ul>	<p><b>Decision making</b></p> <ul style="list-style-type: none"> <li>◊ All meetings are held in public</li> <li>◊ Decisions are recorded on the Council website</li> </ul>	<p><b>Risk management</b></p> <ul style="list-style-type: none"> <li>◊ Risk registers identify both operational and strategic risks</li> <li>◊ Key risks are considered by ELT every quarter</li> <li>◊ Monitoring financial outcomes/governance of group companies and key partnerships</li> </ul>
<p><b>Scrutiny and review</b></p> <ul style="list-style-type: none"> <li>◊ Scrutiny committees review Council policy and can challenge decisions</li> <li>◊ Audit and Performance Committee reviews governance, costs vs budget and delivery of agreed plans</li> </ul>	<p><b>Executive Leadership Team (ELT)</b></p> <ul style="list-style-type: none"> <li>◊ Head of Paid Service is the Chief Executive who is responsible for all Council staff and leading an effective corporate management team (ELT)</li> <li>◊ Executive Director of Finance and Resources is the Council's s.151 Officer and is responsible for safeguarding the Council's financial position and ensuring value for money.</li> <li>◊ Monitoring Officer is the Council's Director of Law who with the Chief Executive is responsible for ensuring legality and promoting high standards of public conduct</li> </ul>	

## Annual Governance Statement (continued)

### REVIEW OF EFFECTIVENESS

The Council uses several ways to review the effectiveness of governance arrangements. The review includes all aspects of the Council operations including its relationships with its group entities. One of the key assurance statements is the annual report and opinion of the Head of Internal Audit. During 2018/19 the Head of Internal Audit reported on 43 areas of which 39 (91%) were deemed satisfactory, including all key financial systems reviewed. Of the remaining four areas reviewed, none were core financial systems and only two areas were identified as high risk (Freedom of Information/Subject Access Requests and Client Affairs). The internal audit opinion for 2018/19 was that, based upon the areas audited, the Council's internal control environment and systems of internal control were adequate. Improvements in the following areas were recommended however:

Issues Identified for 2018/19	Planned Action
Adult social care – transition to a Bi-Borough service from a Tri-Borough service following the establishment of a standalone service at London Borough of Hammersmith and Fulham.	Revised policies and procedures established for the new team implemented in year. Responsibilities clarified to improve service delivery.
Migration of the financial ledger system and supporting feeder systems from the BT/Agresso platform to SAP hosted by Hampshire County Council.	The system successfully went live on 1 December 2018 with all staff transferred and suppliers and staff being paid within correct timescales.
Implementation of the General Data Protection Regulation (GDPR) from 25 May 2018.	Policies and procedures fully reviewed, Information Asset Register (IAR) created and staff trained to ensure compliance with the GDPR. Further work planned includes review of the IAR to ensure it continues to be fit for purpose and a review of GDPR risk monitoring arrangements.
Closure of the City West Homes arms-length management organisation and the absorption of staff and functions back into the Council.	All staff and functions successfully transferred to the Council on 31 March 2019.
Procurement activities were not fully compliant with regulatory requirements leading to concerns over value for money.	The Procurement function has been reorganized and brought within the Finance and Resources Department. A revised operational model is being implemented in 2019/20.

## Annual Governance Statement (continued)

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

Issues Identified	Performance in 2018/19
Formal reports by s151 or Monitoring Officer.	None issued.
Outcomes from Standards Committee or Monitoring Officer investigations.	The Monitoring Officer has considered three complaints about Member conduct, one of which was a service complaint and so not pursued for investigation, while the other two did not proceed beyond investigation, as one of the Members ceased to be a Councillor and the other resigned.
Proven frauds carried out by councillors or members of staff.	Two cases identified in 2018/19 involving members of staff who were both dismissed and successfully prosecuted in respect of fraud connected with social housing.
Objections received from local electors.	None in 2018/19 at the time of publication.
Local Government Ombudsman referrals upheld in line with the London average.	2017/18 figures- 20 cases upheld out of 131 (well under the national average of 51%).

Last year's Annual Governance Report highlighted two key areas for improvement namely the implementation of the new Human Resources and Finance system (SAP) and interest rate risk. SAP has been successfully implemented as reported above. Interest rate risk has been mitigated by entering into a forward borrowing arrangement to safeguard against further interest rate rises. Looking forward, the following significant issues have been identified for 2018/19:

Issues identified for 2019/20	Planned Action
Reviews of shared service (s113) areas which transitioned from a Tri-Borough to a Bi-Borough arrangement.	Several s113 arrangements have proved successful and will remain. Further assurance reviews of services which transitioned from Tri-Borough to Bi-borough arrangements are expected to take place next year to ensure they have become embedded into the remaining organisation.
A contractor's failure to maintain adequate Health and Safety procedures triggered an exit notice for a key Facilities Management contract.	An internal transition team has been established to appoint a replacement contractor and create a new Facilities Management team by 1 January 2019.
Ensuring compliance with the Freedom of Information and Subject Access Requests (SARs).	Improvements have been identified that need to be addressed including, reviewing and updating procedures, accurate recording of requests and timely response to enquiries.

# Appendix 1 The CIPFA/SoLACE Framework

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

At Westminster, Codes of Conduct for members and officers reinforce a public service ethos and high standards of behaviour. These are supported by more detailed guidance such as, Whistleblowing Procedures and a Procurement Code. The Monitoring Officer and Executive Director both have specific responsibilities to ensure that Council decisions meet legal requirements.

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## Principle 2 - Ensuring openness and comprehensive stakeholder engagement

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

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

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

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## Principle 4 - Determining the intervention necessary to achieve intended outcomes

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

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

A key element of the Council's service planning is to maximise the investment in staff through staff training, e.g. Westminster Way leadership academy, to develop leaders of the future. This year the focus for the council has been to drive excellence and innovation. To achieve this, the council has introduced a personal development framework, based on several key themes. All council employees are encouraged to use these themes to identify areas of development.

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

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

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

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

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## Annual Governance Statement (continued)

### CONCLUSION

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

- Addressing the issues identified by Internal Audit as requiring improvement.
- Ensuring that effective sovereign and shared services arrangements are put in place.
- Enhancing performance reporting to focus on key risks and areas for improvement.
- Using the City Survey to enable directorates to plan how they will improve services for local people.



**Cllr Nickie Aiken**

Leader of Westminster City Council

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**18<sup>th</sup> July 2019**



**Stuart Love**

Chief Executive of Westminster City Council

A handwritten signature in black ink, appearing to read 'Stuart Love', written over a light blue horizontal line.

**18<sup>th</sup> July 2019**



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Written  
Statements  
and Executive  
Director's  
Narrative  
Report

# Executive Director's Narrative Report

## 1. WESTMINSTER AS A PLACE

Westminster is the UK's political and cultural centre, containing world-renowned theatres, restaurants, hotels and entertainment. Businesses in the city generate £55bn of the UK's economic output, more than any other single local authority area.

Westminster is a unique place, home to Monarchy, Government, and over 11,000 listed buildings as well as the West End and Soho, two of the most creative and exciting locations in the world. Westminster is also home to nearly a quarter of a million people, living in distinctive and well-known neighbourhoods, which are an important part of this great city.

Westminster is seen as an affluent place, but it also faces significant challenges: responding to a highly mobile population, tackling wealth and other inequalities and managing increased demand for services. Approximately 1 million day-time visitors come into Westminster every day, and whilst bringing significant economic benefit, this level of daily movement creates a strain on the City's infrastructure, environment and resources.

## 2. WESTMINSTER CITY COUNCIL

The Council faces a number of financial challenges in the coming years, some of which are shown below:

Central Government funding is reducing year on year, and between 2010/11 and 2019/20 government grants and subsidies have been falling by over 50%.

Localisation was introduced to replace lost grants and subsidies with retained Business Rates income. The Council is currently part of the London Business Rates

Pilot Pool which has allowed 100% growth retention across London this year and 75% next year. The Council will benefit from increased commercial development but also carry a greater level of risk associated with lost income from empty properties, rates relief defaults and late payments.

The Government's Fair Funding Review and Spending Review are likely to have an adverse impact on the Council's resources. The outcome of this is still uncertain, but Council officers are working with Central Government to ensure that the needs of Westminster and London are considered as part of this review.

Westminster's population is growing rapidly and this brings increased demand for public services. Since 2010 there has been a 14% increase in under 18's and an 18% increase in over 65's, with a 52% increase in the number of people in temporary accommodation (currently around 19,000 households).

The financial impact of Brexit is as yet uncertain. It could be positive or negative, but is likely to affect interest and inflation rates, labour costs and property and rental values as well as the business and tourist economies.

## 3. FINANCE AND RESOURCES

### Delivering a City for All

Westminster City Council sits at the heart of the capital and continues to deliver world class services to residents and visitors. The Council's ambition to be a City for All is a key element of realising this vision. The Council prides itself on ensuring services deliver high

outcomes and offer value for money and sound and prudent financial management supports this objective. This year's Statement of Accounts continues that tradition, with the Council maintaining its position of being the first local authority in the country to produce its accounts.

Local government finances are increasingly stretched, and the sector faces some significant financial challenges in the coming years. However, as can be seen throughout this Statement of Accounts, strong financial management across the organisation (underpinned by a sector leading People Strategy) has ensured that the Council is financially resilient and prepared to meet any future challenges.



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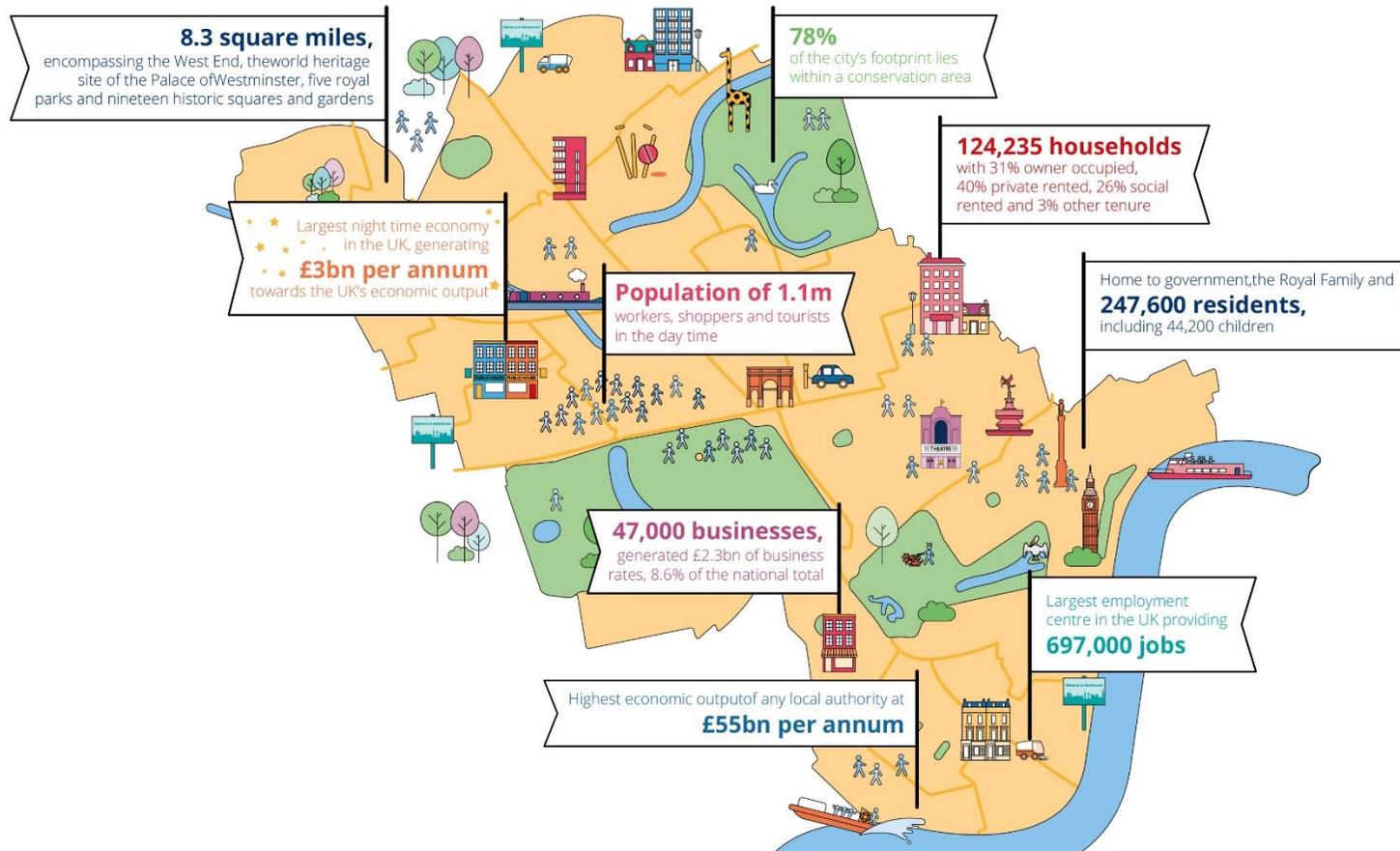
**Gerald Almeroth**

Executive Director – Finance and Resources  
Section 151 Officer

Westminster City Council

18<sup>th</sup> July 2019

# About the City



# About the Council



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



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



Overall resident satisfaction with the council at a record high of **88%**



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



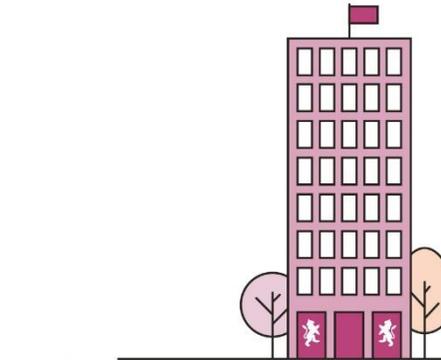
The lowest Band D council tax in the UK at **£416.27**



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



**95%** of the city's schools judged **"good"** or **"outstanding"** by Ofsted



The busiest planning authority in the UK with applications in 2018/19 reaching **10,733**



**4,654** new homes built in the city over the last five years



**£2bn** worth of public realm and infrastructure improvements being delivered over the next five years

## Executive Director's Narrative Report (continued)

### 4. CITY FOR ALL

Westminster City Council believes in creating a City for All. That means a city in which people from all backgrounds are empowered to make choices that make their lives better: a city where people are protected from harm; a city where people have the opportunity to build their lives and raise their families.

Our approach to realising this ambition is based on achieving success in five distinct areas. We want Westminster to be a:

- City of opportunity
- City that offers excellent local services
- Caring and fairer city
- Healthier and greener city
- City that celebrates its communities

### CITY OF OPPORTUNITY

Everyone should have the opportunity to build lives, careers and families in Westminster. We will:

- deliver the most ambitious house building programme for a generation.
- support the building of more affordable homes.
- launch a new enterprise partnership and economic development strategy.
- develop a new city skills framework to help people develop their talents, and learn new skills, from birth to well after retirement.

### EXCELLENT LOCAL SERVICES

Westminster has a national reputation for providing high quality local services and excellent value for money. We will:

- maintain our Ofsted rating of outstanding for children's services.
- extend our Licensing Charter to buskers, street performers and venues across the whole city.
- extend the work of the Housing Standards Task Force to tackle rogue landlords
- improve housing services to meet the standards our tenants deserve.

### CARING AND FAIRER CITY

Caring and supporting the most vulnerable within our community is, and will always remain, our most important priority. We will:

- improve services and accommodation for rough sleepers.
- open a new care home for people living with dementia.
- provide additional support for children with special education needs and children excluded from primary school.
- fund a dedicated officer to combat hate crime.

### HEALTHIER AND GREENER CITY

Children growing up and going to school in Westminster deserve a healthy start in life and to breathe clean air. We will:

- launch a new £1m Schools Clean Air Fund and expand the #DontBeldle campaign.
- set up a new healthier schools programme,
- establish a new Recycling Information Hub and expand our network of 165 charging points for electric vehicles.

### CELEBRATING COMMUNITIES

We are proud of Westminster's vibrant neighbourhoods and mixed communities. To make sure everybody has a stake in the city and can actively contribute to their community we will:

- continue #MyWestminster Day as a major annual event to celebrate the city's communities and neighbourhoods.
- roll out the #MyWestminster Fund, making up to £10,000 available to grassroots organisations making a difference to their communities.
- improve traffic management systems and air quality in and around Oxford Street.
- develop a new markets strategy, reform the planning system and support local libraries.

#### #MyWestminsterDay July 2018



## Executive Director's Narrative Report (continued)

### THE COUNCIL'S PERFORMANCE

#### ACHIEVEMENTS 2018/19

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

- ✓ We are on track to deliver our target of 2,000 new affordable homes by 2023.
- ✓ The new Moberly Sports Centre opened in June 2018 and now attracts up to 50,000 visits per month.
- ✓ The #MyWestminster Fund has now granted £0.3m funding to 48 local organisations, faith groups and projects.
- ✓ We are on-track to open a new 84-bed home by July 2020 to provide specialist care for people living with dementia
- ✓ Our Healthy Schools programme is bringing together action on air quality, oral health and obesity to benefit the 42,600 children who live, learn and grow up in Westminster.
- ✓ Over 3,000 people took part in the second annual #MyWestminster Day at Paddington Recreation Ground in July 2018 .



*New swimming pool at Moberley Sports Centre*

- ✓ A £10m project has transformed Bond Street and prepared it for the opening of Crossrail's Elizabeth Line.
- ✓ To date we have installed over 148 electric vehicle charge points across Westminster and have applied for funding to roll out 150 additional charging points this year.
- ✓ We successfully trialled the diesel surcharge, achieving a 16% reduction in the number of older diesel vehicles parking,
- ✓ This year the #DontBeldle campaign will focus on 20 key businesses, ranging from Amazon to Royal Mail, with Deliveroo one of the highest profile of companies to sign onto the pledge.

- ✓ 34% of the city's schools are rated outstanding by Ofsted, compared with the national average of 21% and London average of 32%.
- ✓ 72% of children are currently reaching the expected levels for reading, writing and maths at the end of primary school, this compares with 64% nationally and 71% for Inner London.
- ✓ The City Council's Prevention Team now offers debt advice, family and landlord mediation, employment support, legal advice, repairs enforcement and benefit advice.
- ✓ To make Westminster's highways safer for pedestrians, 39 20mph zones have been introduced following trials last year.
- ✓ More than 1,000 young people had the chance to brush up their business skills as part of Westminster Enterprise Week.
- ✓ School streets is a pioneering scheme to transform roads outside schools, so that only pedestrians and cyclists can use them at school start and finish times. Five Westminster schools are taking steps to establish school streets so that pupils can get to school safely.
- ✓ We have launched the new Soho Angels and Night Hub service which has helped more than 160 people who become vulnerable while on a night out get home safe.

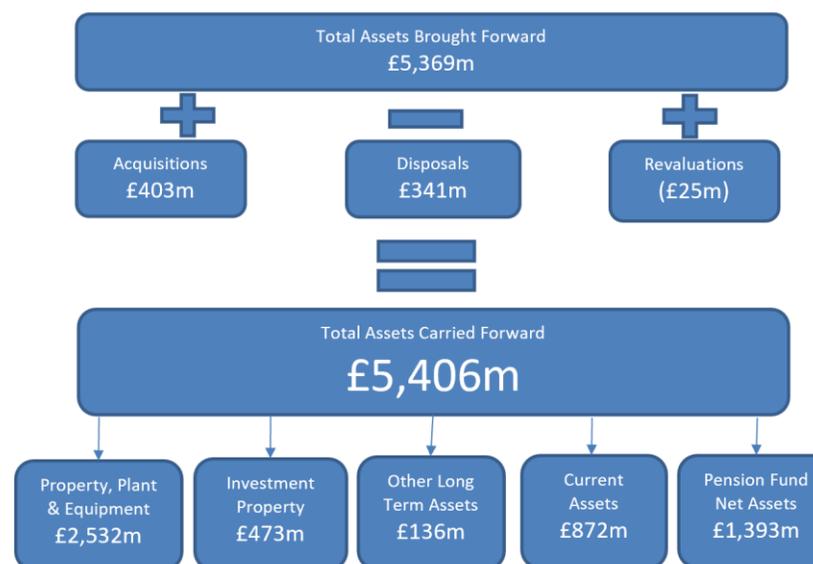
## 5. FINANCIAL PERFORMANCE

### Financial Context of the Council

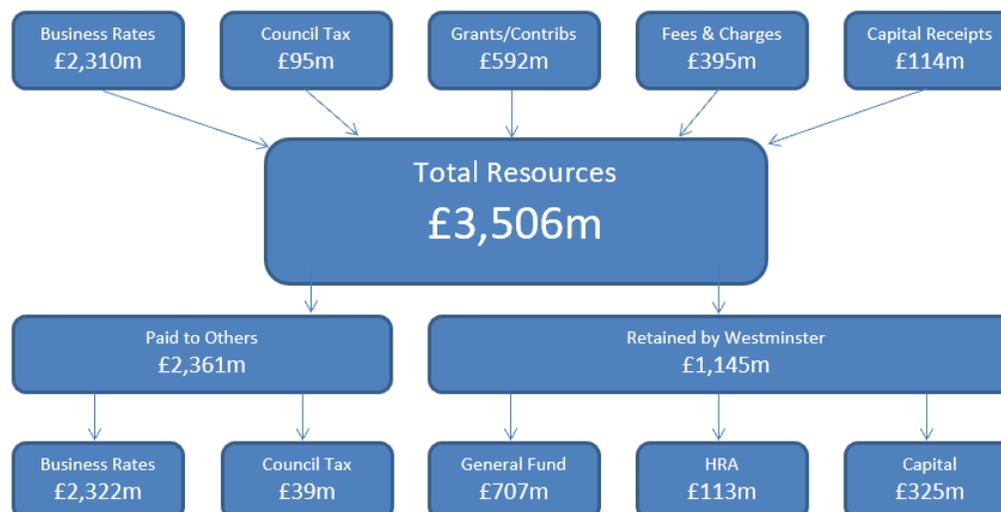
Westminster City Council manages cashflows and assets in excess of £8 billion by:

- Collecting over £2bn of Business Rates, the largest amount in the country. The Council keeps only a small proportion of this.
- Collecting £95m Council Tax each year
- Administering the City of Westminster Pension Fund which provides pensions to over 5,900 pensioners and has 4,300 active members.
- Managing a £3.1bn portfolio of land, buildings and other assets.
- Spending approximately £1bn each year on Council services.
- Accounting for £1bn per annum of fees, charges, rents, and grant funding which are used to help deliver services and keep council tax down.
- Proactively investing cash and investment balances totalling over £1bn.

### CAPITAL CASHFLOWS



### REVENUE CASHFLOWS



## 5. FINANCIAL PERFORMANCE (CONTINUED)

### CORE FUNDING

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

### ADDRESSING FUTURE CHALLENGES

The Medium Term Financial Plan has recently been updated, indicating that in addition to reductions in government funding the Council also expects to see increasing demand for services over the next ten years. Population growth will put pressure on both adult social care and services for children.

Anticipated changes to the Better Care Fund, Universal Credit Scheme and New Homes Bonus will also affect the Council's finances together with more general economic changes brought about by Brexit.

To balance the budget there will be a continuing need for service transformation, efficiencies and other savings initiatives for the foreseeable future.

### 2018/19 COUNCIL TAX AND REVENUE SPENDING

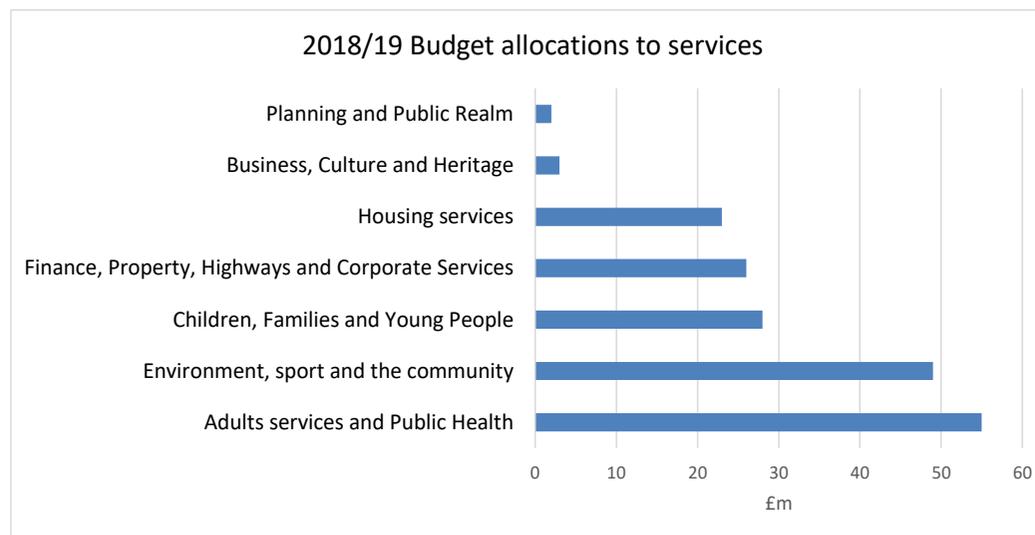
Westminster set the lowest Council Tax in the country at £416.27 for a Band D property in 2018/19 (£408.12 in 2017/18). This 2% increase was specifically to fund adult social care costs, with no general increase for other services.

To deliver a balanced budget in 2018/19, the Council needed to make total savings of £38m. As in previous years, these savings have come from measures which avoid service reductions such as income generation, improved efficiency and procurement activities.

A net revenue budget of £186m was approved by Full Council in March 2018 with allocation of budgets to services shown in the graph below.

Actual spending on services in 2018/19 has been within 1% of budget overall, reflecting improved financial management processes that include:

- monthly monitoring reports to senior officers and elected members
- a "dashboard" system that identifies potential spending pressures so they can be tackled at an earlier stage



## Executive Director's Narrative Report (continued)

### 5. FINANCIAL PERFORMANCE (CONTINUED)

#### PENSION LIABILITIES £702M

The Council had net future pension liabilities of £702m (£698m in 2017/18). The absorption of City West Homes back into the Council increased the liability by £28m.

The City of Westminster Pension Fund is independently revalued every three years by an independent actuary to set future contribution rates. The most recent revaluation, as at 31 March 2016, assessed the funding level at 80%.

While the Pension Fund is in deficit, it generates an interest cost which would not occur if it were fully funded. As the largest single employer body in the Fund, Westminster City Council has taken the decision to make one-off cash injections in 2018/19 and 2019/20, together with increases in ongoing annual contributions. This action will significantly reduce both the overall pension fund deficit and the total interest payable by the Council to the pension fund.

#### HOUSING REVENUE ACCOUNT

The Council owns approximately 21,000 homes generating rental income of over £75m in the year (£76m in 2017/18). This income is held in a ring-fenced account (the Housing Revenue Account or HRA) which can only be used for social housing purposes.

The Council is planning to spend over £740m in the next five years to increase and improve its social housing stock.

#### PROVISIONS AND CONTINGENCIES

Westminster has the largest business rate income in the country and therefore the largest appeals provision.

There were approximately 700 appeals outstanding at 31<sup>st</sup> March 2019, against which £126m provision has been made for repayment (£66m in 2017/18).

Other commitments and contingencies outstanding at 31 March 2019 include £72m in respect of contractual obligations for capital projects scheduled to start next year and insurance and legal claims totalling £10m.

## Executive Director's Narrative Report (continued)

### 5. FINANCIAL PERFORMANCE (CONTINUED)

#### NET ASSETS £2,480M (£2,278M AT 31 MARCH 2018)

The Council has maintained a strong year-end Balance Sheet with useable reserves increasing by £182m. Sufficient funding is in place to repay both long and short term liabilities as these fall due.

#### GROUP ACCOUNTS £2,518M (£2,286M AT 31 MARCH 2018)

Group accounts provide an overview of organisations subject to Council control. In 2018/19 these were:

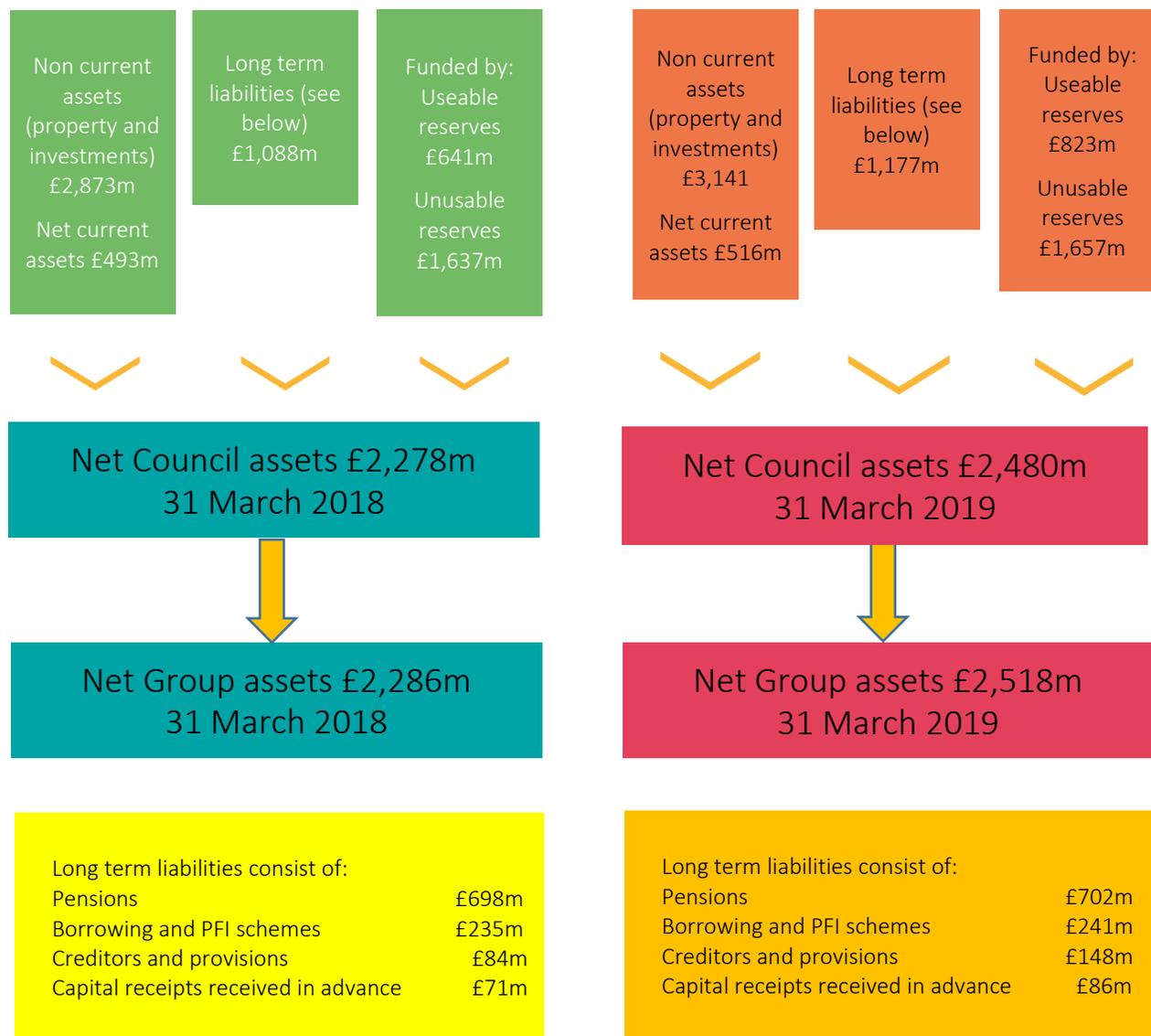
Westminster Community Homes Limited – a housing development vehicle.

City West Homes Limited – managed the social housing stock in 2018/19. On 1 April 2019 these activities returned to Council control.

Westco and Westminster Procurement Limited – offer Council services to public sector clients.

Hub Make Lab CIC – provides start-up office space.

Paddington Recreation Ground charity - maintains the park as open space in perpetuity.



## Executive Director’s Narrative Report (continued)

### 5. FINANCIAL PERFORMANCE (CONTINUED)

#### CAPITAL

The Council has an ambitious five year capital investment programme totalling £3.3bn, including:

- 1,850 new units of affordable housing.
- 900 new units of social housing.
- Investment to ensure the continued success of the West End as a business, leisure and heritage destination.
- New and improved leisure, adult social care and education facilities.
- More commercial space for new and established businesses.
- Improved cycle paths, transport management systems, roads, bridges and footpaths.

This expenditure is financed from a combination of capital receipts, grant funding and the Council’s own financial resources. The table below shows how capital expenditure was funded in 2018/19:

Capital expenditure 2018/19	£m	Financed by	£m
Council land and buildings	65	Capital receipts	(46)
Housing (HRA and General Fund)	173	Grants	(136)
Highways, Public realm and West End Partnership	53	Council resources	(22)
Other projects and developments	34	Borrowing	(121)
<b>TOTAL</b>	<b>325</b>		<b>(325)</b>



£104m Dudley House – mixed-use development



£100m investment in new accommodation at Beachcroft Residential Home



£568m Ebury and Church Street regeneration and public realm improvements



£90m City Hall refurbishment

## Executive Director's Narrative Report (continued)

### 6. WHO WORKS FOR THE COUNCIL?

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

The Council employs 45 apprentices in a wide variety of roles. From April 2017, Westminster Council now pays an apprenticeship levy at 0.5% of the Council's total pay bill. This money is used to pay for apprenticeship training and to implement an approved apprenticeship standard for both new recruits and existing employees. New types of apprenticeship standards will be available to accredit specific specialist roles to a professional standard, including degree level.

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

### 7. HEALTH AND WELLBEING

In December 2017, the Health and Wellbeing Board launched its strategy for the next five years. The four priorities are:

- improving outcomes for children and young people
- improving the risk factors for long-term conditions such as dementia

- improving mental health through prevention and self-management, and
- leading an effective local health and care system

The Board is a forum for integrated working and bringing together various stakeholders to improve the health and wellbeing of local populations. To capitalise on this and ensure the Board is focused and as effective as possible, three Key Issues were chosen for 2018/19. Aligned to the Health and Wellbeing Strategy Priorities, these issues were:

- Sugar (especially in Early Years)
- Loneliness
- Dementia

Owing to significant crossover in Board Membership and issues across both Boroughs, in 2019, Kensington & Chelsea and Westminster Health and Wellbeing Boards were joined together with the RBKC and Westminster alternately hosting and our Members alternately chairing the event.

### 8. WORKING WITH THE VOLUNTARY SECTOR

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

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

We will be working with voluntary services to deliver a shared programme based on common goals and agreed priorities. We also plan to:

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

## Executive Director's Narrative Report (continued)

### 9. TOP STRATEGIC RISKS FOR UPCOMING YEAR

A risk management strategy is in place to identify and evaluate risk. There are clearly defined steps to support better decision making through the understanding of risk, whether a positive opportunity or threat and the likely impact. The risk management processes are subject to regular review and updating. The key risks for the forthcoming year include:

Risk	Impact	Mitigation
The Council fails to meet its safeguarding responsibilities for a child, young person or adult	Vulnerable children and adults will not be protected in line with statutory requirements	Activities are monitored by the Local Safeguarding Board and all staff are expected to attend safeguarding training. Regular case reviews and audits take place to ensure policies are implemented, disseminate lessons learned and identify good practice.
A major incident occurs in Westminster (extreme weather, fire, terror attack etc)	Major disruption to Westminster transport and roads; difficulties for staff getting to work. Potential injury or death to Westminster staff and/or residents	Crisis communications plan is in place and all staff are aware of how to respond to an emergency situation. A number of plans are in place to ensure business continuity and respond to major incidents. Weather reports are regularly monitored and there is joint working with the police to prepare for terrorist attacks.
Impact of Brexit on council services and local communities	Potential impact on business rates income, investment returns and the tourist economy	Regular meetings are taking place between central London authorities and the MHCLG via the London Resilience Forum to understand and prepare for Brexit.
Loss of IT systems or data	Interruption to service delivery. Loss of personal data belonging to Council employees, local taxpayers, suppliers, and service users	Move to Cloud based data storage. Recruitment of additional staff to deal with IT security, IT Governance and Data Protection. Implementation of a new Security Incident Management process and Security Maintenance Plan. Staff now complete mandatory IS training and Windows 10 roll-out has improved security features in end user devices to avoid potential loss of data.
Financial pressures result in inability to fund Council services	Impact of financial pressures will be most apparent in Children's Services and Adult Social Care where the Council has less discretion over the timing and nature of service to be provided but where local demand for those services is volatile and increasing rapidly but difficult to predict and manage effectively within a finite budget.	Budgets and financial strategies are regularly updated to take account of current and emerging financial pressures. The Council maintains adequate levels of working balances to cover unforeseen contingencies
Failure of a major contract results in the Council being unable to provide local services	Potential impacts could include health and safety risks, additional costs to the Council in relation to appointment of new contractors and emergency cover during re-appointment phase. Potential reduction in service quality for local people.	Business continuity plan are now in place for all high value/high risk contracts. Enhanced procurement and due diligence processes are now in place prior to appointment and contractors are regularly monitored to ensure contracts do not fail.

## Executive Director's Narrative Report (continued)

### 10. EXPLANATION OF ACCOUNTING STATEMENTS

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2019. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which in turn is underpinned by International Financial Reporting Standards.

The **Core Statements** are:

- The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding.
- The **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "useable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific legal or accounting purposes.
- The **Balance Sheet** is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.
- The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

The **Group Accounts** include:

- the assets and liabilities of companies and similar entities, which the Council either controls or significantly influences.

The **Supplementary Financial Statements** are:

- The **Annual Governance Statement**, which sets out the governance structures of the Council and its key internal controls.
- The **Housing Revenue Account** – this separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.
- The **Collection Fund**, which summarises the collection and redistribution of Council tax and business rates income
- The **Pension Fund Account**, which reports the contributions received, payments to pensioners and the value of net assets invested in the Local Government Pension Scheme.

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

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

# Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Westminster City Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local

authority accounting in the United Kingdom 2018/19; and

- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

- the Executive Director – Finance and Resources's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director – Finance and Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going

concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

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

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

We have nothing to report in this regard.

## Independent Auditor's Report (continued)

### **Other information we are required to report on by exception under the Code of Audit Practice**

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

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Annual Accounts, the Member Preface, the Annual Governance Statement, the Written Statements and the Executive Director's Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

### **Responsibilities of the Authority, the Executive Director – Finance and Resources and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities set out on page 32, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director – Finance and Resources. The Executive Director – Finance and Resources 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director – Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director – Finance and Resources is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

## Independent Auditor's Report (continued)

The Audit and Performance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### **Responsibilities of the Authority**

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

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its

use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Independent Auditor's Report (continued)

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS - DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT**

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members

as a body, for our audit work, for this report, or for the opinions we have formed.

*Paul Dossett*

Paul Dossett, Key Audit Partner

for and on behalf of Grant Thornton UK LLP,

Local Auditor

London

18 July 2019

# Independent Auditor's Report – Pension Fund

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF WESTMINSTER COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS OF CITY OF WESTMINSTER COUNCIL

### Opinion

We have audited the financial statements of City of Westminster Council Pension Fund (the 'pension fund') administered by City of Westminster Council (the 'Authority') for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and

- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

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

### Conclusions relating to going concern

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

- the Executive Director – Finance and Resources's use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Executive Director – Finance and Resources has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund

for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

### Other information

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

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

We have nothing to report in this regard.

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

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

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

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

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in

the course of, or at the conclusion of the audit; or

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

### **Responsibilities of the Authority, the Executive Director – Finance and Resources and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director – Finance and Resources. The Executive Director – Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the pension fund's 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director – Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Executive Director – Finance and Resources is

responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Audit and Performance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Paul Dossett*

Paul Dossett, Key Audit Partner

for and on behalf of Grant Thornton UK LLP,

Local Auditor

London

18 July 2019

# 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.



**Gerald Almeroth**

Executive Director – Finance and Resources

Section 151 Officer

18<sup>th</sup> July 2019

## APPROVAL OF STATEMENT OF ACCOUNTS

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



**Councillor Ian Rowley**

Chairman of the Audit and Performance Committee

18<sup>th</sup> July 2019



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# Core Financial Statements

# Comprehensive Income and Expenditure Statement

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

2017/18 Restated*			Note	2018/19		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
19,454	(27,066)	(7,612)	City Treasurer	75,825	(8,495)	67,330
9,306	(9,181)	125	Policy, Performance and Communications	6,855	(10,499)	(3,644)
154,077	(94,198)	59,879	Adults' Services	153,204	(92,710)	60,494
150,712	(109,904)	40,808	Children's Services	146,086	(97,369)	48,717
177,130	(138,385)	38,745	City Management and Communities	194,767	(134,903)	59,864
481,889	(403,505)	78,384	Growth, Planning and Housing	430,472	(401,912)	28,560
9,099	(17,201)	(8,102)	Corporate Services	18,601	(601)	18,000
<b>1,001,667</b>	<b>(799,440)</b>	<b>202,227</b>	<b>Cost of services</b>	<b>1,025,810</b>	<b>(746,489)</b>	<b>279,321</b>

## Comprehensive Income and Expenditure Statement (continued)

2017/18 Restated*			Note	2018/19			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
-	-	(18,543)	Other operating income and expenditure	Note 5	-	-	(15,648)
-	-	29,606	Financing and investment income and expenditure	Note 6	-	-	(13,347)
-	-	(400,300)	Taxation and non-specific grant Income	Note 7	-	-	(350,317)
-	-	<b>(187,010)</b>	<b>(Surplus)/Deficit on Provision of Services</b>	Note 8			<b>(99,991)</b>
<b>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</b>							
-	-	(106,863)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets		-	-	(63,189)
-	-	(91,378)	Remeasurement of the net defined benefit liability		-	-	(38,469)
<b>Items that will be reclassified to the (Surplus) or Deficit on the Provision of Services</b>							
-	-	1,135	(Surplus)/deficit on revaluation of financial assets (Available for sale)		-	-	223
-	-	<b>(197,106)</b>	<b>Other Comprehensive Income and Expenditure</b>		-	-	<b>(101,435)</b>
-	-	<b>(384,116)</b>	<b>Comprehensive Income and Expenditure (Surplus)/Deficit</b>		-	-	<b>(201,426)</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

# Movement in Reserves Statement

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

2017/18	General Fund			Revenue Reserves			Capital Reserves		Total Usable Reserves*	Total Unusable Reserves*	Total Council Reserves	
	General Fund Balance	Earmarked GF Reserves	Schools Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve				Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Restated Balance at 31 March 2017**</b>	(48,777)	(145,010)	(3,704)	(197,491)	(41,586)	(12,331)	(53,917)	(87,162)	(239,697)	(578,267)	(1,316,099)	(1,894,366)
<b>Movement in reserves during 2017/18</b>												
Surplus/(Deficit) on provision of services (accounting basis)	(175,713)	-	-	(175,713)	(11,297)	-	(11,297)	-	-	(187,010)	-	(187,010)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	(197,106)	(197,106)
<b>Total Comprehensive Income and Expenditure</b>	<b>(175,713)</b>	<b>-</b>	<b>-</b>	<b>(175,713)</b>	<b>(11,297)</b>	<b>-</b>	<b>(11,297)</b>	<b>-</b>	<b>-</b>	<b>(187,010)</b>	<b>(197,106)</b>	<b>(384,116)</b>
Adjustments between accounting basis and funding basis under regulations	157,362	-	-	157,362	30,679	-	30,679	25,550	(89,728)	123,863	(123,863)	-
<b>Net increase/(decrease) before Transfers to Earmarked Reserves</b>	<b>(18,351)</b>	<b>-</b>	<b>-</b>	<b>(18,351)</b>	<b>19,382</b>	<b>-</b>	<b>19,382</b>	<b>25,550</b>	<b>(89,728)</b>	<b>(63,147)</b>	<b>(320,969)</b>	<b>(384,116)</b>
Transfers to/(from) Earmarked Reserves	8,263	(6,324)	(1,939)	-	(3,162)	3,162	-	-	-	-	-	-
<b>Increase/(Decrease) In Year</b>	<b>(10,088)</b>	<b>(6,324)</b>	<b>(1,939)</b>	<b>(18,351)</b>	<b>16,220</b>	<b>3,162</b>	<b>19,382</b>	<b>25,550</b>	<b>(89,728)</b>	<b>(63,147)</b>	<b>(320,969)</b>	<b>(384,116)</b>
<b>Balance at 31 March 2018</b>	<b>(58,865)</b>	<b>(151,334)</b>	<b>(5,643)</b>	<b>(215,842)</b>	<b>(25,366)</b>	<b>(9,169)</b>	<b>(34,535)</b>	<b>(61,612)</b>	<b>(329,425)</b>	<b>(641,414)</b>	<b>(1,637,068)</b>	<b>(2,278,482)</b>

\*For further detail, please refer to Note 17 – Transfers to and from Earmarked Reserves and Note 16b – Unusable Reserves.

\*\*For further detail, please refer to Note 39 – Prior Period Adjustment

## Movement in Reserves (continued)

2018/19	Revenue Reserves							Capital Reserves		Total Usable Reserves*	Total Unusable Reserves*	Total Council Reserves
	General Fund Balance	Earmarked GF Reserves	Schools Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
<b>Restated Balance at 31 March 2018</b>	(58,865)	(151,334)	(5,643)	(215,842)	(25,366)	(9,169)	(34,535)	(61,612)	(329,425)	(641,414)	(1,637,068)	(2,278,482)
<b>Movement in reserves during 2018/19</b>												
Surplus/(Deficit) on provision of services (accounting basis)	(91,666)	-	-	(91,666)	(8,325)	-	(8,325)	-	-	(99,991)	-	(99,991)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	(101,435)	(101,435)
<b>Total Comprehensive Income and Expenditure</b>	<b>(91,666)</b>			<b>(91,666)</b>	<b>(8,325)</b>	<b>-</b>	<b>(8,325)</b>	<b>-</b>	<b>-</b>	<b>(99,991)</b>	<b>(101,435)</b>	<b>(201,426)</b>
Adjustments between accounting basis & funding basis under regulations	(25,589)	-	-	(25,589)	25,626	-	25,626	(65,879)	(16,001)	(81,843)	81,843	-
<b>Net increase/(decrease) before Transfers to Earmarked Reserves</b>	<b>(117,255)</b>	<b>-</b>	<b>-</b>	<b>(117,255)</b>	<b>17,301</b>	<b>-</b>	<b>17,301</b>	<b>(65,879)</b>	<b>(16,001)</b>	<b>(181,834)</b>	<b>(19,593)</b>	<b>(201,426)</b>
Transfers to/(from) Earmarked Reserves	113,338	(116,564)	3,226	-	(9,169)	9,169	-	-	-	-	-	-
<b>Increase/(Decrease) In Year</b>	<b>(3,917)</b>	<b>(116,564)</b>	<b>3,226</b>	<b>(117,255)</b>	<b>8,132</b>	<b>9,169</b>	<b>17,301</b>	<b>(65,879)</b>	<b>(16,001)</b>	<b>(181,834)</b>	<b>(19,593)</b>	<b>(201,426)</b>
<b>Balance at 31 March 2019</b>	<b>(62,782)</b>	<b>(267,898)</b>	<b>(2,417)</b>	<b>(333,097)</b>	<b>(17,234)</b>	<b>-</b>	<b>(17,234)</b>	<b>(127,491)</b>	<b>(345,426)</b>	<b>(823,248)</b>	<b>(1,656,661)</b>	<b>(2,479,908)</b>

\*For further detail, please refer to Note 17 – Transfers to and from Earmarked Reserves and Note 16b – Unusable Reserves.

\*\*For further detail, please refer to Note 39 – Prior Period Adjustment

# Balance Sheet

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

1 April 2017 Restated*	31 March 2018 Restated*	Note	31 March 2019
£'000	£'000		£'000
<b>ASSETS</b>			
<u>Non-current</u>			
2,091,617	2,368,869	Property, plant and equipment Note 18c	2,532,109
42,746	42,846	Heritage assets Note 19	42,846
454,840	405,224	Investment property Note 20	472,825
1,077	875	Intangible assets	724
28,886	17,433	Long-term investments Note 21a	25,150
15,229	38,015	Long-term debtors Note 26	67,604
<b>2,634,395</b>	<b>2,873,262</b>	<b>Total long term assets</b>	<b>3,141,258</b>
<u>Current</u>			
742,980	864,800	Short-term investments Note 21a	673,751
179	94	Inventories	101
73,369	93,842	Short-term debtors Note 26	148,044
170,302	161,238	Cash and other cash equivalents Note 21b	49,904
2,250	-	Assets held for sale	-
-	40,000	Investment property held for sale	-
<b>989,080</b>	<b>1,159,974</b>	<b>Current assets</b>	<b>871,800</b>

## Balance Sheet (continued)

### Certification by the Chief Financial Officer

I certify that the statement of accounts presents a true and fair view of the financial position of the Council as at 31 March 2019 and its income and expenditure for the year then ended.



Gerald Almeroth

Executive Director – Finance and Resources

Section 151 Officer

18<sup>th</sup> July 2019

1 April 2017 Restated*	31 March 2018 Restated*	Note	31 March 2019
£'000	£'000		£'000
<b>LIABILITIES</b>			
(2,069)	(32,069)		(2,486)
(469,035)	(629,411)	Short-term creditors Note 27	(348,976)
-	-	Short-term provisions Note 28	(685)
(8,341)	(5,635)	Revenue receipts in advance Note 13	(3,643)
<b>(479,445)</b>	<b>(667,115)</b>	<b>Total current liabilities</b>	<b>(355,790)</b>
<u>Long term</u>			
(204)	(2,917)	Long-term creditors Note 27	(4,321)
(121,504)	(81,451)	Provisions Note 28	(144,150)
(251,269)	(221,230)	Long-term borrowing	(222,521)
(786,898)	(710,551)	Other long-term liabilities Note 29	(720,187)
(89,789)	(71,490)	Capital receipts in advance Note 13	(86,180)
<b>(1,249,664)</b>	<b>(1,087,639)</b>	<b>Long-term liabilities</b>	<b>(1,177,359)</b>
<b>1,894,366</b>	<b>2,278,482</b>	<b>Net assets</b>	<b>2,479,909</b>
(578,267)	(641,414)	Total Usable Reserves	(823,248)
(1,316,099)	(1,637,068)	Total Unusable Reserves Note 16b	(1,656,661)
<b>(1,894,366)</b>	<b>(2,278,482)</b>	<b>Total Reserves</b>	<b>(2,479,909)</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

# 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 relating to operating, investing or financing activities.

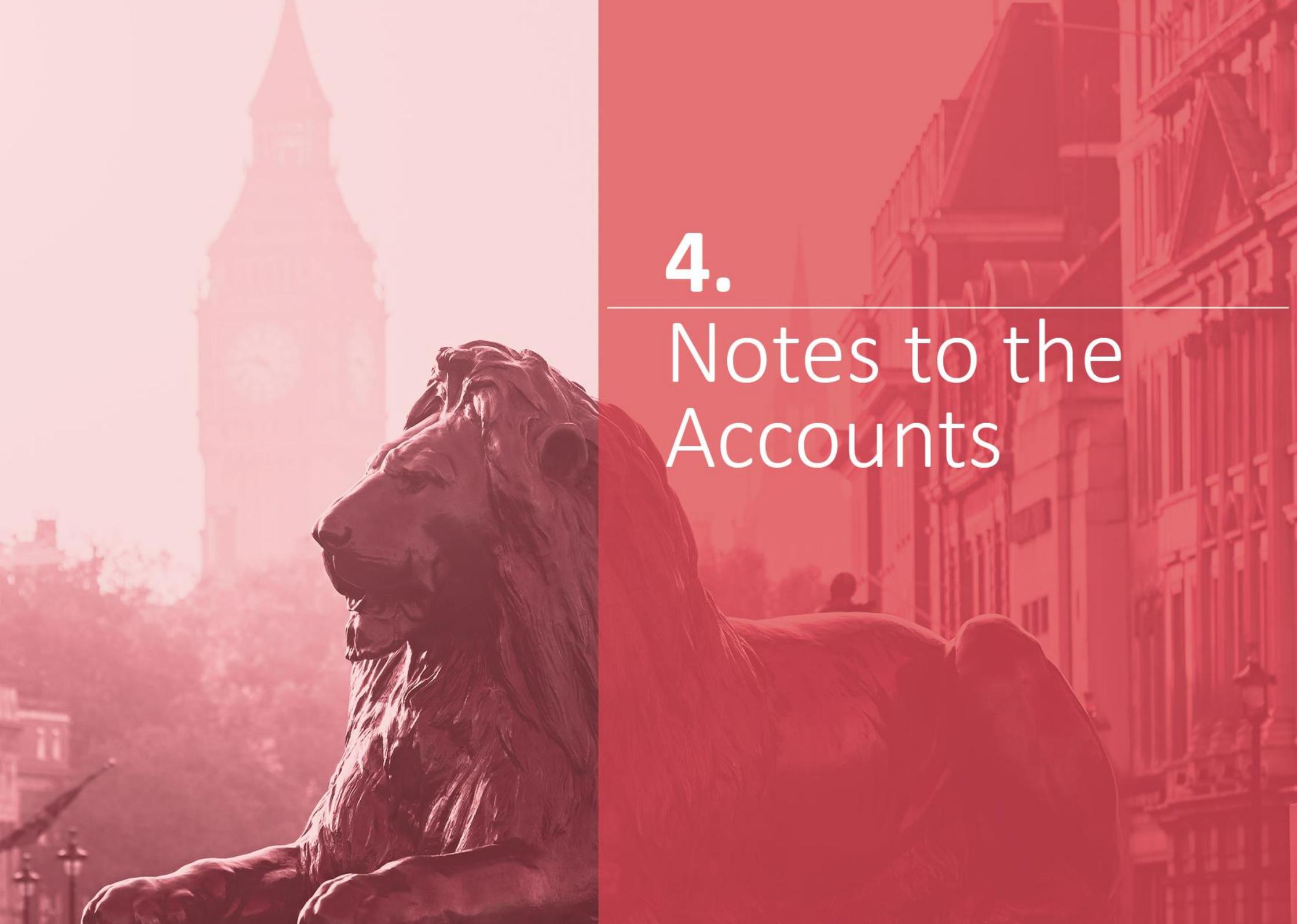
The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

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

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

<b>2017/18 Restated*</b>	<b>Note</b>	<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
(187,010)	Net (surplus)/deficit on the provision of services	(99,991)
(210,347)	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements	(224,171)
126,636	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	146,342
<b>(270,721)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(177,820)</b>
<b>303,750</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(41,010)</b>
<b>(23,965)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>330,164</b>
<b>9,064</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>	<b>111,334</b>
170,302	Cash and cash equivalents at the beginning of the reporting period	161,238
<b>161,238</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>49,904</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment



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# Notes to the Accounts

# Note 1 Accounting Policies

## GENERAL PRINCIPLES

The Accounts and Audit Regulations 2015 (SI 2015 No 234) require the Council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. For 2018/19, these proper accounting practices are the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts has been prepared on a 'going concern' basis. 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:

Asset class	Accounting Basis in CIES
Property, Plant and Equipment: Dwellings	Current value, comprising existing use value for social housing Dwellings are valued using market prices for comparable properties, adjusted to reflect occupancy under secure tenancies.
Property, Plant and Equipment: Other Land and Buildings	Current value, comprising existing use value Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost.
Property, Plant and Equipment: Surplus Assets	Fair value
Investment Properties	Fair value
Financial Instruments – Fair Value through Profit or Loss	Fair value
Pensions Assets	Fair value
Pensions Liabilities	Measured on an actuarial basis (see note 30)

The Statement of Accounts has been adjusted to reflect events after 31 March 2019 and before the date the Statement was authorised for issue only where the events provide evidence of conditions that existed at 31 March.

The Council's over-arching accounting policies are set out below. Further detail on the accounting treatment adopted for specific transactions and balances is included in relevant disclosure notes.

## ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place rather than when cash payments are made or received. In particular:

- Revenue from the sale of goods or services is recognised in accordance with the terms and conditions of the contract.
- 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 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.
- Accruals are recognised where the value exceeds £10,000.

## CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable on notice of not more

than 24 hours demand without material penalty. Cash equivalents are highly liquid investments that mature in no more than three days or less and that are readily convertible to known amounts of cash with low risk of change in value.

## CHANGES IN ACCOUNTING POLICY

New Code requirements are set out in Note 2. The Council has not adopted any other new accounting standards or amendments with a significant impact on the Council's position.

## INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has material interests in subsidiary and associate companies, which have been consolidated into the Council's Group Accounts on a line by line basis for subsidiaries and the equity method for associates, after first realigning accounting policies with the Council where appropriate and eliminating intra-Group transactions.

In the Council single entity accounts, interests in companies and other entities are classified as long-term investments and measured at cost less provision for any losses.

## INVESTMENT PROPERTY

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

Revaluation gains and losses are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement. However, regulations do not permit unrealised gains and losses to impact the General Fund balance. Therefore, gains and losses are

reversed via the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Net rental income together with any revaluation gains and losses or impairments are recognised in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

## SUPPORT SERVICES AND OVERHEADS

The costs of support services and overheads are charged to those that benefit from the supply or service in accordance with the absorption costing principle. The full cost of overheads and support services is shared between users in proportion to the benefits received.

## REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE

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

## ASSET RECLASSIFICATION

The Council adheres to CIPFA and RICS guidance on the classification of properties. Where a property has had a change of use the Council will reflect this in the accounts and movements between asset classes are usually between PPE and Investment Property. Upon reclassification assets are subsequently valued in line with the relevant class of asset.

In certain cases a property might be used for a combination of investment and operational purposes.

In these instances the Council will split the valuation of the property between PPE and Investment and reflect this in the accounts.

## RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

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

## SCHOOLS

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

- 4 Maintained Nurseries
- 27 Voluntary Aided (26 Primary and 1 Secondary)
- 7 Community
- 2 Maintained Special.

Local authority maintained schools are considered to be under the control of the Council. Consequently the income, expenditure, assets and liabilities of maintained schools is accounted for in the single entity accounts of the Council.

Other types of school, such as voluntary aided and voluntary controlled schools, academies and free schools are outside of the Council's control and therefore not included in this Statement of Accounts.

## VALUE ADDED TAX

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

## ROUNDING

It is not the Council's policy to adjust for immaterial cross-casting differences between the main statements and disclosure notes.

## Note 2 Accounting Standards Issued but Not Yet Adopted

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

- **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.
- **IAS 40 Investment Property: Transfers of Investment Property** provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.
- **IFRIC 23 Uncertainty over Income Tax Treatments** provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the single entity accounts and minimal impact on the group accounts.
- **IFRS 9 Financial instruments: prepayment features with negative compensation** amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to which this will apply.

# Note 3 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Consequences if actual results differ from assumption
<b>Valuation of operational property</b>	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.</p> <p>The Council's external valuers provided valuations as at 31 March 2019 for all of the Council's investment portfolio and approximately 20% of its operational portfolio. The remaining balance of operational properties was also reviewed to ensure values reflect current values.</p> <p>The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers.</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £55m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>Depreciation charges for operational buildings will change in direct relation to changes in estimated current value. The net book value of non-current assets subject to potential revaluation is over £2 billion.</p>
<b>Valuation of HRA Dwellings</b>	<p>The HRA residential portfolio is valued based on a beacon methodology. In order to value the whole portfolio, it was necessary to research a number of information sources. These include sales of directly comparable property, changes of income flow for non-residential HRA property, information available at a local level showing house price movement plus regional and National Indices</p>	<p>A reduction in the estimate value of HRA dwellings would be revaluation reserve or a loss in the CIES. If the value of dwelling's were to reduce by 10% this would lead to a reduction in value of about £160m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve or gains being recognised in the CIES as appropriate.</p>
<b>Fair value measurement of investment property</b>	<p>The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available.</p>	<p>Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.</p>

### Note 3 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (continued)

Items	Uncertainties	Consequences if actual results differ from assumptions
<b>Pensions Liability</b>	<p>Estimation of the net liability to pay pensions depends on several 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.</p> <p>The Council has engaged Barnett Waddingham as its consulting actuary to provide expert advice about the assumptions to be applied.</p>	<p>The effect of changes in these estimates on the net pension liability of the Council are reviewed on an ongoing basis by the Pension Fund Committee. Variations in the key assumptions will have the following impact on the net liability:</p> <ul style="list-style-type: none"> <li>• A 0.1% increase in the discount rate will reduce the net pension liability by £30.1m;</li> <li>• A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £28.4m;</li> </ul> <p>An increase of one year in longevity will increase the net pension liability by £62.9m.</p>
<b>Business Rates</b>	<p>2018/19 is the sixth year of the Business Rates Retention Scheme and the first year of the 100% London pilot scheme.</p> <p>In 2018/19 the council will retain 64% of the business rates income (£1.388bn) it collects but pays a tariff of approx. (£1.256bn) into the London pool.</p> <p>Following the 2010 revaluation of business hereditaments, when average rateable values across the City rose by 62%, we have seen unprecedented levels of appeals – the success of which are negatively impacting on the yield, especially with the majority (73% when determined) being back dated to 2010. As at the end of March 2019, 684 appeals remain outstanding with the Valuation Office Agency. The council holds a sufficient level of provision for these appeals.</p> <p>Following the 2017 revaluation, where average rateable values rose by 17%, a new check, challenge, appeal process has been introduced, the impact of which is highly uncertain with no challenges lodged to date in Westminster. The Council has made a provision for the likely impact on the its yield of expected future successful appeals for the period to the end of March 2019.</p>	<p>The Council's overall financial losses are protected via the London Pool with any variance to our assumptions being offset by the safety net payment entitlement for the council (which is accrued for at year end). Thus, a 1% increase in appeals provision would reduce the council's share of income by £0.692m. The council's loss is capped at approximately £3.9m.</p> <p>If London's business rates income fell, the pool would have a higher "safety net" threshold – 97% rather than the current 92.5% of the overall baseline funding level. This reflects the greater reliance local authorities will have on business rates and the fact that, under the terms of the pilot, the 32 London Boroughs, the City of London and Greater London Authority will not collectively have less resources than would have been the case with the previous local government finance regime.</p>

**Note 3 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (continued)**

Items	Uncertainties	Consequences if actual results differ from assumptions
<b>Impairment Allowance for Doubtful Debts</b>	As at 31 March 2019, the Council had an outstanding balance of short term debtors totalling £215m. Against this debtors balance, there is an impairment allowance of £91m. It is not certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not.	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to the nature of the debt and service area, historic experience and success rates experienced in collection. If collection rates were to deteriorate by 5% then the Council would need to review its policies on the calculation of its impairment allowance for doubtful debts.
<b>Valuation of Group Housing Dwellings</b>	The value of the dwellings held by the Council's subsidiaries have been revalued from depreciated historic cost to existing use value-social housing (EUV-SH) on consolidation. In revaluing the dwellings, the value at 1 April 2018 was estimated using an average of valuation indices for dwellings in the relevant area. The indices used were the Land Registry, Acadata and the Nationwide.	A variation of +/- 1% in the indexed value would be £0.57m on the EUV-SH of £57m
<b>Britain leaving the European Union: asset values and pension liability</b>	There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time there are three possible scenarios: a 'no deal' Brexit, an agreement with a transition period and an extension to EU membership of unknown length. It is not possible to predict which path will be taken and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly.	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.

# Note 4 Critical Judgements in Applying Accounting Policies

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

- The Council has a number of interests in other entities that fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. The Council's interest in one subsidiary (Westminster Community Homes Ltd) is material to the Council's overall financial position. A decision was made during the year to bring the housing management services provided by City West Homes in-house from 31st March 2019. In line with the termination agreement all assets and liabilities have transferred to the Council as at this date. City West Homes Ltd and City West Homes Services Ltd. will be wound down as companies during 2019/20. However, these companies still form part of the group accounts due to their activity during the financial year. Group accounts have been prepared to consolidate the Council's interests in subsidiaries and other entities within the group boundary into the Council's Group Accounts.
- The Council has assessed the legal framework underlying each type of school and determined the treatment of non-current assets within the financial statements according to whether it owns or has some responsibility for, control over or benefit from the service potential of the

premises and land occupied. The Council has considered its accounting classification for each school on an individual case basis in conjunction with relevant dioceses for voluntary aided and voluntary controlled schools. As a result, the Council:

1. recognises school assets for community schools on its balance sheet because the rights and obligations associated with such schools rests with the Council; and
  2. assesses that the assets relating to academies, voluntary aided (VA), voluntary controlled (VC) or free schools are not controlled by the Council but, following consultation and review, the VA and VC schools have been deemed to be owned by the relevant dioceses. Recognition of the disposal of school assets on the Council's balance sheet occurs on the date on which a school converts to academy status, not on the date of any related announcement. Neither is any impairment recognised by the Council prior to conversion.
- The Council is part of a London-wide business rate pooling pilot which may change from 2019/20. The governance arrangements set in place for this pilot pool guarantee no detriment compared to what the Council's position would have been if it had not entered into such an arrangement over this period – MHCLG supports this. The potential share of the surplus from the pool pertaining to London Boroughs specifically excludes all financial impacts of events relating to years before 2018/19. The

Council's accounts as at 31 March 2019 are unaffected by the possibility that the business rate pilot may change from 2019/20 nor are they affected by other future decisions of local authorities.

- The council collects approximately net £2.17bn in business rates. The assumptions around the outcome of appeals against the NNDR valuations (either received to date or expected in future years) represent a material and critical judgement applied to the accounts. The appeals provision is empirically derived from the experience with both the 2005 and 2010 lists as well as appeals determinations so far made against the 2017 list. A 1% variance in the determined appeals provision would alter the net locally retained income to the council by approximately £0.692m. Due to the technical adjustment relating to the Collection Fund Adjustment Accounts this will not impact the general reserves in that year and only hit the Council's General Fund account in future years. However, if the net rate income reduces below the levels set by central government the council will be compensated accordingly.
- Dwellings held by Westminster Community Homes Ltd have been re-valued to Existing Use Value - Social Housing on consolidation into the Council's Group Accounts to align with the Council's valuation of council dwellings. This is because tenants occupy these dwellings on assured tenancy terms similar to those of council dwellings except for the Right to Buy.



# 4.1. | Notes Supporting the Comprehensive Income and Expenditure Statement

# Note 5 Other Operating Income and Expenditure

The Council's various income streams have been assessed and classified in line with Chapter 2 of the 2018/19 Code of Practice and revenue has been recognised accordingly, with specific consideration given to:

- implied or stated contractual terms for exchange transactions.
- obligating events and/or conditions attached to non-exchange transactions, where a party receives something of value without directly giving value in exchange.
- the significance of the income stream to the Council.

Government grants and third party contributions are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and that grant monies and contributions will be received.

Where conditions attached to grants and contributions remain outstanding, monies received to date are carried forward in the Balance Sheet as creditors (receipts in advance) until the conditions have been satisfied.

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. The Council's Arm's-Length Management Organisation (ALMO), City West Homes, was brought back in-house on 31 March 2019. The loss on taking on their assets and liabilities is reflected in this note. Further details are in Note 40 Business Combinations.

2017/18		2018/19
£'000		£'000
3,029	Levies, Precepts and Special Expenses	2,520
2,913	Payments to the Government Housing Capital Receipts Pool	1,919
(24,485)	(Gains)/losses on the disposal of non-current assets	(35,578)
-	(Gains)/losses on acquisition of the business of City West Homes	26,819
-	Other income	(11,328)
<b>(18,543)</b>	<b>Total</b>	<b>(15,648)</b>

## Note 6 Financing and Investment Income and Expenditure

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

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

2017/18	2018/19
£'000	£'000
12,466	10,626
20,359	17,286
(7,321)	(11,148)
-	1,634
4,846	(30,616)
(744)	(1,129)
<b>29,606</b>	<b>(13,347)</b>
<b>Total</b>	

## Note 7 Taxation and Non-Specific Grant Income

This note consolidates all non-specific grants and contributions receivable that cannot be identified with individual 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.

<b>2017/18</b> <b>Restated</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
(52,801)	Council Tax Income	(54,728)
(88,456)	Non-Domestic Rates income	(142,631)
(65,914)	Non-ringfenced government grants	(25,040)
(193,129)	Capital grants and contributions *	(127,918)
<b>(400,300)</b>	<b>Total</b>	<b>(350,317)</b>

\*Community Infrastructure Levies (CIL) in previous years have been treated as Receipt in Advance, as the Council judged them as having conditions attached. The judgement in 2018/19 has changed, leading to CIL receipts (where related construction has commenced) being recognised in the CIES. Further details are in Note 39 Prior Period Adjustment.

# Note 8 Expenditure and Funding Analysis

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

**Table A**

2017/18			2018/19			
Expenditure chargeable to GF and HRA balances Restated*	Adjustments between funding and accounting basis (see Table D) Restated*	Net Expenditure in the CIES Restated*		Expenditure chargeable to GF and HRA balances	Adjustments between funding and accounting basis (see Table D)	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
(7,447)	165	(7,612)	City Treasurer	(12,875)	(80,205)	67,330
367	242	125	Policy, Performance and Communications	(3,272)	372	(3,644)
60,173	294	59,879	Adult Services	61,393	899	60,494
33,338	(7,470)	40,808	Children's Services	45,299	(3,418)	48,717
10,770	(27,975)	38,745	City Management and Communities	19,181	(40,683)	59,864
18,069	(60,315)	78,384	Growth, Planning and Housing	34,162	5,602	28,560
(2,723)	5,379	(8,102)	Corporate Services	10,350	(7,650)	18,000
<b>112,547</b>	<b>(89,680)</b>	<b>202,227</b>	<b>Net Cost of Services</b>	<b>154,238</b>	<b>(125,083)</b>	<b>279,321</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

## Note 8 Expenditure and Funding Analysis (continued)

Table B

2017/18			2018/19			
Expenditure chargeable to GF and HRA balances Restated*	Adjustments between funding and accounting basis Restated*	Net Expenditure in the CIES Restated*		Expenditure chargeable to GF and HRA balances	Adjustments between funding and accounting basis	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
10,822	29,365	(18,543)	Other Operating Income and Expenditure	57,698	73,346	(15,648)
15,872	(13,734)	29,606	Financing and Investment Income and Expenditure	(30,085)	(16,738)	(13,347)
(138,210)	262,090	(400,300)	Taxation and Non-Specific Grant Income and Expenditure	(281,805)	68,512	(350,317)
<b>1,031</b>	<b>188,041</b>	<b>(187,010)</b>	<b>Surplus or Deficit on the Provision of Services</b>	<b>(99,954)</b>	<b>37</b>	<b>(99,991)</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

## Note 8 Expenditure and Funding Analysis (continued)

**Table C**

2017/18			2018/19			
Opening Balance Restated*	Surplus or Deficit on the Provision of Services Restated*	Closing Balance Restated*		Opening Balance	Surplus or Deficit on the Provision of Services	Closing Balance
£'000	£'000	£'000		£'000	£'000	£'000
(48,777)	(10,088)	(58,865)	General Fund Balance	(58,865)	(3,917)	(62,782)
(41,586)	16,220	(25,366)	Housing Revenue Account Balance	(25,366)	8,132	(17,234)
<b>(90,363)</b>	<b>6,132</b>	<b>(84,231)</b>	<b>Sub-Total General Fund and Housing Revenue Account Balance</b>	<b>(84,231)</b>	<b>4,215</b>	<b>(80,016)</b>
(145,010)	(6,324)	(151,334)	General Fund Earmarked Reserves	(151,334)	(116,564)	(267,898)
(12,331)	3,162	(9,169)	Housing Revenue Account Reserves	(9,169)	9,169	-
(3,704)	(1,939)	(5,643)	Schools Reserves	(5,643)	3,226	(2,417)
<b>(161,045)</b>	<b>(5,101)</b>	<b>(166,146)</b>	<b>Sub-Total Earmarked and Schools Reserves</b>	<b>(166,146)</b>	<b>(104,169)</b>	<b>(270,315)</b>
<b>(251,408)</b>	<b>1,031</b>	<b>(250,377)</b>	<b>Total Reserves</b>	<b>(250,377)</b>	<b>(99,954)</b>	<b>(350,331)</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

## Note 8 Expenditure and Funding Analysis (continued)

**Table D**

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

2017/18				2018/19				
Adjustments for Capital Purposes Restated*	Net Change for Pensions Adjustments Restated*	Other Differences Restated*	Total Adjustments Restated*		Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	158	7	165	City Treasurer	(76,794)	(3,505)	94	(80,205)
(38)	258	22	242	Director of Policy, Performance and Communications	(107)	410	69	372
(440)	673	61	294	Executive Director Adult Services	(109)	894	114	899
(8,142)	645	27	(7,470)	Executive Director of Childrens Services	(4,474)	879	177	(3,418)
(29,547)	1,524	48	(27,975)	Executive Director of City Management and Communities	(43,087)	1,813	591	(40,683)
(61,139)	861	(37)	(60,315)	Executive Director of Growth, Housing and Planning (GF)	6,553	662	(1,613)	5,602
5,083	284	12	5,379	Executive Director of Corporate Services	(8,923)	1,165	108	(7,650)
<b>(94,223)</b>	<b>4,403</b>	<b>140</b>	<b>(89,680)</b>	<b>Net Cost of Services</b>	<b>(126,941)</b>	<b>2,318</b>	<b>(460)</b>	<b>(125,083)</b>
29,365	-	-	29,365	Other Operating Income and Expenditure	100,958	(27,612)	-	73,346
(6,878)	(20,359)	13,503	(13,734)	Financing and Investment Income and Expenditure	548	(17,286)	-	(16,738)
191,852	-	70,238	262,090	Taxation and Non-Specific Grant Income and Expenditure	126,951		(58,439)	68,512
<b>120,116</b>	<b>(15,956)</b>	<b>83,881</b>	<b>188,041</b>	<b>Difference Between General Fund Surplus or Deficit and the Comprehensive Income and Expenditure Statement</b>	<b>108,995</b>	<b>(42,580)</b>	<b>(58,899)</b>	<b>37</b>
				<b>Suplus or Deficit on the Provision of Services</b>				

\*For further detail, please refer to Note 39 – Prior Period Adjustment

## Note 8 Expenditure and Funding Analysis (continued)

### **Adjustments for Capital purposes**

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

### **Net change for the pensions adjustments**

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

### **Other differences**

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

## Note 8 Expenditure and Funding Analysis (continued)

### EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2017/18 Restated*		2018/19
£'000		£'000
175,136	Employee Benefit Expenses	177,321
763,560	Other Service Expenses	855,960
32,484	Interest Payments	27,912
2,765	Precepts and Levies	1,919
2,913	Payments to the Housing Capital Receipts Pool	2,519
102,791	Depreciation, Amortisation, Impairment	87,233
<b>1,079,649</b>	<b>Total Expenditure</b>	<b>1,152,864</b>
(631,070)	Grants and Contribution	(592,473)
(462,756)	Fees, Charges and other service income	(395,266)
(141,256)	Income from Council Tax, business rates	(197,359)
(23,845)	Gains on Disposals	(56,610)
(7,732)	Interest and Investment Income	(11,148)
<b>(1,266,659)</b>	<b>Total Income</b>	<b>(1,252,855)</b>
<b>(187,010)</b>	<b>Surplus on the Provision of Services</b>	<b>(99,991)</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

# Note 9 s.75 Better Care Fund

## Social Care

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

Any surplus or deficit generated from the arrangement is the responsibility of the respective partner to whom it is attributed and is shared in proportion to the funding. The partner authorities are responsible for managing the individual schemes for which they have lead responsibility.

Gross expenditure of the Better Care Fund was £41.8m in 2018/19 (£40.7m in 2017/18) and gross income was £41.8m in 2018/19 (£40.7m in 2017/18) of which the Council's contribution to the s75 programme was £26.5m (£25.7m in 2017/18).

2017/18 Restated				2018/19		
WCC	CCGs	Total	Programme area	WCC	CCGs	Total
£000s	£000s	£000s		£000s	£000s	£000s
15,500	5,813	21,313	Learning Disabilities Support	15,965	5,612	21,577
4,587	3,865	8,452	Mental Health	4,725	4,292	9,017
959	2,727	3,686	Physical Support	988	2,716	3,704
1,684	1,668	3,352	Social Care Activities	1,734	1,668	3,402
1,842	556	2,398	Support with Memory and Cognition	1,897	501	2,398
1,140	396	1,536	Carers' Support, Information and Early Intervention	1,175	502	1,677
<b>25,712</b>	<b>15,025</b>	<b>40,737</b>		<b>26,484</b>	<b>15,291</b>	<b>41,775</b>

\*2017/18 activity was restated to exclude £33m of activity incurred under s.256 of the NHS Act 2006.

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

## Note 10a Senior Officers' Remuneration

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

	2017/18	Salary, Fees and Allowances*	Deferred Pay	Private Health Insurance / Benefits in Kind	Pension Contributions	Expenses	Compensation for Loss of Office	Total
	£	£	£	£	£	£	£	£
Chief Executive - Charlie Parker (ex)		165,886	61,578	-	-	-	-	227,464
Chief Executive - S Love		33,449	-	-	7,628	-	-	41,077
Executive Director of City Management & Communities (ex) – S Love		129,677	15,255	-	36,253	-	-	181,185
City Treasurer (Section 151 Officer)		130,568	13,391	5,581	36,718	310	-	186,568
Executive Director the West End Partnership (ex) – E Watson		76,335	-	-	18,694	-	52,600	147,629
Executive Director Growth, Planning and Housing (ex) – E Watson		54,778	10,847	-	16,144	-	-	81,769
Executive Director Growth, Planning and Housing		83,992	-	-	20,662	-	-	104,654
Bi-borough Executive Director of Adult Social Care		66,888	-	1,017	16,705	-	-	84,610
Director of Communication and Strategy		128,487	10,713	1,421	34,593	-	-	175,214
Her Majesty's Coroner - Inner West London - F Wilcox		166,735	-	4,808	37,334	-	-	208,877
Executive Director of Corporate Services		119,689	12,717	4,032	-	-	-	136,438
Director of Public Health		134,554	12,052	4,716	-	-	-	151,322
Interim Executive Director of City Management & Communities		41,550	-	-	10,222	-	-	51,772
Bi-borough Executive Director of Children's Services		97,578	-	-	24,004	-	-	121,582

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

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

2018/19		Salary, Fees and Allowances*	Deferred Pay	Private Health Insurance / Benefits in Kind	Pension Contributions	Expenses	Compensation for Loss of Office	Total
		£	£	£	£	£	£	£
Chief Executive - S Love		191,055	16,887	-	51,154	-	-	259,096
City Treasurer (Section 151 Officer) (Ex)	A	67,541	20,422	5,376	22,221	-	-	115,560
Executive Director of Finance Resources	B	11,237	-	-	2,764	-	-	14,001
Executive Director Growth, Planning and Housing		149,800	13,872	0	40,263	-	-	203,935
Bi Borough Executive Director of Adults Social Care	C	149,298	7,432	3,580	39,408	-	-	199,718
Executive Director of City Management & Communities (Ex)	D	126,514	12,307	0	34,150	-	-	172,971
Executive Director of City Management & Communities	E	31,787	-	0	7,820	-	-	39,607
Bi Borough Executive Director of Children's Services	F	149,800	15,123	0	18,364	-	-	183,287
Director of Communication and Strategy- J Corkey		157,447	13,525	1,329	42,386	-	-	214,687
Her Majesty's Coroner - Inner West London - F Wilcox	G	160,283	-	0	40,062	667	-	201,012
Director of Corporate Services (Ex)	H	70,754	19,741	3,845	-	-	-	94,340
Director of Public Health (Ex)	I	56,978	18,381	4,569	-	1,141	68,374	149,443
Director of Public Health (Ex)	J	31,425	-	-	-	-	-	31,425
Director of Public Health (Ex)	K	60,259	-	-	-	-	-	60,259
Director of Public Health	L	5,000	-	-	-	-	-	5,000
Director of Law		121,604	12,173	-	33,671	-	-	167,448
Director of People Services		129,429	12,173	2,897	35,547	-	-	180,046
Acting City Treasurer (Section 151 Officer)	M	45,333	4,549	2,571	5,382	-	-	57,835

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

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

A) The post holder ceased on 30 September 2018.

B) The post holder commenced on 04 March 2019.

C) The Bi-Borough Executive Director of Adult Social Care is employed by Westminster City Council. The costs of this post are shared between the Royal Borough of Kensington & Chelsea and Westminster City Council. The share was 47% RBKC, 47% WCC and 6% WCC Public Health same as 2017-18.

D) The post holder ceased on 31 December 2018.

E) The post holder commenced on 01 January 2019.

F) The Bi-Borough Executive Director of Children's Services is employed by Westminster City Council. The costs of this post are shared between the Royal Borough of Kensington & Chelsea and Westminster City Council. The share was 50% RBKC; 50% WCC, same as 2017-18.

G) The post of Her Majesty's Coroner for the Inner West London Coroner's District is shared across four London boroughs based on population share. The current share based on mid-2014 population per Borough is 25.8% Westminster, 22.5% Merton, 17.2% RBKC and 34.5% Wandsworth (same rate as 2017-18).

H) The post holder ceased on 31 August 2018. This post was deleted in the new structure. This post is funded 60% WCC and 40% RBKC (same rate as 2017-18).

I) The post holder ceased on 30 September 2018. The Director of Public Health is employed by Westminster City Council. The costs of this post are shared between the Royal Borough of Kensington & Chelsea, the London Borough of Hammersmith & Fulham, and Westminster City Council. The share was 43.6% RBKC; 56.4% WCC (This was 30.9% RBKC; 29.1% LBHF; 40.0% WCC in 2017-18).

J) The post holder commenced on 06 September 2018 on an interim basis and ceased on 31 October 2018.

K) The post holder commenced on 05 November 2018 on an interim basis and ceased on 15 March 2019.

L) The post holder commenced on 13 March 2019.

M) The post holder commenced on 01 October 2018 and ceased on 28 February 2019.

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

### Note 10b Other Employees with Remuneration over £50,000

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

2017/18		2018/19
No of Employees		No of Employees
189	£50,000 - £54,999	208
83	£55,000 - £59,999	115
51	£60,000 - £64,999	57
33	£65,000 - £69,999	45
30	£70,000 - £74,999	35
26	£75,000 - £79,999	20
20	£80,000 - £84,999	14
12	£85,000 - £89,999	19
6	£90,000 - £94,999	13
6	£95,000 - £99,999	8
2	£100,000 - £104,999	4
5	£105,000 - £109,999	2
-	£110,000 - £114,999	-
4	£115,000 - £119,999	1
-	£120,000 - £124,999	1
-	£125,000 - £129,999	1
1	£130,000 - £134,999	2
-	£135,000 - £139,999	1
1	£140,000 - £144,999	1
-	£145,000 - £149,999	1
<b>469</b>	<b>Total</b>	<b>548</b>

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

### Note 10c 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:

2017/18				2018/19				
(b) Number of compulsory redundancies	(c) Number of other departures agreed	(d) Total number of exit packages by cost band [(b) + (c)]	Total cost of exit packages in each band	(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies	(c) Number of other departures agreed	(d) Total number of exit packages by cost band [(b) + (c)]	Total cost of exit packages in each band
			£'000					£'000
39	-	39	320	£0 - £20,000	61	-	61	482
17	-	17	529	£20,001 - £40,000	29	-	29	781
9	-	9	454	£40,001 - £60,000	6	-	6	308
5	-	5	319	£60,001 - £80,000	4	-	4	254
1	-	1	82	£80,001 - £100,000	3	-	3	277
3	-	3	365	£100,001 - £150,000	4	-	4	534
1	-	1	179	£150,001 - £200,000	1	-	1	180
<b>75</b>	<b>-</b>	<b>75</b>	<b>2,248</b>	<b>Total</b>	<b>108</b>	<b>-</b>	<b>108</b>	<b>2,816</b>

### Note 10d Termination Benefits

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

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

The Council terminated the contracts of 108 employees in 2018/19. Of the total payment of £2.817m, there were no enhancements of retirement benefits.

### Note 10e Members' Allowances

The Council paid allowances to its members of £0.964m in 2018/19 (2017/18 of £0.932m).

# Note 11 External Audit Fees

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

2017/18		2018/19
£'000		£'000
186	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	143
25	Fees payable to external auditors for the certification of grant claims and returns for the year	26
8	Fees payable in respect of other services provided by external auditors during the year relating to objections*	-
4	Fees payable in respect of Teacher's Pension audit	4
9	Fees payable in respect of audit of pooling of capital receipts	3
10	Fees payable in respect of CFO Insights toolkit	13
(28)	Public Sector Audit Appointments (PSAA) rebate	-
<b>214</b>	<b>Total</b>	<b>189</b>

\* The total fees of £214k in 2017/18 included £8k that is in respect of 2016/17.

# Note 12 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools and Early Years Finance (England) Regulations 2017. Schools Budget includes elements for a range of educational services provided on an authority-wide basis and the Individual Schools Budget, which is divided into a budget share for each maintained school, funding for early years providers, and high-needs payments to providers.

Details of the Schools Budget funded by DSG receivable for 2018/19 are as follows:

	Central Expenditure	Individual Schools Budget	Total 2018/19	Total 2017/18
	£'000	£'000	£'000	£'000
<b>Final DSG before Academy Recoupment</b>			152,561	152,049
Academy figure recouped			(66,306)	(66,938)
<b>Total DSG after Academy recoupment</b>			<b>86,255</b>	<b>85,111</b>
Plus: Brought forward			4,079	5,275
Less: Carry forward projected			(4,079)	(5,275)
<b>Agreed initial budgeted distribution</b>	<b>5,182</b>	<b>81,073</b>	<b>86,255</b>	<b>85,111</b>
In year adjustments	(1,492)	(2,297)	(3,789)	(455)
<b>Final budgeted distribution</b>	<b>3,690</b>	<b>78,776</b>	<b>82,466</b>	<b>84,656</b>
Less Actual central expenditure	(3,777)		(3,777)	(4,566)
Less Actual ISB deployed to schools		(80,188)	(80,188)	(81,284)
<b>(Drawdown from)/Contribution to DSG Reserve</b>	<b>(87)</b>	<b>(1,412)</b>	<b>(1,499)</b>	<b>(1,195)</b>
<b>Estimated Carry Forward to 2019/20</b>			<b>2,581</b>	<b>4,080</b>

# Note 13 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19.

2017/18	Credited to Taxation and Non-Specific Grant Income	2018/19
<b>£'000</b>	<b>Non-Ringfenced Government Grants (Revenue)</b>	<b>£'000</b>
(46,166)	Revenue Support Grant	-
(9,889)	New Homes Bonus	(8,884)
(3,409)	Collection Allowance – Business Rates and Business Rates Supplement	(3,413)
(6,389)	Section 31 Grant	(12,717)
(61)	Other Grants Credited to Taxation and Non-Specific Grant Income	(26)
<b>(65,914)</b>	<b>Sub-Total</b>	<b>(25,040)</b>

## Note 13 Grant Income (continued)

2017/18	Credited to Services	2018/19
£'000		£'000
(210,953)	Housing Benefits Subsidy	(204,252)
(84,656)	Dedicated Schools Grant	(82,466)
(32,075)	Public Health Grant	(31,250)
(1,293)	Discretionary Housing Payments Grant	(1,147)
(788)	Education Services Grant	-
(5,063)	Pupil Premium Grant	(4,453)
(9,730)	Improved Better Care Funding Programme	(12,317)
(1,481)	Housing Benefit Subsidy Administration Grant	(1,379)
(7,221)	Flexible Housing Support Grant	(6,921)
(5,399)	Education and Skills Funding Agency Grant	(8,517)
(751)	Troubled Families grants	(1,227)
(1,557)	Unaccompanied Asylum Seeking Children Grant	(2,120)
(917)	Partners in Practice Grant	(170)
(1,150)	Universal Infant Free School Meals	(1,062)
(8,570)	Other Government Grants	(4,329)
(1,896)	Other Non-Government grants and contributions	(2,790)
<b>(373,500)</b>	<b>Sub-Total</b>	<b>(364,400)</b>
<b>(439,414)</b>	<b>Total</b>	<b>(389,440)</b>

## Note 13 Grant Income (continued)

2017/18	Capital Grants Receipts in Advance (Non-Current)	2018/19
£'000		£'000
(56,881)	S106 / S278 Contributions	(67,773)
(337)	Affordable Housing Fund	-
(2,378)	Transportation and Infrastructure External Funding	(12,437)
(6,339)	Transport for London Grants	(2,666)
(1,954)	Other Government Grants	(2,323)
(3,601)	Other Grants and Contributions	(981)
<b>(71,490)</b>	<b>Total</b>	<b>(86,179)</b>

2017/18	Revenue Grants and Contributions Receipts in Advance (Current)	2018/19
£'000		£'000
(1,244)	Education and Skills Funding Agency Grant	(1,075)
(2,462)	Other Non-Government Grants and Contributions	(1,098)
(1,929)	Other Grants and Contributions	(1,470)
<b>(5,635)</b>	<b>Total</b>	<b>(3,643)</b>

# Note 14 Trading Operations

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

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

2017/18			2018/19			
Turnover	Expenditure	(Surplus) /Deficit	Trading Unit	Turnover	Expenditure	(Surplus) /Deficit
£'000	£'000	£'000		£'000	£'000	£'000
(2,053)	2,221	168	Street Markets	(2,011)	3,229	1,218
(529)	1,286	757	Building Control	(343)	800	457
(234)	643	409	Cemeteries	(301)	592	291
(17,370)	17,482	112	Trade Refuse	(18,455)	18,555	100
<b>(20,186)</b>	<b>21,632</b>	<b>1,446</b>	<b>Net deficit on trading operations</b>	<b>(21,110)</b>	<b>23,176</b>	<b>2,066</b>

# Note 15 Agency Services

2017/18	2017/18	2018/19	2018/19
£'000	£'000	£'000	£'000
<b>Transport for London</b>			
(11,108)	Contributions	(6,238)	
11,108	Expenditure	6,238	
	- (Surplus)/ Deficit		-
<b>Inner West London Coroner's District</b>			
(1,035)	Contributions	(1,155)	
1,394	Expenditure	1,556	
	359 (Surplus)/ Deficit		401
<b>Collection of Mayoral CIL</b>			
(16,661)	Contributions	(16,762)	
	(666) Proportion retained by WCC (see note)		(670)
<b>Thames Water</b>			
(4,311)	Contributions	(4,385)	
3,266	Expenditure	3,342	
	(1,045) (Surplus)/ Deficit		(1,043)
<b>(1,352)</b>	<b>Net Surplus</b>		<b>(1,312)</b>

## TRANSPORT FOR LONDON

Transport for London reimburses the Council for works undertaken on the highway which aim to promote sustainable transport and improve the public realm, including traffic management schemes. During 2018/19 £6.24m of works were undertaken for TFL.

## INNER WEST LONDON CORONER'S DISTRICT

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

During the year £1.56m of expenditure was incurred by the Coroner's Service towards which contributions were received or accrued totalling £1.16m from the other three local authorities this year. The balance of £0.40m is Westminster's contribution to the service.

## Note 15 Agency Services (continued)

### COLLECTION OF MAYORAL CIL

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

The CIL is charged on most developments in Central London at the following rate:

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

The collection of the CIL is delegated to the relevant planning authority in each administrative area and the planning authority is able to retain 4% of the levy to cover the costs of administration and collection.

During 2018/19, Mayoral CIL contributions of £16.76m were received. The balance of £0.67m has been retained by Westminster to cover administrative costs.

### THAMES WATER

The Council charges its Housing tenants for water rates on behalf of Thames Water. The amount repayable to Thames Water is reduced by a commission, void rate, arrears and impairment allowance for doubtful debt, all at fixed percentages based on the total water charge.

Water Rate receipts at the end of 2018/19 amounted to £4.39m, of which £3.34m was transferred to Thames Water. The commission element is £1.05m.

In August 2018 Thames Water Utilities issued Westminster City Council (WCC) with notification of their decision to bring customer billing back in-house. From 30 September 2019, WCC will no longer collect tenant water charges on their behalf. City West Homes have been informed that WCC is not alone in this change to be implemented by Thames Water, as the billing process is being brought back in-house from local authorities across the board.



## 4.2.

## Notes Supporting the Movement in Reserves Statement

# Note 16a Adjustments Between Accounting Basis and Funding Basis Under Regulations

The resources available to the Council in any financial year and the expenses that are charged against those resources are specified by statute (the Local Government Act 2003 and the 2003 Regulations). Where the statutory provisions differ from the accruals basis used in the Comprehensive Income and Expenditure Statement, adjustments to the accounting treatment are made in the Movement in Reserves Statement (MiRS) so that usable reserves reflect the funding available at the year-end. Unusable reserves are created to manage the timing differences between the accounting and funding bases. The material adjustments are summarised in the table below, with details in the note following.

Expense	Accounting Basis in CIES	Funding Basis in MiRS	Adjustment Account
Property, plant and Equipment	Depreciation and revaluation/impairment losses	Minimum revenue provision (MRP) to cover historical cost determined in accordance with the 2003 Regulations	Capital Adjustment Account
Intangible Assets	Amortisation and impairment	MRP to cover historical cost determined in accordance with the 2003 Regulations	Capital Adjustment Account
Investment Properties	Movements in fair value	MRP to cover historical cost determined in accordance with the 2003 Regulations	Capital Adjustment Account
Revenue Expenditure Funded from Capital under Statute	Expenditure incurred in 2018/19	MRP to cover historical cost determined in accordance with the 2003 Regulations	Capital Adjustment Account
Capital Grants and Contributions	Grants where conditions were met in 2018/19 or which were received in 2018/19 without conditions	No credit	Capital Grants Unapplied Reserve (amounts unapplied at 31 March 2019) Capital Adjustment Account (other amounts)
Financial Instruments	Premiums payable and discounts receivable on the early repayment of borrowing in 2018/19 Interest receivable in 2018/19 on an amortised cost basis	Deferred debits and credits of premiums and discounts from earlier years in accordance with the 2003 Regulations Interest due to be received on soft loans in 2018/19	Financial Instruments Adjustment Account
Pensions Costs	Movements in pensions assets and liabilities	Employer's pensions contributions payable and direct payments made by the Council to pensioners for 2018/19	Pensions Reserve
Council Tax	Accrued income from 2018/19 bills	Demand on the Collection Fund for 2018/19 [plus recovery of estimated deficit/share of estimated surplus] for 2017/18	Collection Fund Adjustment Account
Business Rates	Accrued income from 2018/19 bills	Budgeted income receivable from the Collection Fund for 2018/19 [plus recovery of estimated deficit/share of estimated surplus] for 2017/18	Collection Fund Adjustment Account
Holiday Pay	Projected cost of untaken leave entitlements at 31 March 2019	No charge	Accumulated Absences Adjustment Account

## Note 16a Adjustments Between Accounting Basis and Funding Basis Under Regulations (continued)

2017/18 Restated*	Usable Reserves						Relevant Unusable Reserve**
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Adjustments to Revenue Resources</b>							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement differ from increases/decreases in revenue for the year calculated in accordance with statutory requirements:							
· Financial instruments	2,549	93	-	-	-	(2,642)	Financial Instruments Adjustment Account / Financial Instruments Revaluation Reserve
· Pensions costs	(15,956)	-	-	-	-	15,956	Pensions Reserve
· Council tax	70,238	-	-	-	-	(70,238)	Collection Fund Adjustment Account
· Holiday pay	140	-	-	-	-	(140)	Accumulated Absences Account
· Capital expenditure	71,975	14,805	(31,880)	(23,371)	(94,756)	63,227	Capital Adjustment Account
<b>Capital and Revenue Financing</b>							
Resources set aside for capital financing	31,190	15,781	54,549	23,371	5,028	(129,919)	Capital Adjustment Account
Use of capital receipts for revenue purposes	(2,991)	-	2,991	-	-	-	
Recognition and transfer on realisation of deferred capital receipts	217	-	(110)	-	-	(107)	Deferred Capital Receipts
<b>Total adjustments</b>	<b>157,362</b>	<b>30,679</b>	<b>25,550</b>	<b>-</b>	<b>(89,728)</b>	<b>(123,863)</b>	

\*For further detail, please refer to Note 39 – Prior Period Adjustment

\*\*Details of movements in unusable reserves are in note 16b.

## Note 16a Adjustments Between Accounting Basis and Funding Basis Under Regulations (continued)

2018/19	Usable Reserves						Relevant Unusable Reserve**
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Adjustments to Revenue Resources</b>							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement differ from increases/decreases in revenue for the year calculated in accordance with statutory requirements:							
· Financial instruments	(370)	77	-	-	-	293	Financial Instruments Adjustment Account / Financial Instruments Revaluation Reserve
· Pensions costs	(42,580)	-	-	-	-	42,580	Pensions Reserve
· Council tax	(58,439)	-	-	-	-	58,439	Collection Fund Adjustment Account
· Holiday pay	(459)	-	-	-	-	459	Accumulated Absences Account
· Capital expenditure	69,221	3,725	(113,642)	(24,256)	(127,653)	192,655	Capital Adjustment Account
<b>Capital and Revenue Financing</b>							
Resources set aside for capital financing	9,067	21,902	45,774	24,256	111,652	(212,701)	Capital Adjustment Account
Use of capital receipts for revenue purposes	(2,029)	(78)	2,107	-	-	-	
Recognition and transfer on realisation of deferred capital receipts	-	-	(118)	-	-	118	Deferred Capital Receipts
<b>Total adjustments</b>	<b>(25,589)</b>	<b>25,626</b>	<b>(65,879)</b>	<b>-</b>	<b>(16,001)</b>	<b>81,843</b>	

\*\*Details of movements in unusable reserves are in note 16b.

# Note 16b Unusable Reserves

## Adjustments between Accounting and Funding Basis 2017/18 Restated\*

Unusable Reserves	Opening Balance 1 April 2017	Other Comprehensive Income and Expenditure 2017/18	Adjustments to Revenue Resources	Capital and Revenue Financing	Other Movements	Closing Balance 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation Reserve	(373,387)	(106,862)			24,275	(455,974)
Available for Sale Financial Instruments Reserve	(1,357)	1,135	-	-	-	(222)
Financial Instruments Adjustment Account	5,367	-	(2,642)	-	-	2,725
Financial Instruments Revaluation Reserve	-	-	-	-	-	-
Pensions Reserve	772,989	(91,378)	15,956	-	-	697,567
Collection Fund Adjustment Account	(5,964)	-	(70,238)	-	-	(76,202)
Accumulated Absences Account	1,170	-	(140)	-	-	1,030
Capital Adjustment Account	(1,712,553)	-	63,227	(129,920)	(24,275)	(1,803,521)
Deferred Capital Receipts	(2,364)	-	-	(107)	-	(2,471)
<b>Total</b>	<b>(1,316,099)</b>	<b>(197,105)</b>	<b>6,163</b>	<b>(130,027)</b>	<b>-</b>	<b>(1,637,068)</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

## Note 16b Unusable Reserves (continued)

Unusable Reserves	Adjustments between Accounting and Funding Basis 2018/19					Closing Balance 31 March 2019
	Opening Balance 1 April 2018 (Restated*)	Other Comprehensive Income and Expenditure 2017/18	Adjustments to Revenue Resources	Capital and Revenue Financing	Other Movements	
	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation Reserve	(455,974)	(63,189)			68,405	(450,758)
Available for Sale Financial Instruments Reserve	(223)	223	-	-	-	-
Financial Instruments Adjustment Account	2,725	-	(1,342)	-	-	1,383
Financial Instruments Revaluation Reserve	-	-	1,634			1,634
Pensions Reserve	697,568	(38,469)	42,580	-	-	701,679
Collection Fund Adjustment Account	(76,202)	-	58,439	-	-	(17,763)
Accumulated Absences Account	1,031	-	459	-	-	1,490
Capital Adjustment Account	(1,803,523)	-	192,654	(212,700)	(68,405)	(1,891,974)
Deferred Capital Receipts	(2,470)	-	-	118	-	(2,352)
<b>Total</b>	<b>(1,637,068)</b>	<b>(101,435)</b>	<b>294,424</b>	<b>(212,582)</b>	<b>-</b>	<b>(1,656,661)</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

# Note 17 Transfer to/from Earmarked Reserves

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

<b>Earmarked Reserves</b>	<b>1 April 2017 Restated*</b>	<b>Transfers Out</b>	<b>Transfers In</b>	<b>31 March 2018 Restated*</b>	<b>Transfers Out</b>	<b>Transfers In</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Contract Risk Reserve	-	-	(11,713)	(11,713)	-	-	(11,713)
Infrastructure reserve	(1,199)	1,313	(25,327)	(25,213)	3,467	(1,928)	(23,674)
Business Rate Equalisation Reserve	-	-	-	-	-	(48,948)	(48,948)
Business Rates Smoothing Reserve	-	-	-	-	-	(24,000)	(24,000)
Economic Recession Safety Net Reserve (Business Rates)	-	-	-	-	-	(7,000)	(7,000)
Business Rates Pool Timing Reserve	-	-	-	-	-	(6,000)	(6,000)
Business Rates Section 31 Grant Timing Reserve	-	-	-	-	-	(6,000)	(6,000)
Property Modernisation Reserve	-	-	-	-	1,096	(4,500)	(3,404)
Digitalisation Reserve	-	-	-	-	-	(5,000)	(5,000)
Economy and Enterprise Reserve	(3,062)	1,127	(57)	(1,992)	604	(505)	(1,893)
Learning and Skills Council Reserve	(918)	-	(755)	(1,673)	-	(622)	(2,295)
Children's Services Reserve	(4,590)	1,250	(1,894)	(5,234)	771	(1,071)	(5,534)
Dedicated Schools Grant	(5,275)	1,196	-	(4,079)	1,498	-	(2,581)
Statues and Monuments Reserves	(374)	17	-	(357)	17	-	(340)
Housing Benefits Reserve	(1,000)	-	-	(1,000)	-	-	(1,000)
Corporate Items	(32,171)	35,171	(3,000)	-	-	-	-
Invest to Save Reserve	(14,632)	37,046	(47,321)	(24,907)	1,119	-	(23,788)
Insurance Reserve	(12,030)	3,624	(4,197)	(12,603)	-	(818)	(13,421)
Refurbishment/Transformation of Estate	(10,000)	10,000	-	-	-	-	-
Corporate Risks Reserve	(8,046)	8,246	(200)	-	-	-	-

<b>Earmarked Reserves</b>	<b>1 April 2017 Restated*</b>	<b>Transfers Out</b>	<b>Transfers In</b>	<b>31 March 2018 Restated*</b>	<b>Transfers Out</b>	<b>Transfers In</b>	<b>31 March 2019</b>
MRP Equalisation Reserve	(5,589)	-	(1,598)	(7,187)	-	(3,500)	(10,687)
Redundancy and Reorganisation	(2,775)	74	-	(2,701)	-	-	(2,701)
Income Pressures Reserve	(2,120)	2,120	-	-	-	-	-
Receipts in Advance Reserve	(19,837)	17,377	202	(2,258)	235	(1,364)	(3,387)
Public Health Reserve	(8,554)	2,265	(1)	(6,290)	15	-	(6,275)
Adults' Services Reserve	(2,096)	7,338	(11,793)	(6,551)	-	(5,149)	(11,700)
Transformation Reserve	-	-	(14,843)	(14,843)	344	(2,331)	(16,830)
Modernisation Reserve	-	-	(8,000)	(8,000)	-	-	(8,000)
Other Council Reserves*	(10,742)	19,188	(23,179)	(14,733)	6,496	(13,490)	(21,727)
<b>Total General Fund Reserves</b>	<b>(145,010)</b>	<b>147,352</b>	<b>(153,676)</b>	<b>(151,334)</b>	<b>15,662</b>	<b>(132,226)</b>	<b>(267,898)</b>
<b>HRA Earmarked Reserves</b>	<b>(12,331)</b>	<b>3,162</b>	<b>-</b>	<b>(9,169)</b>	<b>9,169</b>	<b>-</b>	<b>-</b>
<b>Total Reserves</b>	<b>(157,341)</b>	<b>150,514</b>	<b>(153,676)</b>	<b>(160,503)</b>	<b>24,831</b>	<b>(132,226)</b>	<b>(267,898)</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

## Note 17 Transfer to/from Earmarked Reserves (continued)

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

The **Digitalisation Reserve** is in place to deliver enhanced digital services.

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

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

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

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

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

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

The **Redundancy and Re-organisation Reserve** is provided to support staffing cost implications of service transformation programmes.

The Council has a number of **Business Rates Reserves** for planned future spending based on presumed business rates income that is yet to materialise. The Council has agreed to create a Business Rates Equalisation Reserve (BRER) to utilise in future years if the Council loses out on funding from the Business Rates Baseline reset and to smooth out Business Rates income caused by timing differences. It is proposed that the council place additional reserves into the BRER to counteract timing difference caused by the net contribution to the business rate pool, section 31 grant payments from central government and the impact of economic recession not covered by the SafetyNet payment. These reserves ensure that that if future business rates income falls short of the expected sums, the reserve can be drawn upon.

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

The **Property Modernisation Reserve** is to enhance to Council's operational estate.

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

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

The **Children's Reserve's** support projects within Children's services.

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

**Other Council Reserves** represent minor balances.

**Ring-Fenced Revenue Reserves** represent carried forward funding, including Schools balances from the Dedicated Schools Grant (DSG), grant funding of the Adult Education Service from the Learning Skills Council (LSC) to match expenditure in line with the academic year.



4.3.

Notes Supporting the Balance Sheet

# Note 18a Capital Contractual Commitments

As at 31 March 2019, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years. The major commitments are as follows and equivalent figures have been provided for 31 March 2018:

<b>31 March 2018 Restated</b>		<b>31 March 2019</b>
<b>£'000</b>		<b>£'000</b>
15,868	FM Conway Various Public Realm Schemes	18,755
3,843	Amey Community Ltd	-
40,751	Dudley House	1,291
39,523	City Hall Refurbishment	-
493	Moberly and Jubilee Leisure Centres Project	-
-	Beachcroft House	14,940
6,825	Edgware Road*	6,825
-	West End Gate	20,174
9,580	Tollgate*	9,580
<b>116,883</b>	<b>Total</b>	<b>71,565</b>

\*The commitments at 31 March 2018 have been restated to include commitments relating to Edware Road and Tollgate developments, which were omitted from the 2017/18 Statement of Accounts.

In 2018/19 the Council signed two significant contracts for:

- The development of Beachcroft House, a care home with private residential units.
- The purchase of units at the West End Gate development.

# Note 18b Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Sanderson Weatherall undertook valuations on behalf of the Council in 2018/19 for operational property and investment property. HRA stock was valued at 31<sup>st</sup> March 2019.

The valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations concerning vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices, with consideration given for the condition of the asset.

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Investment Property	Heritage Assets	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Held at Historic Cost and at depreciated historic cost.	-	1,379	22,146	-	100	76,685	530,661	23,136	654,107
Different Valuations are applied to different asset classes.									
31st March 2019	1,468,134	102,550	411,528	472,825	-	-	-	-	2,455,037
31st March 2018	-	20,541	65,194	-	-	-	-	-	85,735
31st March 2017	-	-	-	-	-	-	-	-	-
31st March 2016	-	-	-	-	-	-	-	-	-
31st March 2015	-	-	-	-	-	-	-	-	-
31st March 2014	-	-	-	-	42,745	-	-	-	42,745
<b>Total Cost or Valuation</b>	<b>1,468,134</b>	<b>124,470</b>	<b>498,868</b>	<b>472,825</b>	<b>42,845</b>	<b>76,685</b>	<b>530,661</b>	<b>23,136</b>	<b>3,237,624</b>

# Note 18c Property, Plant and Equipment

## Recognition

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

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

## Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the cost of dismantling and removing the item and restoring the site on which it is located

Infrastructure, community assets, assets under construction and vehicles, plant and equipment are then carried in the Balance Sheet at depreciated historic cost. Other categories of Property, Plant and Equipment are subsequently re-measured at existing use or fair value – see General Principles within Note 1 for details. Assets are revalued sufficiently regularly to ensure that their carrying amount is not

materially different from their current value at the year-end, but as a minimum every five years. Assets are revalued in accordance with the methodologies and requirements of the Royal Institute of Professional Valuers.

## Revaluation

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where 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)
- 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(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

As 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 in the same way as revaluation losses. When an asset is disposed of or 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 CIES against any receipts arising from the disposal as a gain or loss on disposal.

## 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, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer;
- Infrastructure - straight-line allocation over 9 - 15 years.

## Note 18c Property Plant and Equipment (continued)

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

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

### Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset is de-recognised in the Balance Sheet. This amount, net of any receipts from disposal, are accounted for as a gain or loss on disposal and taken to the Other Operating Expenditure line in the CIES. Any revaluation gains previously accounted for in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Any disposal receipts in excess of £10,000 are categorised as capital receipts and must be credited to the Capital Receipts Reserve. A proportion of receipts relating to housing disposals must be paid to the Government.

The written-off value of disposals is not a charge against council tax but is subject to separate arrangements for capital financing. Amounts reflected in the CIES are appropriated to the Capital Adjustment Account via the Movement in Reserves Statement.

### Minimum Revenue Provision

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

### Componentisation

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

- Equipment – as this is considered immaterial
- Asset classes which are not depreciated – such as land, investment property, heritage assets, community assets, surplus assets and assets held for sale.

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

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

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost of Valuation</b>									
At 1 April 2017 (Restated)*	1,361,321	119,495	357,246	69,527	429,066	20,340	44,772	<b>2,401,767</b>	6,523
Additions	63,732	1,124	56,930	869	48,202	961	72,467	<b>244,285</b>	-
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	48,066	9,484	710	-	-	-	-	<b>58,260</b>	38
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(1)	3,298	-	-	-	-	<b>3,297</b>	61
Derecognition – disposals	(5,145)	-	-	-	-	-	-	<b>(5,145)</b>	-
Assets reclassified	-	5,555	(2,530)	-	-	-	-	<b>3,025</b>	-
Other Movement in Cost or Valuation	-	(4,049)	4,086	-	-	-	(37)	-	-
<b>At 31 March 2018 (Restated)*</b>	<b>1,467,974</b>	<b>131,608</b>	<b>419,740</b>	<b>70,396</b>	<b>477,268</b>	<b>21,301</b>	<b>117,202</b>	<b>2,705,489</b>	<b>6,622</b>

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

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2017	(28,555)	(3,330)	(2,040)	(62,192)	(214,031)	-	-	(310,148)	(3,148)
Depreciation Charge	(18,378)	(4,993)	(12,399)	(4,156)	(29,769)	-	-	(69,695)	(679)
Depreciation written out to the Revaluation Reserve	20,801	7,080	12,966	-	-	-	-	40,847	
Accumulated Impairment written out to the Revaluation Reserve	7,755	-	-	-	-	-	-	7,755	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(6,600)	-	1,221	-	-	-	-	(5,379)	
<b>At 31 March 2018</b>	<b>(24,977)</b>	<b>(1,243)</b>	<b>(252)</b>	<b>(66,348)</b>	<b>(243,800)</b>	<b>-</b>	<b>-</b>	<b>(336,620)</b>	<b>(3,827)</b>
<b>Net Book Value:</b>									
<b>At 31 March 2018 (Restated)*</b>	<b>1,442,997</b>	<b>130,365</b>	<b>419,488</b>	<b>4,048</b>	<b>233,468</b>	<b>21,301</b>	<b>117,202</b>	<b>2,368,869</b>	<b>2,795</b>
<b>At 31 March 2017 (Restated)*</b>	<b>1,332,766</b>	<b>116,165</b>	<b>355,206</b>	<b>7,335</b>	<b>215,035</b>	<b>20,340</b>	<b>44,772</b>	<b>2,091,619</b>	<b>3,375</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

# Note 18c Property, Plant and Equipment – Movement of Balances in 2018/19

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost of Valuation</b>									
At 1 April 2018 (Restated)*	1,467,974	131,608	419,740	70,396	477,268	21,301	117,202	<b>2,705,489</b>	6,622
Additions	76,592	137	65,542	6,289	53,391	1,833	74,220	<b>278,004</b>	
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	(72,355)	(4,116)	72,793	-	-	-	-	<b>(3,678)</b>	65
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(570)	(8,257)	-	-	-	-	<b>(8,827)</b>	-
Derecognition – Disposals	(4,075)			-	-	-		<b>(4,075)</b>	-
Derecognition – Other	-	(797)	(255)	-	-	-	(13,282)	<b>(14,334)</b>	-
Assets reclassified	-	(1,795)	(50,695)	-	-	-	(12,143)	<b>(64,633)</b>	-
<b>At 31 March 2019</b>	<b>1,468,136</b>	<b>124,467</b>	<b>498,868</b>	<b>76,685</b>	<b>530,659</b>	<b>23,134</b>	<b>165,997</b>	<b>2,887,946</b>	<b>6,687</b>

## Note 18c Property, Plant and Equipment – Movement of Balances in 2018/19 (continued)

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2018	(24,977)	(1,243)	(252)	(66,348)	(243,800)	-	-	(336,620)	(3,827)
Depreciation Charge	(17,770)	(6,485)	(19,725)	(2,234)	(40,517)	-	-	(86,731)	(681)
Depreciation written out to the Revaluation Reserve	36,147	5,923	18,197	-	-	-	-	60,267	
Accumulated Impairment written out to the Revaluation Reserve	6,600	-	-	-	-	-	-	6,600	
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	26	590	-	-	-	-	616	
Derecognition - other	-	14	17	-	-	-	-	31	
<b>At 31 March 2019</b>	<b>-</b>	<b>(1,765)</b>	<b>(1,173)</b>	<b>(68,582)</b>	<b>(284,317)</b>	<b>-</b>	<b>-</b>	<b>(355,837)</b>	<b>(4,508)</b>
<b>Net Book Value:</b>									
<b>At 31 March 2019</b>	<b>1,468,136</b>	<b>122,702</b>	<b>497,695</b>	<b>8,103</b>	<b>246,342</b>	<b>23,134</b>	<b>165,997</b>	<b>2,532,109</b>	<b>2,179</b>
<b>At 31 March 2018 (Restated)*</b>	<b>1,442,997</b>	<b>130,365</b>	<b>419,488</b>	<b>4,048</b>	<b>233,468</b>	<b>21,301</b>	<b>117,202</b>	<b>2,368,869</b>	<b>2,795</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

# Note 19 Heritage Assets

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

	Statues and Monuments	Civic Regalia, Works of Art, Trophies and the like	Total Assets
	£'000	£'000	£'000
<b>Balance at 1 April 2018</b>	<b>38,775</b>	<b>4,071</b>	<b>42,846</b>
Additions	-	-	-
<b>Balance at 31 March 2019</b>	<b>38,775</b>	<b>4,071</b>	<b>42,846</b>

The valuation has been based on an insurance valuation provided by Zurich Municipal.

## Note 20 Investment Property

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

2017/18			2018/19		
HRA Commercial Properties	General Fund Investment Properties	Total	HRA Commercial Properties	General Fund Investment Properties	Total
£'000	£'000	£'000	£'000	£'000	£'000
7,704	14,570	22,274	8,629	18,595	27,224
(1,649)	(2,575)	(4,224)	(2,275)	(4,060)	(6,335)
<b>6,055</b>	<b>11,995</b>	<b>18,050</b>	<b>6,354</b>	<b>14,535</b>	<b>20,889</b>
		<b>Net gain</b>			

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

## Note 20 Investment Property (continued)

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

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

2017/18 Restated				2018/19		
HRA Commercial Properties	General Fund Investment Properties	Total		HRA Commercial Properties	General Fund Investment Properties	Total
£'000	£'000	£'000		£'000	£'000	£'000
189,544	265,296	454,840	Balance at 1 April	168,794	236,430	405,224
Additions:						
-	15,733	15,733	Purchases	-	-	-
24	546	570	Subsequent expenditure	1,362	50	1,412
-	-	-	Disposals	(305)	(7,865)	(8,171)
(3,394)	(19,501)	(22,895)	Net gains/losses from fair value adjustments	(7,998)	17,725	9,727
Transfers:						
-	(40,000)	(40,000)	To/from Investment Property Held for Sale	-	-	-
-	-	-	Assets reclassified (to)/from Investment Property Held for Sale	-	-	-
(17,380)	14,356	(3,024)	Assets reclassified (to)/from Property, Plant and Equipment	(8,406)	73,039	64,633
168,794	236,430	405,224	Balance at 31 March	153,447	319,378	472,825

The Council received proceeds of £84.8m from the sale of Moxon Street Car Park in April 2018.

The 2017/18 Investment Property closing balance includes an adjustment for The Council House Property which has been part reclassified as an investment property from Property, Plant and Equipment. This is as per the guidance in the CIPFA Code in line with the use of this Property.

# Note 21a Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

## Financial Liabilities

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest).

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

## Financial Assets

To meet new Code requirements, financial assets are now classified into one of three categories:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.
- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are

measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.

- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES.

Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

\*For further detail, please refer to Note 39 – Prior Period Adjustment.

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

## Note 21a Financial Instruments (continued)

31 March 2018 Restated*			31 March 2019	
Long term	Short term		Long term	Short term
£'000	£'000		£'000	£'000
<b>Loans and receivables</b>				
2,203	528,929	Investments	-	-
38,015	83,428	Debtors**	-	-
-	161,238	Cash and Cash Equivalents	-	-
<b>40,218</b>	<b>773,595</b>		<b>-</b>	<b>-</b>
<b>Available for Sale Financial Assets</b>				
15,230	335,872	Investments	-	-
<b>Fair Value Through Profit and Loss – Financial Assets</b>				
-	-	Investments	24,366	-
<b>Financial assets at amortised cost</b>				
-	-	Investments	784	673,751
-	-	Debtors	67,604	121,353
-	-	Cash and Cash Equivalents	-	49,904
<b>55,448</b>	<b>1,109,467</b>	<b>Total Financial Assets</b>	<b>92,754</b>	<b>845,008</b>
<b>Financial liabilities at amortised cost</b>				
(221,230)	(32,069)	Borrowing	(222,521)	(2,486)
-	(122,849)	Creditors**	(4,321)	(196,139)
(17,178)	(1,753)	Service concession and finance lease liabilities	(16,747)	(1,783)
<b>(238,408)</b>	<b>(156,671)</b>	<b>Total Financial Liabilities</b>	<b>(243,589)</b>	<b>(200,408)</b>

## Income, Expense, Gains and Losses

2017/18			2018/19			
Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale		Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Financial Assets Measured at Fair Value through Profit and Loss
£'000	£'000	£'000		£'000	£'000	£'000
			Net loss on financial assets at fair value through profit and loss			(1,634)
(12,166)	-	-	Interest Expense	(10,626)	-	-
-	-	(300)	Impairment Losses	-	-	-
<b>(12,166)</b>	-	<b>(300)</b>	<b>Total Expense in Surplus/Deficit on the Provision of Service</b>	<b>(10,626)</b>	-	<b>(1,634)</b>
-	5,130	2,192	Interest Income	-	11,148	-
-	<b>5,130</b>	<b>2,192</b>	<b>Total income in Surplus/Deficit on the Provision of Services</b>	-	<b>11,148</b>	-
-	-	1,507	Gains on Revaluation	-	-	-
-	-	(2,641)	Losses on Revaluation	-	-	-
-	-	<b>(1,134)</b>	<b>Surplus/Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure</b>	-	-	-
<b>(12,166)</b>	<b>5,130</b>	<b>758</b>	<b>Net Gain/(Loss) for the Year</b>	<b>(10,626)</b>	<b>11,148</b>	<b>(1,634)</b>

As at 31 March 2019, the Council has undertaken two forward borrowing deals with Phoenix Group:

£37.5m: start date 15th March 2022, end date 15th March 2062 at 2.706%.

£12.5m: start date 15th March 2023, end date 15th March 2063 at 2.751%.

A further £200m forward deal for a forty-year loan was agreed with Rothesay Life, struck on 8 May 2019 to commence in four years' time at 2.887%.

## Note 21a Financial Instruments (continued)

### Fair value of assets and liabilities

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

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

\* The fair value of borrowing is greater than the carrying value because this reflects the fact that the average rate of interest (4.2%) on the Council's borrowing is higher than current rates (1.48 – 2.23%) for new borrowing.

31 March 2018 Restated			31 March 2019	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
<b>Loans and receivables</b>				
531,131	531,131	Investments	-	-
121,443	121,443	Debtors	-	-
161,238	161,238	Cash and Cash Equivalents	-	-
<b>Available for Sale Financial Assets</b>				
351,102	351,102	Investments	-	-
<b>Fair Value Through Profit and Loss</b>				
-	-	Investments	24,366	24,366
<b>Financial Assets Held at Amortised Cost</b>				
-	-	Investments	674,535	674,535
-	-	Debtors	188,957	191,526
-	-	Cash and Cash Equivalents	49,904	49,904
<b>1,164,914</b>	<b>1,164,914</b>	<b>Total Financial Assets</b>	<b>937,762</b>	<b>940,331</b>
<b>Financial liabilities at amortised cost</b>				
<b>Borrowing*</b>				
(182,486)	(208,482)	Public Works Loan Board	(152,008)	(180,584)
(70,813)	(96,915)	Lender Option Borrower Options	(70,999)	(101,150)
-	-	Other	(2,000)	(2,000)
<b>(253,299)</b>	<b>(305,397)</b>		<b>(225,007)</b>	<b>(283,734)</b>
(122,849)	(122,849)	Creditors	(200,460)	(200,460)
(18,931)	(29,731)	Service concession and finance lease liabilities	(18,530)	(26,839)
<b>(395,079)</b>	<b>(457,977)</b>	<b>Total Financial Liabilities</b>	<b>(443,997)</b>	<b>(511,033)</b>

# Note 21b Cash and Cash Equivalents

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

31 March 2018		31 March 2019
£'000		£'000
1,076	Cash held by the Authority	3,970
30,522	Cash at bank	(13,830)
129,640	Short-term liquid deposits	59,764
<b>161,238</b>	<b>Total Cash and Cash Equivalents</b>	<b>49,904</b>

## Note 22 Nature and Extent of Risk

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

### **CREDIT RISK**

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

## Note 22 Nature and Extent of Risk (continued)

A summary of the credit quality of the Council's investments at 31 March 2019 is shown below:

31-Mar-18		31-Mar-19		
Available for Sale	Loans and receivables	Fitch Rating	Fair Value through Profit & loss	Amortised Cost
£'000	£'000		£'000	£'000
81,935	181,878	AAA	-	59,764
-	-	AA+	-	-
143,678	240,383	AA	-	361,148
90,134	59,318	AA-	-	139,816
20,124	111,873	A+	-	138,145
-	95,428	A	-	45,332
15,230	124,932	N/A	24,366	169,191
<b>351,102</b>	<b>813,812</b>	<b>Total</b>	<b>24,366</b>	<b>913,396</b>

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

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

31 March 2018		31 March 2019	
£'000		£'000	
80,029	Less than three months	111,004	
221	Three to six months	3,059	
1,483	Six months to one year	3,130	
1,695	More than one year	4,160	
<b>83,428</b>	<b>Total</b>	<b>121,353</b>	

## Note 22 Nature and Extent of Risk (continued)

### LIQUIDITY RISK

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

31 March 2018					31 March 2019					
PWLB	LOBO*	Mortgage Annuity	Other	Total		PWLB	LOBO*	Mortgage Annuity	Other	Total
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
31,217	813	40	-	32,070	Less than one year	963	814	42	667	2,486
-	-	42	-	42	Between one and two years	15,000	-	45	667	15,712
20,400	-	142	-	20,542	Between two and five years	5,400	10,000	98	667	16,165
25,000	10,000	-	-	35,000	Maturing in five to ten years	29,000	-	-	-	29,000
105,645	60,000	-	-	165,645	Maturing in more than ten years	101,645	60,000	-	-	161,645
				<b>253,299</b>	<b>Total</b>					<b>225,008</b>

\*The LOBO maturity profile assumes that the lender will not exercise their option until maturity. The LOBOs are of fixed rates, ranging between 3.65% and 10.75%. Of the total amount, £25m have a break clause of every 5 years, whilst £45m have a break clause at every interest payment date twice a year. However, in the current low interest rate environment, it is unlikely that the lender will exercise their option to request early repayment of these LOBOs.

## Note 22 Nature and Extent of Risk (continued)

### MARKET RISK

#### *Interest Rate Risk*

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

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

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

#### *Price Risk*

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

## Note 23 Capital Expenditure and Capital Financing

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

2017/18		2018/19
£'000		£'000
521,086	Capital Financing Requirement at 1 April	633,909
<b>Capital investment</b>		
244,285	Property, Plant and Equipment	278,004
16,304	Investment Properties	1,412
438	Intangible Assets	330
56,301	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	34,497
-	Long-Term Investments	11,000
<b>Sources of finance</b>		
(54,549)	Capital Receipts	(45,774)
(103,406)	Government grants and other contributions	(111,702)
<b>Sums set aside from revenue</b>		
(16,585)	Direct Revenue Contributions	(22,346)
(23,371)	Major Repairs Allowance	(24,256)

## Note 23 Capital Expenditure and Capital Financing (continued)

2017/18		2018/19
£'000		£'000
<b>Debt repayment</b>		
(5,669)	Minimum Revenue Provision	(7,038)
(925)	Minimum Revenue Provision PFI and Finance Lease	(1,585)
<b>633,909</b>	<b>Capital Financing Requirement at 31 March</b>	<b>746,451</b>
<b>Explanation of movements in year</b>		
119,417	Increase /(decrease) in underlying need for borrowing (unsupported by government financial assistance)	121,165
(5,669)	Statutory provision for repayment of debt (Minimum Revenue Provision)	(7,038)
(925)	Statutory provision for PFI and Finance Lease debt (Minimum Revenue Provision)	(1,585)
<b>112,823</b>	<b>Total</b>	<b>112,542</b>

# Note 24 Leases

## COUNCIL AS LESSEE

### Finance Leases

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

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

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

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

The interest element of finance leases is charged to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure

Statement. The principal element of finance lease payments is applied to write down the lease liability.

31 March 2018		31 March 2019	
£'000		£'000	
30,790	Other Land and Buildings	106,200	
<b>30,790</b>	<b>Total</b>	<b>106,200</b>	

### Minimum Lease Payments

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

31 March 2018				31 March 2019		
Minimum Lease Payment	Finance Charges	Present Value		Minimum Lease Payment	Finance Charges	Present Value
£'000	£'000	£'000		£'000	£'000	£'000
887	70	817	Not later than one year	904	885	812
3,549	880	2,669	Later than one year and not later than five years	3,617	3,528	2,737
41,701	35,015	6,686	Later than five years	41,502	30,903	7,136
<b>46,137</b>	<b>35,965</b>	<b>10,172</b>	<b>Total</b>	<b>46,023</b>	<b>35,316</b>	<b>10,685</b>

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

31 March 2018		31 March 2019	
£000		£000	
2,695	Contingent Rent due within 1 Year	3,421	

## Note 24 Leases (continued)

### Operating Leases

All other leases are treated as operating leases.

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

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

31 March 2018		31 March 2019
£'000		£'000
44,561	Not later than one year	52,895
19,277	Later than one year and not later than five years	14,185
591,702	Later than five years	564,050
<b>655,540</b>	<b>Total</b>	<b>631,130</b>

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

31 March 2018		31 March 2019
£'000		£'000
50,228	Minimum lease payments	62,451
1,212	Contingent rents	598
(25,976)	Sublease payments receivable	(29,341)
<b>25,464</b>	<b>Total</b>	<b>33,708</b>

## Note 24 Leases (continued)

### COUNCIL AS LESSOR

#### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

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

31 March 2018		31 March 2019
£'000		£'000
21,991	Not later than one year	22,700
76,149	Later than one year and not later than five years	74,950
718,209	Later than five years	706,120
<b>816,349</b>	<b>Total</b>	<b>803,770</b>

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

# Note 25 Service Concessions

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

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

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

## **Veolia Waste Disposal Contract**

2017/18 was due to be the final year of a seven-year service concession contract for waste and recycling collection, street cleansing and ancillary services, terminating part way through 2017/18. This contract was extended during 2017/18 and will now terminate part way through 2020/21. Under the contract, the operator provides a fleet of vehicles subject to a renewal programme approved by the Authority for the sole use of the contract. During the contract period to date, the vehicle fleet was

completely renewed in April 2012 at a cost of £5.015m. At the end of the contract, the Authority has the option to purchase the vehicles at net book value, which is currently estimated to be £nil. The contract provides for the Authority's depots to be leased to the operator for the duration of the contract and returned to the Authority in good condition at the end of contract. The contract specifies the routes and to whom the services are provided, minimum standards of service with deductions from the fee payable if performance falls below the minimum standards.

## **Haven Contract**

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

## **Penfold Contract**

Penfold Street was jointly commissioned in 2004 between the Council and Notting Hill Housing Trust with the objective of providing housing for older

people in the heart of London. Under the terms of the contract, the Authority provided the operator with a site for demolition and development on a 99 year lease, the operator constructed a new building on the site, which reverts to the Authority at the end of the lease, and the Authority has 100% nomination rights and provides an annual care contract for residents. The operator retains all rent and service charge income from residents

## **Sport and Leisure Management Ltd contract**

2018/19 was the third year of a ten year service concession contract with Sport and Leisure Management Ltd which commenced on 1 July 2016, to take over the operation and maintenance of the Council's eight leisure centres, including the upgrade of the facilities over the first two years of the contract. Under the contract, the contractor will retain all income generated, but in addition there is a profit share in the event the financial performance targets are exceeded. The contractor will pay a management fee of £35.3m to the Council over the life of the contract.

The Council has the rights under the contract to specify the activities and services to be provided and regulate the prices charged. The contract specifies minimum standards to be met by the contractor with penalties payable if the facilities or performance is below minimum standards. The Council is responsible for the maintenance of the structure of the leisure centres, and the contractor for maintenance and redecoration, including equipment replacement.

The buildings, plant and equipment provided by the Council at the start of the contract remain the Council's assets, together with the planned enhancement works. In addition the Council has the right to buy any plant and equipment supplied by the contract at the end of the contract at its written down value. The Council has an option to extend the contract for a further five years. Also the Council has the option to terminate the contract either for poor performance, or in the event that the Council wishes to reconfigure leisure services, it may terminate the contract subject to paying compensation to the contractor.

### Property, Plant and Equipment

The assets used to provide services under the service concession contracts are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 18c.

### Payments

The Authority makes agreed payments each year to the operators, increased in line with inflation where stated in the contract and similarly reduced if performance falls below minimum standards in any year. Payments remaining to be made under the service concession contracts (i.e. Veolia, Haven and Penfold) at 31 March 2019 (including an estimate of inflation) are as follows:

2018/19	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable within 1 year	45,564	949	61	46,574
Payable within 2 to 5 years	30,229	1,215	104	31,548
Payable within 6-10 years	-	363	-	363
Payable within 11-15 years	-	363	-	363
Payable within 16 - 20 years	-	363	-	363
Payable within 21+ years	-	4,571	-	4,571
<b>Total</b>	<b>75,793</b>	<b>7,824</b>	<b>165</b>	<b>83,782</b>

The total amount payable of £83.8m is a decrease of £43.9m compared with 2017/18, mostly reflecting the payments made in the year.

## Note 25 Service Concessions (continued)

2017/18				
	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 2018/19	44,133	936	103	45,172
Payable within 2 to 5 years	73,655	1,994	164	75,813
Payable within 6-10 years	885	460	2	1,347
Payable within 11-15 years	-	363	-	363
Payable within 16 - 20 years	-	363	-	363
Payable within 21+ years	-	4,643	-	4,643
<b>Total</b>	<b>118,673</b>	<b>8,759</b>	<b>269</b>	<b>127,701</b>

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

	31 March 2017/18	31 March 2018/19
	£'000	£'000
<b>Balance outstanding at start of the year</b>	9,684	8,759
Payments made during the year	(925)	(936)
<b>Balance outstanding at year end</b>	<b>8,759</b>	<b>7,823</b>

# Note 26 Debtors

31 March 2018			31 March 2019			
Long Term	Short Term	Total		Long Term	Short Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
-	34,135	<b>34,135</b>	Central government bodies	-	38,468	<b>38,468</b>
-	3,039	<b>3,039</b>	NHS bodies	-	5,555	<b>5,555</b>
-	6,767	<b>6,767</b>	Other local authorities	-	10,794	<b>10,794</b>
-	-	-	Public corporations and trading funds	-	1	<b>1</b>
<b>Other entities and individuals:</b>						
-	17,325	<b>17,325</b>	Westminster share of Business Rates debt	-	42,411	<b>42,411</b>
-	23,371	<b>23,371</b>	Parking fines	-	26,526	<b>26,526</b>
-	17,654	<b>17,654</b>	Housing benefits overpayments	-	17,455	<b>17,455</b>
15,374	15,778	<b>31,152</b>	Housing debtors	23,994	17,102	<b>41,096</b>
22,641	50,704	<b>73,345</b>	Other	43,610	80,301	<b>123,911</b>
-	(74,931)	<b>(74,931)</b>	Less: Impairment allowance for doubtful debts (see below)	-	(90,569)	<b>(90,569)</b>
<b>38,015</b>	<b>93,842</b>	<b>131,857</b>	<b>Total</b>	<b>67,604</b>	<b>148,044</b>	<b>215,648</b>

## Impairment allowance for doubtful debts

31 March 2018		31 March 2019	
£'000		£'000	
(20,167)	Parking fines	(23,210)	
(17,347)	Housing General Fund (incl. benefits overpayments)	(20,713)	
(37,417)	Other provisions	(46,646)	
<b>(74,931)</b>	<b>Total</b>	<b>(90,569)</b>	

# Note 27 Creditors

31 March 2017 Restated			31 March 2018 Restated			31 March 2019			
Long Term	Short Term	Total	Long Term	Short Term	Total		Long Term	Short Term	Total
£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000
-	(232,531)	<b>(232,531)</b>	-	(244,676)	<b>(244,676)</b>	Central government bodies	-	(122,263)	<b>(122,263)</b>
-	(93,832)	<b>(93,832)</b>	-	(204,473)	<b>(204,473)</b>	Other local authorities	-	(10,552)	<b>(10,552)</b>
-	(4,204)	<b>(4,204)</b>	-	(734)	<b>(734)</b>	NHS bodies	-	(817)	<b>(817)</b>
-	-	-	-	-	-	Public corporations and trading funds	-	-	-
(204)	(138,468)	<b>(138,672)</b>	(2,917)	(179,528)	<b>(182,445)</b>	Other entities and individuals	(4,321)	(215,344)	<b>(219,665)</b>
<b>(204)</b>	<b>(469,035)</b>	<b>(469,239)</b>	<b>(2,917)</b>	<b>(629,411)</b>	<b>(632,328)</b>	<b>Total</b>	<b>(4,321)</b>	<b>(348,976)</b>	<b>(353,297)</b>

# Note 28 Provisions

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

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

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

## Contingent Liabilities

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

The table below sets out the provisions for 2018/19.

	1 April 2018 Restated	Transfers between long- term and short-term	Additional provisions made in 2018/19	Amounts used in 2018/19	Unused amounts reversed in 2018/19	31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Short Term Provision</b>						
Compensation, Property and Contractual Claims	-	(247)	(210)	88	-	(369)
Insurance Claims	-	-	(316)	-	-	(316)
<b>Total</b>	-	<b>(247)</b>	<b>(526)</b>	<b>88</b>	-	<b>(685)</b>
<b>Long Term Provision</b>						
Compensation, Property and Contractual Claims	(7,071)	247	(4,435)	1,000	527	(9,732)
Insurance Claims	(7,394)	-	-	-	21	(7,373)
Business Rates Appeals	(66,000)	-	(113,584)	-	53,504	(126,080)
Other	(986)	-	-	21	-	(965)
<b>Total</b>	<b>(81,451)</b>	<b>247</b>	<b>(118,019)</b>	<b>1,021</b>	<b>54,052</b>	<b>(144,150)</b>
<b>Grand Total</b>	<b>(81,451)</b>	-	<b>(118,545)</b>	<b>1,109</b>	<b>54,052</b>	<b>(144,835)</b>

## Note 28 Provisions (continued)

Closing provisions include the following elements:

### **Compensation, Property and Contractual Claims**

This provision relates to a range of smaller claims against the Council for which financial resources have been set aside.

### **Ill-health Pension Contributions**

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

### **Insurance Claims**

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

### **Business Rates Appeals**

Due to the localisation of Business Rates, which became effective from 1 April 2013, the Council has set aside a provision for any potential liabilities as a result of Business Rate payers' appeals against rateable valuations. From 2018/19 the Council is responsible for 64% share of this liability, and Greater London Authority is responsible for 36%. The provision includes an amount for appeals lodged to date but yet to be determined by the Valuation Office Agency (VOA) plus an amount for appeals expected but not yet lodged with VOA which has been estimated based on experience and analysis of the appeals listing from the VOA. It is expected that the majority of appeals for the 2005 / 2010 list will be settled by the VOA towards the end of 2019. However, the Council cannot be certain as to when the lodged appeals will be resolved because the timing of resettlement depends on the VOA.

### **Other**

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

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

## Note 29 Other Long-Term Liabilities

2017/18		Note	2018/19
£'000			£'000
(4,225)	Lease Liabilities*	Note 24	(10,685)
(8,759)	Service Concessions	Note 25	(7,823)
(697,566)	Pension Liability	Note 30	(701,679)
<b>(710,551)</b>			<b>(720,187)</b>

\* In preparation for the implementation of IFRS 16 all council leases have been reviewed. As a result the lease liability has been restated in year by £6,159k.

# Note 30 Pension Schemes

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

## POST-EMPLOYMENT BENEFITS

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

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

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

Under IAS 19 and Code requirements, 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 arrangements for the Teachers' scheme and NHS Scheme mean that liabilities for these benefits cannot ordinarily be identified for the Council. These schemes are therefore accounted for as if they were defined contributions schemes and no liability for future payments of benefits is recognised in the Balance Sheet. Children's Services and Adult Services within the Comprehensive Income and Expenditure Statement are charged with the employer's

contributions payable to Teachers' Pensions and NHS Pensions respectively in the year.

# Note 30a Pensions Schemes Accounted for as Defined Contribution Schemes

## TEACHERS' PENSIONS SCHEME

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement and the Council contributes towards the cost by making contributions based on a percentage of scheme members' pensionable salaries. The Scheme itself is a defined benefit scheme but however is unfunded. The Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. In 2018/19, the Council paid £3.807m (£3.811m in 2017/18) to the Teachers Pensions Agency in respect of teachers' retirement benefits. The expected contributions to the Teachers' Pension Scheme for 2019/20 are £3.807m, unchanged from 2018/19.

## NHS STAFF PENSION SCHEME

Former NHS employees that work for The Council can choose to maintain their membership of the NHS Pension Scheme. The Scheme provides these employees with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The scheme is an unfunded defined benefit scheme. In 2018/19, the Council paid £0.058m (£0.086m in 2017/18) to the NHS Pension Scheme in respect of former NHS staff retirement benefits. The Council expects contributions to the NHS Pension scheme for 2019/20 to remain unchanged from 2018/19, at £0.058m.

# Note 30b Defined Benefit Pension Schemes

## THE LOCAL GOVERNMENT PENSION SCHEME

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

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

This future liability is then discounted back to present value, using a discount rate determined by reference to market yields at balance sheet date of high quality corporate bonds.

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

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
  - current service cost – allocated in the Comprehensive Income and Expenditure Statement (CIES) to the services for which the employees worked

- past service cost – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs
- net interest on the net defined benefit liability – charged to the Financing and Investment Income and Expenditure line of the CIES
- Remeasurements comprising:
  - 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 pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - contributions paid to the pension fund are charged to the General Fund via an entry in the Movement in Reserves Statement to replace the service cost items above discretionary benefits

## 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.

## DESCRIPTION OF THE WESTMINSTER FUND

The Council administers a defined benefit career average revalued earnings (care) salary scheme where the retirement benefits are determined independently from investments of the scheme, and employers have obligations to make contributions where assets are insufficient to meet employee benefits. The schemes which make up the overall Westminster Scheme are: The Local Government Pension Scheme (LGPS) administered locally by Westminster City Council (WCC) which is a funded defined benefit career average revalued earnings (care) salary scheme meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets, and; the London Pensions Fund Authority (LPFA) Pension Fund administered by the London Pension Fund Authority.

## Note 30b – Defined Benefit Pension Schemes (continued)

2017/18			2018/19			
Scheme Assets	Pensions Obligations	Net Pensions Liability	Programme area	Scheme Assets	Pensions Obligations	Net Pensions Liability
£000s	£000s	£000s		£000s	£000s	£000s
<b>822,640</b>	<b>(1,595,630)</b>	<b>(772,990)</b>	<b>Opening Balance at 1 April</b>	<b>863,012</b>	<b>(1,560,578)</b>	<b>(697,566)</b>
-	(33,502)	(33,502)	Current Service Cost	-	(32,970)	(32,970)
-	(1,105)	(1,105)	Past Service Cost and gains/losses on curtailments	-	(1,680)	(1,680)
22,115	(42,474)	(20,359)	Interest Income and Expense	22,026	(39,312)	(17,286)
(347)	-	(347)	Administration Expenses	(373)	-	(373)
<b>Remeasurements</b>						
17,746	-	17,746	• Return on Plan Assets	20,406	-	20,406
-	-	-	• Actuarial Gains and Losses arising from changes in demographic assumptions	-	95,526	95,526
-	74,068	74,068	• Actuarial Gains and Losses from changes in financial assumptions	-	(76,885)	(76,885)
-	-	-	Experience (loss)/gain on defined benefit obligation	-	153	153
-	(434)	(434)	Changes in the effect of the Asset Ceiling	-	(731)	(731)
-	-	-	Effect of changes in foreign exchange rates	-	-	-
<b>Contributions</b>						
39,357	-	39,357	• The Council	39,178	-	39,178
6,367	(6,367)	-	• Employees	6,633	(6,633)	-
<b>Payments</b>						
(44,866)	44,866	-	• Retirement Grants and Pensions	(43,063)	43,063	-
-	-	-	• Settlements	71,966	-	71,966
-	-	-	• Effects of business combinations and disposals	-	(101,417)	(101,417)
<b>863,012</b>	<b>(1,560,578)</b>	<b>(697,566)</b>	<b>Closing Balance at 31 March</b>	<b>979,785</b>	<b>(1,681,464)</b>	<b>(701,679)</b>

**Note 30b – Defined Benefit Pension Schemes (continued)**

**LOCAL GOVERNMENT PENSION  
SCHEME ASSETS COMPRISED**

WCC Pension Scheme 31 March 2018			WCC Pension Scheme 31 March 2019	
£'000	%		£'000	%
12,615	1.5%	Gilts - UK	-	0.0%
14,297	1.7%	Gilts - Overseas	-	0.0%
841	0.1%	Gilts - Index Linked	-	0.0%
52,984	6.3%	Corporate Bonds - UK	-	0.0%
31,959	3.8%	Corporate Bonds - Overseas	135,923	14.2%
1,682	0.2%	Listed Equities - UK	200,056	20.9%
2,523	0.3%	Listed Equities - Overseas	460,415	48.1%
388,549	46.2%	Unlisted Equities - UK	-	0.0%
254,828	30.3%	Unlisted Equities - Overseas	-	0.0%
73,168	8.7%	Property	88,063	9.2%
5,887	0.7%	Cash	957	0.1%
1,682	0.2%	Net Current Assets - debtors	-	0.0%
-	0.0%	Net Current Assets - creditors	-	0.0%
-	0.0%	Multi Asset Credit	62,218	6.5%
-	0.0%	Infrastructure	9,572	1.0%
<b>841,015</b>	<b>100%</b>	<b>Total</b>	<b>957,204</b>	<b>100%</b>

**Note 30b – Defined Benefit Pension Schemes (continued)**

LPFA Pension Scheme 31 March 2018			LPFA Pension Scheme 31 March 2019	
£'000	%		£'000	%
13,450	61.1%	Equities	12,286	54.4%
4,930	22.4%	Target Return Portfolio	6,022	26.7%
962	4.4%	Infrastructure	1,361	6.0%
1,583	7.2%	Property	2,124	9.4%
1,071	4.9%	Cash	790	3.5%
<b>21,996</b>	<b>100%</b>	<b>Total</b>	<b>22,583</b>	<b>100%</b>

## Note 30b – Defined Benefit Pension Schemes (continued)

A change in any of the key assumptions can have a significant impact upon the size of the Council's pension liabilities, which would require the Council during its triennial review to adjust the amount it must pay the Westminster Pension Fund. The biggest risks include an increase in member life expectancy, salary and pension accumulation rate or a decrease in the real discount rate, which would have an impact on the Council's liability to the Pension Fund.

Discounting of future payments gives the amount in today's money that is required to meet obligations – a higher discount rate means a lower current requirement to meet future payments. This is why the actuaries prudently use a discount rate based on highly rated corporate bond yields, as a small change in these would have a very large impact upon the size of the liability, which taxpayers are statutorily bound to pay.

The principal assumptions used by the actuaries have been:

WCC Pension Scheme 31 March 2019	LPFA Pension Scheme 31 March 2018		WCC Pension Scheme 31 March 2019	LPFA Pension Scheme 31 March 2018
		Mortality assumptions:		
		Longevity at 65 for current Pensioners (years):		
24.5	20.6	Men	23.4	20.7
26.1	23.6	Women	24.8	23.7
		Longevity at 65 for future Pensioners (years):		
26.8	22.9	Men	25.0	23.1
28.4	25.9	Women	26.6	26.0
3.30%	3.4%	Rate of Inflation (RPI)	3.4%	3.5%
2.30%	2.4%	Rate of Inflation (CPI)	2.4%	2.5%
3.80%	3.9%	Rate of Increase in salaries	3.9%	4.0%
2.30%	2.4%	Rate of increase in pensions	2.4%	2.5%
2.60%	2.6%	Rate for discounting scheme liabilities	2.4%	2.3%

**Note 30b – Defined Benefit Pension Schemes (continued)**

	WCC Pension Scheme	WCC Pension Scheme
	Increase in Assumption	Decrease in Assumption
	£'000	£'000
Longevity (increase or decrease in 1 year)	(64,114)	61,693
Rate of inflation (increase or decrease by 0.1%)	(28,949)	28,429
Rate of increase in salaries (increase or decrease by 0.1%)	(2,227)	2,212
Rate of increase in pensions (increase or decrease by 0.1%)	(28,949)	28,429
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	30,552	(31,146)

## Note 30b – Defined Benefit Pension Schemes (continued)

### IMPACT ON THE COUNCIL'S CASH FLOWS

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary, Barnett Waddingham, to achieve a funding level of 100% over the next 22 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed for 31 March 2019.

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

The Council anticipated paying £39.169m (main scheme) and £0.04 (LPFA) in employer contributions to the scheme in 2018/19.

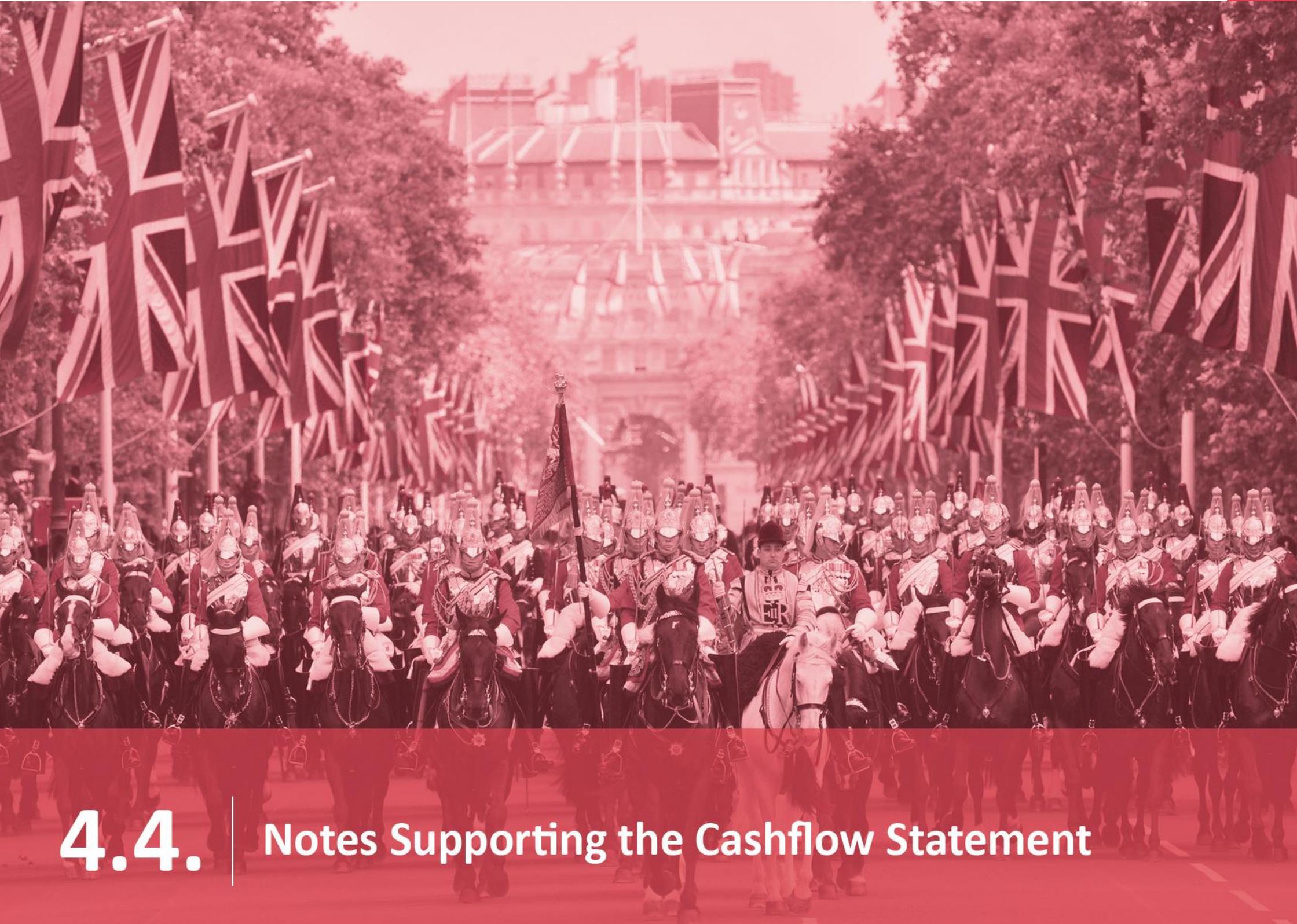
The weighted average duration of the defined benefit obligation for the WCC scheme members is 19 years, 2018/19 (19 years 2017/18).

The weighted average duration of the defined benefit obligation for the LPFA scheme members is 12 years, 2018/19 (12 years 2017/18).

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

- Investment risk: The Fund holds investment in asset classes such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk: The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities, the value of the assets and liabilities may not move in the same way.
- Inflation risk: All the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk: In the event that the members live longer than assumed, a deficit will emerge in the Fund. There are also other demographic risks.

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



# 4.4.

## Notes Supporting the Cashflow Statement

# Note 31 Cash Flows from Operating Activities

The cash flows for operating activities include the following items:

2017/18 Restated*		2018/19
£'000		£'000
(7,697)	Interest received	(10,521)
12,168	Interest paid	11,101
<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b>		
(111,216)	Depreciation	(87,213)
(24,977)	Impairment and downward valuations	(8,183)
(114,614)	Increase/(decrease) in creditors	(3,561)
40,051	(Increase)/decrease in provisions	(63,384)
43,263	Increase/(decrease) in debtors	67,321
(86)	Increase/(decrease) in inventories	7
(15,956)	Movement in pension liability	(71,802)
(5,145)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(66,580)
(21,667)	Other non-cash items charged to the net surplus or deficit on the provision of services	9,224
<b>(210,347)</b>	<b>Sub-total of non-cash movements</b>	<b>(224,171)</b>
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>		
94,756	Capital Grants credited to surplus or deficit on the provision of services	32,700
31,880	Proceeds from the sale of property plant and equipment, investment property and intangible assets	113,642
<b>126,636</b>	<b>Sub-total of adjustments included in the net surplus or deficit on the provision of services that are investing or financing activities</b>	<b>146,342</b>
<b>(83,711)</b>	<b>Total</b>	<b>(77,829)</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

## Note 32 Cash Flows from Investing Activities

2017/18 Restated*		2018/19
£'000		£'000
317,333	Purchase of property, plant and equipment, investment property and intangible assets	279,913
2,828,009	Purchase of short and long-term investments	2,954,718
(31,880)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(113,642)
(2,714,451)	Proceeds from short and long-term investments	(3,138,289)
(95,261)	Other receipts from investing activities*	(23,710)
<b>303,750</b>	<b>Total Cash Flows from Investing Activities</b>	<b>(41,010)</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

## Note 33 Cash Flows from Financing Activities

2017/18 Restated*		2018/19
£'000		£'000
-	Cash receipts of short- and long-term borrowing	(2,000)
(24,927)	Other receipts from financing activities	-
925	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	19
37	Repayments of short- and long-term borrowing	30,040
-	Other payments for financing activities	302,105
<b>(23,965)</b>	<b>Net cash flows from financing activities</b>	<b>330,164</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment



**4.5.**

**Other Notes**

# Note 34 Related Party Transactions

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

## CENTRAL GOVERNMENT

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates. It provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, Housing Benefits). Grants received from Government departments are set out in the analysis in Note 13.

## MEMBERS

The following Members held positions of control or significant influence in related parties to the Council during 2018/19:

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

Councillors Mitchell, Caplan, Robathan, Hall and Butler-Thalassis are trustees of the City of Westminster Charitable trust. The trust receives funds collected via a voluntary community contribution from residents and distributes these via grant funding to community groups working in Westminster.

Councillor Robert Rigby is the Council appointed trustee of the London Marathon Charitable trust as well as being a named director of the Council's newly created companies Westminster Housing Investment Ltd and Westminster Housing Development Ltd. There have been no transactions between the Council and these organisations in the financial year.

Lady Christabel Flight served as a trustee of the Sir Simon Milton Foundation during the year. The Foundation staff are co-located with the Council and have benefited from the use of Council support services (IT, Finance, use of desk space). During 2018/19 the value of in-kind services provided was £19,962 (2017/18: £20,847), while the chargeable cost of services provided was £19,962 (£9,104 for the three month period ended 31 March 2018).

Councillor Gotz Mohindra declared an interest in the Chromex Group and Palladium Property Management

Further details are recorded in the Register of Member's Declarations of Interest, which can be found on the Council's website.

## Note 34 Related Party Transactions (continued)

### ENTITIES CONTROLLED OR SIGNIFICANTLY INFLUENCED BY THE COUNCIL

The Council has a number of subsidiaries over which it has control and an associate company over which it exerts significant influence. The Council's subsidiary companies and related transactions are summarised below:

31 March 2018					
Name	Loan	Expenditure	Income	Income outstanding to WCC (WCC debtor balance)	Balance outstanding (WCC creditor balance)
	£'000	£'000	£'000	£'000	£'000
City West Homes Ltd	-	39,532	(431)	34	6,854
Westminster Community Homes	10,177	7,506	(215)	45	-
WestCo Trading Ltd	-	1,789	(2,348)	1,696	8
Westminster Procurement Services Ltd	-	-	(113)	113	-
Paddington Recreation Ground Trust		566	542		

31 March 2019					
Name	Loan	Expenditure	Income	Income outstanding to WCC (WCC debtor balance)	Balance outstanding (WCC creditor balance)
	£'000	£'000	£'000	£'000	£'000
City West Homes Ltd	-	35,316	(693)	5	38
Westminster Community Homes	10,058	10,333	(2,173)	-	561
WestCo Trading Ltd	-	2,453	(1,237)	667	779
Westminster Procurement Services Ltd	-	-	-	-	-
Paddington Recreation Ground Trust	-	1,298	(764)	-	-

\*The Council's Arm's-Length Management Organisation (ALMO), City West Homes, was brought back in-house on 31 March 2019. Further details regarding the amounts payable to and from the company at the transfer can be found in Note 40 Business Combinations.

## Note 34 Related Party Transactions (continued)

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

**Westminster Community Homes** –Thomas McGregor, Thomas Harding, James Green

**Westco trading Limited** – Julia Corkey, Dai Williams

**Westminster Procurement Services** - Dai Williams

**Westminster Housing Investment Ltd** - Thomas McGregor, James Green, Stephen Muldoon

**Westminster Housing Development Ltd** - Thomas McGregor, James Green, Stephen Muldoon

Westminster Housing Investment Ltd and Westminster Housing Development Ltd are yet to begin trading. The 2 companies were incorporated in June 2018

The Council has the following associate:

### Hub Make Lab CIC

#### a) Nature of the business

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

#### b) Relationship with the Council

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

Loans outstanding at 31 March 2019 and due to the Council are £0.191m (£0.180m at 31 March 2018).

#### c) Financial performance

The Company ceased trading at its current location in February 2018 and is currently considering options for future trading but as at 31st March 2019, there are no material transactions for the financial year.

#### d) Council Officers/Members on the Board

The following Council representatives are/were directors of the Company during 2018/19 : Councillor Peter Freeman (resigned from role February 2019) and Greg Ward.

## Note 35 Contingent Liabilities

With regard to the valuation of the IAS19 Pension Fund liability, no allowance has been made by the Council's actuary for the recent Court of Appeal McCloud judgement. The McCloud court case relates to possible age discrimination within the New Judicial Pension Scheme, with a further appeal by the Government to the Supreme Court currently underway. At this point in time, it is unclear as to how this judgement, or any future judgement, may affect LGPS members' past or future service benefits, and the actuary is awaiting guidance from the governing bodies of the LGPS. Estimates as to the possible impact on liability valuations range between 0.5% and 1.0% of total liabilities with 1.0% amounting to circa £16.6m for the City of Westminster Pension Fund.

## Note 36 Contingent Assets

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

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

(iii) The Council has agreed to the redevelopment of Moberly Sports Centre. As a result, the Council potentially will be able to benefit from a share of profits above a specified threshold resulting from the value enhancement associated with this scheme. The amounts and timings of these receipts will depend on market conditions.

# Note 37a Fair Value – Basis of Valuation

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

Description of asset or liability	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Assets and liabilities held at amortised cost	Level 2	Fair value has been assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments.	For PWLB loans payable, PWLB new loan rates. For non-PWLB loans payable, prevailing market rates. For loans receivable, prevailing market rates. No early repayment is recognised. Where instruments have a maturity of less than 12 months or are trade or other receivable, fair value is taken to be the carrying amount or billed amount.	Not required.
Investment property	Level 3	Valued at Fair Value at the year-end using the investment method of valuation by Sanderson Weatherall. The valuations have been prepared in accordance with the RICS Valuation – Global Standards 2017 (“the Red Book”) – Professional Standards UK January 2014 (revised April 2015) and in particular VPS 4 and UKVS 1, 2 and 4. This report also takes account of the requirements of the CIPFA Code of Practice on Local Authority Accounting.	Assumed void periods. Estimated Rental Value (ERV). Capitalisation Rate (Equivalent Yield).	All variables listed are observable inputs and susceptible to market change. The portfolio experiences high occupancy levels with most assets capable of generating good levels of tenant demand in the current market. Consequently, the total Fair Value reported for the portfolio has a low level of sensitivity to significant changes in the assumed void period input. In contrast, the total Fair Value of the portfolio has a much higher level of sensitivity to significant change to both the ERV and Equivalent Yield inputs.
Investment in closed pooled property fund	Level 3	Council’s share of the net asset value of the fund.	NAV based on the latest quarterly unaudited accounts.	Material events occurring between December 2018 and 31 <sup>st</sup> March 2019.
Investment property held for sale	Level 3	Valued at fair value using the investment method of valuation by Sanderson Weatherall in accordance with the RICS Valuation - Global Standards 2017.	Existing lease terms and rentals.	The valuation is sensitive to both assumptions.

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

### Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Council has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out opposite the consequent potential impact on the closing value of investments held at 31 March 2019.

Description of asset	Assessed Valuation Range (+/-)	Value at 31 March 2019	Value on increase	Value on decrease
		£'000	£'000	£'000
Investment property, assets held for sale	+16.9%/-12.9%	472,825	552,732	411,831
<b>Total</b>		<b>472,825</b>	<b>552,732</b>	<b>411,831</b>

# Note 37b Valuation of Assets and Liabilities Measured at Fair Value

Financial and non-financial assets and liabilities measured at Fair Value are classified in accordance with three levels as shown below:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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 2018			31 March 2019		
Restated					
Quoted market price	Using observable inputs	With significant unobservable inputs	Quoted market price	Using observable inputs	With significant unobservable inputs
Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial Assets</b>					
-	336,102	15,000	-	-	-
-	-	-	-	-	24,366
-	-	-	-	115,608	-
-	-	405,224	-	-	472,825
-	-	40,000	-	-	-
-	<b>336,102</b>	<b>460,224</b>	-	<b>115,608</b>	<b>497,191</b>
<b>Liabilities at Amortised Cost*</b>					
-	208,482	-	-	180,584	-
-	96,915	-	-	101,150	-
-	5,768	-	-	4,045	-
-	<b>311,165</b>	-	-	<b>285,779</b>	-

\*Loans and service concession liabilities are disclosed at fair value in this Note in accordance with the Code but are carried at amortised cost in the Council's balance sheet.

## Note 37c Transfers between Levels 1 and 2

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

## Note 37d Reconciliation of Fair Value Measurements within Level 3

2017/18 Restated	1 April 2017	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/(losses)	Realised gains/(losses)	31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment property*	454,840	19,910	(62,934)	16,303	-	(22,895)	-	405,224
Assets held for sale**	2,250	40,000	-	-	(2,250)	-	-	40,000
Pooled property fund	1,500	-	-	13,500	-	-	-	15,000
	<b>458,590</b>	<b>59,910</b>	<b>(62,934)</b>	<b>29,803</b>	<b>(2,250)</b>	<b>(22,895)</b>	<b>-</b>	<b>460,224</b>

2018/19	1 April 2018	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/(losses)	Realised gains/(losses)	31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment property	405,224	-	64,632	1,412	(8,171)	-	9,727	472,825
Assets held for sale	40,000	-	-	-	(40,000)	-	-	-
Pooled property fund	15,000	-	-	11,000	-	(1,634)	-	24,366
	<b>460,224</b>	<b>-</b>	<b>64,632</b>	<b>12,412</b>	<b>(48,171)</b>	<b>(1,634)</b>	<b>9,727</b>	<b>497,191</b>

\* During the year £22.935m of investment property was transferred to operational property following a review of the classification of investment property.

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

The 2017/18 figures have been restated to reflect a long term pooled property fund investment which had been misclassified as revenue expenditure. See note 39 for further details.

## Note 38 Events After the Reporting Period

The Director of Finance and Resources authorised the Statement of Accounts on 16 April 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

# Note 39 Prior Period Adjustment

A review of the Council's accounting policies identified the following four issues requiring restatement of prior periods:

(i) An adjustment was put through the 2017/18 statements, which related to depreciation after revaluation of assets in 2016/17. This resulted in property, plant and equipment and the revaluation reserve being overstated by £15.420m. This adjustment has been reversed in 2016/17 with the knock-on effect being recognised in the 2017/18 and 2018/19 balances.

(ii) The Council entered into a pooled property fund in February 2017 with a number of other London boroughs, with the aim of providing homes for the homeless. The fund is managed by Resonance Ltd and St Mungo's Housing Association. The Council's commitment is £30m, of which £26m had been drawn down as at 31 March 2019. In previous years, drawdowns had been charged to service expenditure rather than long-term investments. This adjustment transfers £15m (£1.5m to 31 March 2017 and £13.5m in 2017/18) from the General Fund balance to long-term investments.

(iii) In 2017/18 and prior years, the Council judged community infrastructure levy (CIL) receipts to be short-term creditors. The rationale for this was based on the impact of possible changes to levy liability in line with permissions granted under section 73 of the Town and Country Planning Act 1990, changes which in some cases might result in the Council having to make refunds.

A review carried out by the Council in 2018/19 concluded that the CIL arrangements in place are unlikely to be subject to s73 permission changes that will lead to refunds. The Council has therefore revised its judgement and is recognising 2018/19 CIL balances in the Comprehensive Income and Expenditure Statement and then reversing them out via the Movement in Reserves Statement to the Capital Grants Unapplied Account.

The amounts involved are significant and as a result would affect comparison with prior year figures in this year's accounts. Prior year figures have therefore been restated in the core statements and related notes.

(iv) The Council carried out a review of the classification of their operational and investment properties during the year. As part of this review it came to light that one property, previously classified as property, plant and equipment (PPE), had dual usage and therefore should be split between operational and investment categories. Further investigation of the lease revealed that this split should have been effected in 2017/18. In accordance with IAS 40 (Investment Properties), the asset was revalued to its fair value, with the gain being treated as per the PPE classification (ie through the Revaluation Reserve). The new asset, created as a result of the split, was then transferred from PPE to investment property.

The above restatements are summarised below:

## EFFECT ON THE OPENING BALANCE SHEET AT 1 APRIL 2017

	Opening balances at 1 April 2017	Property, plant & equipment	Restatements - Long-term investment	Community infrastructure levy	Restated balances at 1 April 2017
	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	2,107,037	(15,420)	-	-	2,091,617
Long-term investments	27,386	-	1,500	-	28,886
<b>Total long-term assets</b>	<b>2,648,315</b>	<b>(15,420)</b>	<b>1,500</b>	<b>-</b>	<b>2,634,395</b>
Short-term creditors	(471,584)	-	-	2,549	(469,035)
<b>Current Liabilities</b>	<b>(481,994)</b>	<b>-</b>	<b>-</b>	<b>2,549</b>	<b>(479,445)</b>
<b>Net Assets</b>	<b>1,905,737</b>	<b>(15,420)</b>	<b>1,500</b>	<b>2,549</b>	<b>1,894,366</b>
Usable Reserves	(575,718)	-	-	(2,549)	(578,267)
Unusable Reserves	(1,330,019)	15,420	(1,500)	-	(1,316,099)
<b>Total Reserves</b>	<b>(1,905,737)</b>	<b>15,420</b>	<b>(1,500)</b>	<b>(2,549)</b>	<b>(1,894,366)</b>

## NOTE 39 Prior Period Adjustment (Continued)

### EFFECT ON COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2017/18

	2017/18 as previously stated	Property, plant & equipment	Restatements - Long-term investment	Community infrastructure levy	Investment Property Reclassification	2017/18 Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Growth, Planning and Housing (including HRA)	91,884	-	(13,500)	-	-	78,384
Corporate Services	(445)	-	-	(178)	(7,479)	(8,102)
<b>Cost of Services</b>	<b>223,384</b>	<b>-</b>	<b>(13,500)</b>	<b>(178)</b>	<b>(7,479)</b>	<b>202,227</b>
Taxation and non-specific grant Income	(390,008)	-	-	(10,292)	-	(400,300)
<b>(Surplus)/Deficit on provision of services</b>	<b>(155,561)</b>	<b>-</b>	<b>(13,500)</b>	<b>(10,470)</b>	<b>(7,479)</b>	<b>(187,010)</b>
(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets	(92,568)	-	-	-	(14,295)	(106,863)
<b>Other Comprehensive Income and Expenditure</b>	<b>(182,811)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,295)</b>	<b>(197,106)</b>
<b>Comprehensive Income and Expenditure (Surplus)/Deficit</b>	<b>(338,372)</b>	<b>-</b>	<b>(13,500)</b>	<b>(10,470)</b>	<b>(21,774)</b>	<b>(384,116)</b>

## Note 39 Prior Period Adjustment (continued)

### EFFECT ON MOVEMENT IN RESERVES STATEMENT – GENERAL FUND BALANCE

	2017/18 as previously stated	Property, plant & equipment	Restatements - Long-term investment	Community infrastructure levy	Investment Property Reclassification	2017/18 Restated
	£'000	£'000	£'000	£'000	£'000	£'000
(Surplus)/Deficit on provision of services	(144,264)	-	(13,500)	(10,470)	(7,479)	(175,713)
<b>Total Comprehensive Income and Expenditure</b>	<b>(144,264)</b>	<b>-</b>	<b>(13,500)</b>	<b>(10,470)</b>	<b>(7,479)</b>	<b>(175,713)</b>
Adjustments between accounting basis & funding basis under regulations	126,091	-	13,500	10,292	(7,479)	157,362
<b>Net (increase)/decrease before Transfers to Earmarked Reserves</b>	<b>(18,173)</b>	<b>-</b>	<b>-</b>	<b>(178)</b>	<b>-</b>	<b>(18,351)</b>
Transfers to/(from) Earmarked Reserves	8,085	-	-	178	-	8,263

### EFFECT ON MOVEMENT IN RESERVES – EARMARKED GENERAL FUND RESERVES

	2017/18 as previously stated	Property, plant & equipment	Restatements - Long-term investment	Community infrastructure levy	2017/18 Restated
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 01 April 2017</b>	<b>(144,883)</b>	<b>-</b>	<b>-</b>	<b>(127)</b>	<b>(145,010)</b>
Transfers to/(from) Earmarked Reserves	(6,146)	-	-	(178)	(6,324)
<b>(Increase)/Decrease in Year</b>	<b>(6,146)</b>	<b>-</b>	<b>-</b>	<b>(178)</b>	<b>(6,324)</b>
<b>Balance at 31 March 2018</b>	<b>(151,029)</b>	<b>-</b>	<b>-</b>	<b>(305)</b>	<b>(151,334)</b>

## Note 39 Prior Period Adjustment (continued)

### EFFECT ON MOVEMENT IN RESERVES STATEMENT – GENERAL FUND TOTAL

	2017/18 as previously stated	Property, plant & equipment	Restatements - Long-term investment	Community infrastructure levy	Investment Property Reclassification	2017/18 Restated
	£'000	£'000	£'000	£'000	-	£'000
Balance at 01 April 2017	(197,364)	-	-	(127)	-	(197,491)
(Surplus)/Deficit on provision of services	(144,264)	-	(13,500)	(10,470)	(7,479)	(175,713)
<b>Total Comprehensive Income and Expenditure</b>	<b>(144,264)</b>	<b>-</b>	<b>(13,500)</b>	<b>(10,470)</b>	<b>(7,479)</b>	<b>(175,713)</b>
Adjustments between accounting basis & funding basis under regulations	126,091	-	13,500	10,292	7,479	157,362
Net (increase)/decrease before Transfers to Earmarked Reserves	(18,173)	-	-	(178)	-	(18,351)
(Increase)/Decrease in Year	(18,173)	-	-	(178)	-	(18,351)
Balance at 31 March 2018	(215,537)	-	-	(305)	-	(215,842)

### EFFECT ON MOVEMENT IN RESERVES STATEMENT – CAPITAL GRANTS UNAPPLIED

	2017/18 as previously stated	Property, plant & equipment	Restatements - Long-term investment	Community infrastructure levy	Investment Property Reclassification	2017/18 Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01 April 2017	(237,276)	-	-	(2,421)	-	(239,697)
Adjustments between accounting basis & funding basis under regulations	79,436	-	-	10,292	-	89,728
Net (increase)/decrease before Transfers to Earmarked Reserves	79,436	-	-	10,292	-	89,728
(Increase)/Decrease in Year	79,436	-	-	10,292	-	89,728
Balance at 31 March 2018	(316,712)	-	-	(12,713)	-	(329,425)

## Note 39 Prior Period Adjustment (continued)

### EFFECT ON MOVEMENT IN RESERVES - USABLE RESERVES

	2017/18 as previously stated	Property, plant & equipment	Restatements - Long-term investment	Community infrastructure levy	Investment Property Reclassification	2017/18 Restated
	£'000	£'000	£'000	£'000		£'000
Balance at 01 April 2017	(575,718)	-	-	(2,549)	-	(578,267)
(Surplus)/Deficit on provision of services	(155,561)	-	(13,500)	(10,470)	(7,749)	(187,010)
<b>Total Comprehensive Income and Expenditure</b>	<b>(155,561)</b>	<b>-</b>	<b>(13,500)</b>	<b>(10,470)</b>	<b>(7,479)</b>	<b>(187,010)</b>
Adjustments between accounting basis & funding basis under regulations	102,884	-	13,500	-	7,479	123,863
Net (increase)/decrease before Transfers to Earmarked Reserves	(52,677)	-	-	(10,470)	-	(63,147)
(Increase)/Decrease in Year	(52,677)	-	-	(10,470)	-	(63,147)
Balance at 31 March 2018	(628,395)	-	-	(13,019)	-	(641,414)

### EFFECT ON MOVEMENT IN RESERVES – UNUSABLE RESERVES

	2017/18 as previously stated	Property, plant & equipment	Restatements - Long-term investment	Community infrastructure levy	Investment Property Reclassification	2017/18 Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01 April 2017	(1,330,019)	15,420	(1,500)	-	-	(1,316,099)
Other Comprehensive Income and Expenditure	(182,811)	-	-	-	(14,295)	(197,106)
<b>Total Comprehensive Income and Expenditure</b>	<b>(182,811)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,295)</b>	<b>(197,106)</b>
Adjustments between accounting basis & funding basis under regulations	(102,884)	-	(13,500)	-	(7,479)	(123,863)
Net (increase)/decrease before Transfers to Earmarked Reserves	(285,695)	-	(13,500)	-	(21,774)	(320,969)
(Increase)/Decrease in Year	(285,695)	-	(13,500)	-	(21,774)	(320,969)
Balance at 31 March 2018	(1,615,714)	15,420	(15,000)	-	(21,774)	(1,637,068)

## Note 39 Prior Period Adjustment (continued)

### EFFECT ON MOVEMENT IN RESERVES - TOTAL RESERVES

	2017/18 as previously stated	Property, plant & equipment	Restatements - Long-term investment	Community infrastructure levy	Investment Property Reclassification	2017/18 Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01 April 2017	(1,905,737)	15,420	(1,500)	(2,549)	-	(1,894,366)
(Surplus)/Deficit on provision of services	(155,561)	-	(13,500)	(10,470)	(7,479)	(187,010)
Other Comprehensive Income and Expenditure	(182,811)	-	-	-	(14,295)	(197,106)
<b>Total Comprehensive Income and Expenditure</b>	<b>(338,372)</b>	<b>-</b>	<b>(13,500)</b>	<b>(10,470)</b>	<b>(21,774)</b>	<b>(384,116)</b>
Net (increase)/decrease before Transfers to Earmarked Reserves	(338,372)	-	(13,500)	(10,470)	(21,774)	(384,116)
(Increase)/Decrease in Year	(338,372)	-	(13,500)	(10,470)	(21,774)	(384,116)
Balance at 31 March 2017	(2,244,109)	15,420	(15,000)	(13,019)	(21,774)	(2,278,482)

## Note 39 Prior Period Adjustment (continued)

### EFFECT ON BALANCE SHEET AT 31 MARCH 2018

	Balances at 31 March 2018 as previously stated	Property, plant & equipment	Restatements - Long-term investment	Community infrastructure levy	Investment Property Reclassification	Balances at 31 March 2018 Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	2,382,425	(15,420)	-	-	1,864	2,368,869
Investment property	385,314	-	-	-	19,910	405,224
Long-term investments	2,433	-	15,000	-	-	17,433
<b>Total long-term assets</b>	<b>2,851,908</b>	<b>(15,420)</b>	<b>15,000</b>	<b>-</b>	<b>21,774</b>	<b>2,873,262</b>
Short-term creditors	(642,430)	-	-	13,019	-	(629,411)
<b>Current Liabilities</b>	<b>(680,134)</b>	<b>-</b>	<b>-</b>	<b>13,019</b>	<b>-</b>	<b>(667,115)</b>
<b>Net Assets</b>	<b>2,244,109</b>	<b>(15,420)</b>	<b>15,000</b>	<b>13,019</b>	<b>21,774</b>	<b>2,278,482</b>
Total Usable Reserves	(628,395)	-	-	(13,019)	-	(641,414)
Total Unusable Reserves	(1,615,714)	15,420	(15,000)	-	(21,774)	(1,637,068)
<b>Total Reserves</b>	<b>(2,244,109)</b>	<b>15,420</b>	<b>(15,000)</b>	<b>(13,019)</b>	<b>(21,774)</b>	<b>(2,278,482)</b>

## Note 40 Business Combinations

On 31st March 2019, the Council absorbed City West Homes in its entirety into the Council's operations and assumed responsibility for the assets and liabilities associated with this business. The primary reason for this is to improve the services provided to council tenants and leaseholders.

City West Homes is a wholly owned subsidiary of the Council responsible for the day to day management of the Council's Housing Revenue Account dwelling stock.

As the company was wholly owned by the Council, no consideration was paid for acquisition of the business. The fair value of the assets and liabilities acquired was:

	2018/19
	£'000
Short-term Debtors	1,365
Cash	1,024
Short-term Creditors	(1,596)
Pensions Liabilities	(27,612)

There were no contingent liabilities at the year end.

As a result of the combination, all the intercompany balances in the Council's Balance Sheet were duly reconciled and cleared

	2018/19
	£'000
Amounts payable to the Company	-
Amounts receivable from the Company	-

The acquisition of assets and liabilities and the cancellation of balances with the company resulted in a transfer of a net liability of £26m to the Council, recognised as a loss in the Surplus/Deficit on the Provision of Services. This comprised the net pension liability and other net gains on combination of the business. The pension liability element has been reversed through the Movement in Reserves Statement to the Pensions Reserve.

	2018/19
	£'000
Net Pension Liability	27,612
Other gains on business combination	(793)



5.  
Group  
Accounts,  
and  
Explanatory  
Notes

# Group Accounts and Explanatory Notes

## INTRODUCTION

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

The Group Accounts include the following:

- Group Comprehensive Income and Expenditure Statement - summarises the resources that have been generated and consumed in providing services and managing the Group during the year. It includes all day-to-day expenses and related income on an accruals basis.
- Group Movement in Reserves - shows the movement in the year on the Council's single entity usable and unusable reserves together with the Council's share of the Group reserves.

- Group Cash Flow Statement - shows the changes in cash and cash equivalents of the Group during the year. The statement shows how the Group generates and uses cash and cash equivalents by classifying cashflows as operating, financing and investing activities.
- Notes to the Group Accounts where the balances are materially different to those in the single entity accounts.

## RESULTS OF SUBSIDIARIES

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

### **Westminster Community Homes Ltd**

The company is a housing development vehicle for the Council and is structured as an Industrial and Provident Society. The Council holds one of the three shares in the company. The Council has dominant control of the company by virtue of guaranteed majority voting rights on the Board. Three officers of the Council are members of the Board.

For 2018/19, the company's results showed a surplus of £0.145m (£0.448m surplus in 2017/18), and net assets of £11.713m (£12.153m at 31 March 2018). Loans outstanding from the Council to the company total £10.058m (£10.177m at 31 March 2017).

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

### **City West Homes Ltd**

City West Homes is a wholly owned subsidiary of the Council responsible for the day to day management of the Council's Housing Revenue Account dwelling stock.

On 31st March 2019, the Council absorbed City West Homes in its entirety into the Council's operations and assumed responsibility for the assets and liabilities associated with this business. The primary reason for this is to improve the services provided to council

tenants and leaseholders and to generate cost savings of around £3.5m.

#### **Other entities within the Group**

The other entities within the Group are:

- WestCo Trading Ltd, which provides communications support and business transformation programmes mainly to public sector clients. The company is a private limited company with share capital of £0.080m and is wholly owned by the Council. The company generated a profit of £0.014m in 2018/19 (£0.032m in 2017/18), and had net assets of £0.956m (£0.969m at 31 March 2018).
- Westminster Procurement Services Limited is a trading vehicle wholly owned by the Council providing procurement consultancy services to public sector organisations. The company generated a profit of £0.036m in 2018/19 (£0.008m in 2017/18)
- Hub Make Lab CIC, which trades as Hub Westminster, provides low cost office space in the heart of London's West End for start-up businesses. In 2018/19, the company reported a loss of £0.039m. (£0.123m loss in 2017/18), and net liabilities of £0.321m (net liabilities of £0.282m at 31 March 2018).
- Paddington Recreation Ground charity was set up under the Paddington Recreation

Ground Act 1893 to manage the land and facilities at Paddington Recreation Ground in perpetuity. The Council is sole trustee of the charity, which aims to break even year-on-year, entirely supported by funding from the Council. The charity generated a surplus of £0.534m in 2018/19 (£0.145m in 2017/18).

- Westminster Housing Investments Limited and Westminster Housing Development Limited were both incorporated in June 2018 but have not traded.

# Group Account Statements

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The statement shows the economic cost in year of providing services in accordance with generally accepted accounting practices/IFRS, rather than the amount to be funded from taxation. Councils' raise taxation to cover expenditure in accordance with regulations: this may be different from the accounting cost. The taxation position, general fund, is shown in the Movement in Reserves statement.

2017/18				2018/19		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
19,454	(27,066)	(7,612)	City Treasurer	75,825	(8,495)	67,330
13,390	(10,949)	2,441	Policy, Performance and Communications	8,601	(12,243)	(3,642)
154,077	(94,198)	59,879	Adults' Services	153,204	(92,710)	60,494
150,712	(109,904)	40,808	Children's Services	146,086	(97,369)	48,717
171,664	(134,133)	37,531	City Management and Communities	194,767	(134,903)	59,864
483,118	(403,426)	79,692	Growth, Planning and Housing	433,163	(404,023)	29,140
14,389	(21,284)	(6,895)	Corporate Services	18,684	(729)	10,476
<b>1,006,804</b>	<b>(800,960)</b>	<b>205,844</b>	<b>Cost of Services – Continuing Operations</b>	<b>1,030,330</b>	<b>(750,472)</b>	<b>279,858</b>

## Group Comprehensive Income and Expenditure Statement (continued)

2017/18				2018/19		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
-	(18,543)	(18,543)	Other operating expenditure	-	(42,503)	(42,503)
1,290	30,554	31,844	Financing and investment income and expenditure	1,220	(13,397)	(12,177)
-	(400,300)	(400,300)	Taxation and non-specific grant Income	-	(350,318)	(350,318)
-	(435)	(435)	Profit on disposal on tangible assets	-	(95)	(95)
<b>1,008,094</b>	<b>(1,189,684)</b>	<b>(181,590)</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>1,031,550</b>	<b>(1,156,785)</b>	<b>(125,235)</b>
1	-	1	Tax expenses of subsidiary	8	-	8
<b>1,008,095</b>	<b>(1,189,684)</b>	<b>(181,589)</b>	<b>Group (Surplus)/Deficit</b>	<b>1,031,558</b>	<b>(1,156,785)</b>	<b>(125,227)</b>
1,135	-	1,135	(Surplus)/deficit on revaluation of financial assets (Available for sale)	223	-	223
-	(106,862)	(106,862)	(Surplus)/deficit on revaluation of fixed assets	-	(66,344)	(66,344)
-	(96,778)	(96,778)	Actuarial (Gains)/Losses on Pensions Assets and Liabilities	-	(39,893)	(39,893)
<b>1,135</b>	<b>(203,640)</b>	<b>(202,505)</b>	<b>Other Comprehensive Income And Expenditure</b>	<b>223</b>	<b>(106,237)</b>	<b>(106,014)</b>
<b>1,009,230</b>	<b>(1,393,324)</b>	<b>(384,094)</b>	<b>Total Comprehensive Income And Expenditure</b>	<b>1,031,781</b>	<b>(1,263,022)</b>	<b>(231,241)</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

2017/18				Revenue Reserves			Capital Reserves		Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves	
	General Fund Balance	Earmarked General Fund Reserves	Schools Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve						Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Balance at 1 April 2017 Restated*</b>	<b>(47,704)</b>	<b>(145,009)</b>	<b>(3,704)</b>	<b>(196,417)</b>	<b>(41,586)</b>	<b>(12,331)</b>	<b>(53,917)</b>	<b>(87,162)</b>	<b>(239,698)</b>	<b>(577,194)</b>	<b>(1,255,440)</b>	<b>(1,832,634)</b>	<b>(69,546)</b>	<b>(1,902,180)</b>
<b>Movement in reserves during 2018/19</b>														
(Surplus) or deficit on provision of services (accounting basis)	(175,713)	-	-	(175,713)	(11,297)	-	(11,297)	-	-	(187,010)	-	(187,010)	3,067	<b>(183,943)</b>
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	(197,105)	(197,105)	(5,400)	(202,505)
<b>Total Comprehensive Income and Expenditure</b>	<b>(175,713)</b>	<b>-</b>	<b>-</b>	<b>(175,713)</b>	<b>(11,297)</b>	<b>-</b>	<b>(11,297)</b>	<b>-</b>	<b>-</b>	<b>(187,010)</b>	<b>(197,105)</b>	<b>(384,115)</b>	<b>(2,333)</b>	<b>(386,448)</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

## Group Movement in Reserves Statement (continued)

2017/18	Revenue Reserves							Capital Reserves		Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves
	General Fund Balance	Earmarked General Fund Reserves	Schools Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments between group accounts and authority accounts	(1,805)	-	-	(1,805)	-	-	-	-	-	(1,805)	(4,329)	(6,134)	8,488	2,354
<b>Net increase before transfers</b>	<b>(177,518)</b>	<b>-</b>	<b>-</b>	<b>(177,518)</b>	<b>(11,297)</b>	<b>-</b>	<b>(11,297)</b>	<b>-</b>	<b>-</b>	<b>(188,815)</b>	<b>(201,434)</b>	<b>(390,249)</b>	<b>6,155</b>	<b>(384,094)</b>
Adjustments between accounting basis & funding basis under regulations	157,362	-	-	157,362	30,679	-	30,679	25,550	(89,728)	123,863	(123,863)	-	-	-
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(20,156)</b>	<b>-</b>	<b>-</b>	<b>(20,156)</b>	<b>19,382</b>	<b>-</b>	<b>19,382</b>	<b>25,550</b>	<b>(89,728)</b>	<b>(64,952)</b>	<b>(325,297)</b>	<b>(390,249)</b>	<b>6,155</b>	<b>(384,094)</b>
Transfers to / from Earmarked Reserves	8,263	(6,324)	(1,939)	-	(3,162)	3,162	-	-	-	-	-	-	-	-
<b>Increase / Decrease In Year</b>	<b>(11,893)</b>	<b>(6,324)</b>	<b>(1,939)</b>	<b>(20,156)</b>	<b>16,220</b>	<b>3,162</b>	<b>19,382</b>	<b>25,550</b>	<b>(89,728)</b>	<b>(64,952)</b>	<b>(325,297)</b>	<b>(390,249)</b>	<b>(6,155)</b>	<b>(384,094)</b>
<b>Balance at 31 March 2018 Restated*</b>	<b>(59,597)</b>	<b>(151,333)</b>	<b>(5,643)</b>	<b>(216,573)</b>	<b>(25,366)</b>	<b>(9,169)</b>	<b>(34,535)</b>	<b>(61,612)</b>	<b>(329,426)</b>	<b>(642,146)</b>	<b>(1,580,737)</b>	<b>(2,222,883)</b>	<b>(63,391)</b>	<b>(2,286,274)</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

## Group Movement in Reserves Statement (continued)

2018/19	Revenue Reserves			Capital Reserves		Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves				
	General Fund Balance	Earmarked General Fund Reserves	Schools Reserves	General Fund Total	Housing Revenue Account						Ear-marked HRA Reserves	HRA Total	Capital Receipts Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Balance at 31 March 2018 Restated*</b>	<b>(59,597)</b>	<b>(151,333)</b>	<b>(5,643)</b>	<b>(216,573)</b>	<b>(25,366)</b>	<b>(9,169)</b>	<b>(34,535)</b>	<b>(61,612)</b>	<b>(329,426)</b>	<b>(642,146)</b>	<b>(1,580,737)</b>	<b>(2,222,883)</b>	<b>(63,391)</b>	<b>(2,286,274)</b>
<b>Movement in reserves during 2018/19</b>														
(Surplus) or deficit on provision of services (accounting basis)	(91,666)	-	-	(91,666)	(8,325)	-	(8,325)	-	-	(99,991)	-	(99,991)	(25,639)	(125,630)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	(101,435)	(101,435)	(4,579)	(106,014)
<b>Total Comprehensive Income and Expenditure</b>	<b>(91,666)</b>	<b>-</b>	<b>-</b>	<b>(91,666)</b>	<b>(8,325)</b>	<b>-</b>	<b>(8,325)</b>	<b>-</b>	<b>-</b>	<b>(99,991)</b>	<b>(101,435)</b>	<b>(201,426)</b>	<b>(30,218)</b>	<b>(231,644)</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

## Group Movement in Reserves Statement (continued)

2018/19				Revenue Reserves			Capital Reserves		Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries	Total Group Reserves	
	General Fund Balance	Earmarked General Fund Reserves	Schools Reserves	General Fund Total	Housing Revenue Account	Earmarked HRA Reserves	HRA Total	Capital Receipts Reserve						Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Adjustments between group accounts authority accounts	731	-	-	731	-	-	-	-	-	731	3,752	4,483	(4,080)	403
<b>Net increase before transfers</b>	<b>(90,935)</b>	<b>-</b>	<b>-</b>	<b>(90,935)</b>	<b>(8,325)</b>	<b>-</b>	<b>(8,325)</b>	<b>-</b>	<b>-</b>	<b>(99,260)</b>	<b>(97,683)</b>	<b>(196,943)</b>	<b>(34,298)</b>	<b>(231,241)</b>
Adjustments between accounting basis & funding basis under regulations	(25,589)	-	-	(25,589)	25,626	-	25,626	(65,879)	(16,001)	(81,843)	81,843	-	-	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(116,524)</b>	<b>-</b>	<b>-</b>	<b>(116,524)</b>	<b>17,301</b>	<b>-</b>	<b>17,301</b>	<b>(65,879)</b>	<b>(16,001)</b>	<b>(181,103)</b>	<b>(15,840)</b>	<b>(196,943)</b>	<b>(34,298)</b>	<b>(231,241)</b>
Transfers to / from Earmarked Reserves	113,338	(116,564)	3,226	-	(9,169)	9,169	-	-	-	-	-	-	-	-
<b>(Increase) / Decrease In Year</b>	<b>(3,186)</b>	<b>(116,564)</b>	<b>3,226</b>	<b>(116,524)</b>	<b>8,132</b>	<b>9,169</b>	<b>17,301</b>	<b>(65,879)</b>	<b>(16,001)</b>	<b>(181,103)</b>	<b>(15,840)</b>	<b>(196,943)</b>	<b>(34,298)</b>	<b>(231,241)</b>
<b>Balance at 31 March 2019</b>	<b>(62,783)</b>	<b>(267,897)</b>	<b>(2,417)</b>	<b>(333,097)</b>	<b>(17,234)</b>	<b>-</b>	<b>(17,234)</b>	<b>(127,491)</b>	<b>(345,427)</b>	<b>(823,249)</b>	<b>(1,596,577)</b>	<b>(2,419,826)</b>	<b>(97,689)</b>	<b>(2,517,515)</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

## GROUP BALANCE SHEET

1 April 2017 Restated*	31 March 2018 Restated*		31 March 2019
£'000	£'000		£'000
<b>ASSETS</b>			
<b>Non-current</b>			
2,136,927	2,418,074	Property, plant and equipment	2,587,606
42,746	42,846	Heritage Assets	42,846
454,840	405,224	Investment property	472,825
1,090	875	Intangible Assets	731
28,366	16,375	Long -term investments	25,070
5,053	27,838	Long -term debtors	58,457
<b>2,669,022</b>	<b>2,911,232</b>	<b>Total Long Term Assets</b>	<b>3,187,535</b>
<b>Current</b>			
743,040	864,800	Short-term investments	673,751
1,824	331	Inventories	357
72,056	98,611	Short-term debtors	147,435
179,498	173,786	Cash and other cash equivalents	53,508
2,250	40,000	Assets held for sale	1,238
<b>998,668</b>	<b>1,177,528</b>	<b>Current Assets</b>	<b>876,289</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

## Group Balance Sheet (continued)

1 April 2017 Restated*	31 March 2018 Restated*		31 March 2019
£'000	£'000		£'000
<b>LIABILITIES</b>			
(2,069)	(32,188)	Short-term borrowing	(2,485)
(477,173)	(637,616)	Short-term creditors	(348,595)
-	-	Short-term provisions	(893)
(8,341)	(18,850)	Short-term RIA	(16,979)
<b>(487,583)</b>	<b>(688,654)</b>	<b>Current Liabilities</b>	<b>(368,952)</b>
(204)	(2,909)	Long-term creditors	(4,321)
(121,503)	(81,451)	Provisions	(144,150)
(251,271)	(221,111)	Long-term borrowing	(222,519)
-	-	Grants deferred	-
(815,160)	(736,870)	Other long-term liabilities - Pensions	(720,187)
(89,789)	(71,491)	Capital Grants - Receipts in Advance	(86,180)
<b>(1,277,927)</b>	<b>(1,113,832)</b>	<b>Long-term liabilities</b>	<b>(1,177,357)</b>
<b>1,902,180</b>	<b>2,286,274</b>	<b>Net assets</b>	<b>2,517,515</b>
(577,194)	(642,146)	Total Usable Reserves	(823,249)
(1,255,440)	(1,580,737)	Total Unusable Reserves	(1,596,577)
(69,546)	(63,391)	Share of Subsidiary reserves	(97,689)
<b>(1,902,180)</b>	<b>(2,286,274)</b>	<b>Total Reserves</b>	<b>(2,517,515)</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

## GROUP CASH FLOW STATEMENT

2017/18 Restated	Group Cash Flow Statement	2018/19
£'000		£'000
	<i>Cash flows from operating activities</i>	
<b>(187,010)</b>	<b>Operating loss/surplus for the financial year</b>	<b>(99,991)</b>
(7,697)	Interest received	(10,521)
12,168	Interest paid	11,101
	<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b>	
(111,217)	Depreciation	(87,213)
(24,977)	Impairment and downward valuations	(8,183)
(114,614)	Increase/(decrease) in creditors	(3,561)
40,051	(Increase)/decrease in provisions	(63,384)
43,264	(Increase)/decrease in debtors	67,322
(86)	(Increase)/decrease in inventories	7
(15,956)	Movement in pension liability	(71,802)
(5,145)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(66,580)
(21,667)	Other non-cash items charged to the net surplus or deficit on the provision of services	9,224
<b>(210,347)</b>	<b>Sub-total of non-cash movements</b>	<b>(224,170)</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>	
31,880	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	113,642
94,756	Any other items for which the cash effects are investing or financing cash flows	32,700
<b>126,636</b>	<b>Sub-total of adjustments included in the net surplus or deficit on the provision of services that are investing or financing activities</b>	<b>146,342</b>
(3,517)	Subsidiary's Cash Flows from Operating Activities by Group Entities	5,431
<b>(274,238)</b>	<b>Net cash flows from operating activities</b>	<b>(172,388)</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

## GROUP CASH FLOW STATEMENT (Continued)

\*For further detail, please refer to Note 39 – Prior Period Adjustment

2017/18 Restated	Group Cash Flow Statement	2018/19
£'000		£'000
	<i>Investing activities</i>	
317,333	Purchase of property, plant and equipment, investment property and intangible assets	279,913
2,828,009	Purchase of short-term and long-term investments	2,954,718
(31,880)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(113,642)
(2,714,451)	Proceeds from short-term and long-term investments	(3,138,288)
(95,261)	Other receipts from investing activities	(23,711)
<b>303,749</b>	<b>Authority's Cash Flows from Investing Activities</b>	<b>(41,010)</b>
47	Subsidiary's Cash Flows from Investing Activities	9,449
<b>303,796</b>	<b>Total Cash Flows from Investing Activities</b>	<b>(31,561)</b>
	<i>Financing activities</i>	
37	Repayments of short and long-term borrowing	30,040
-	Cash receipts from long and short term borrowing	(2,000)
925	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	19
-	Other payments for financing activities	302,105
(24,926)	Other receipts from financing activities	-
<b>(23,964)</b>	<b>Authority's Cash Flows from Investing Financing</b>	<b>330,164</b>
118	Subsidiary's Cash Flows from Investing Financing	(5,937)
<b>(23,846)</b>	<b>Net cash used in financing activities</b>	<b>324,227</b>
<b>5,712</b>	<b>Net decrease in cash and cash equivalents</b>	<b>120,278</b>
179,498	Cash and cash equivalents at the start of the year	173,786
<b>173,786</b>	<b>Cash and cash equivalents at the end of the year</b>	<b>53,508</b>

# Note 1 Accounting Policies for the Group

The Group Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Council has consolidated its interests in all the entities over which it exercises control or significant influence. Westminster Community Homes Ltd and City West Homes Ltd have been consolidated because together they are material to the Council's balance sheet. In addition the Council has consolidated the following remaining entities within the Council Group

in order to provide a full picture of the Council's arrangements for good governance:

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

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

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

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

## Note 2 Group Property Plant and Equipment

2017/18	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Gross book value</b>							
At 1 April 2017 (Restated)*	1,408,054	486,176	70,763	429,066	20,340	44,772	2,459,171
Additions	68,351	58,284	873	48,202	961	72,467	249,138
Revaluations increases/(decrease) recognised in the Revaluation Reserve	48,561	10,194	-	-	-	-	58,755
Revaluations increases/(decrease) recognised in the Surplus/deficit on the Provision of Services	-	3,297	-	-	-	-	3,297
Derecognition - disposals	(5,612)	-	-	-	-	-	(5,612)
Derecognition - other	(50)	-	-	-	-	-	(50)
Assets reclassified	-	3025	-	-	-	-	3,025
Other movements	-	37	-	-	-	(37)	0
<b>At 31 March 2018</b>	<b>1,519,304</b>	<b>561,013</b>	<b>71,636</b>	<b>477,268</b>	<b>21,301</b>	<b>117,202</b>	<b>2,767,724</b>

## Note 2 Group Property Plant and Equipment (continued)

2017/18	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated depreciation and impairment</b>							
At 1 April 2017	(32,331)	(12,619)	(63,263)	(214,031)	-	-	(322,244)
Depreciation charge	(19,156)	(17,514)	(4,221)	(29,770)	-	-	(70,661)
Depreciation written out to Revaluation Reserve	20,801	20,046	-	-	-	-	40,847
Accumulated Impairment written out to the Revaluation Reserve	7,755	-	-	-	-	-	7,755
Impairments losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(6,600)	1,221	-	-	-	-	(5,379)
Derecognition - disposals	17	-	-	-	-	-	17
Derecognition - other	15	-	-	-	-	-	15
<b>At 31 March 2018</b>	<b>(29,499)</b>	<b>(8,866)</b>	<b>(67,484)</b>	<b>(243,801)</b>	<b>-</b>	<b>-</b>	<b>(349,650)</b>
<b>Net book value:</b>							
<b>At 31 March 2018 (Restated)*</b>	<b>1,489,805</b>	<b>561,013</b>	<b>4,152</b>	<b>233,467</b>	<b>21,301</b>	<b>117,202</b>	<b>2,418,074</b>
<b>At 31 March 2017 (Restated)*</b>	<b>1,375,723</b>	<b>473,557</b>	<b>7,500</b>	<b>215,035</b>	<b>20,340</b>	<b>44,772</b>	<b>2,136,927</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

## Note 2 Group Property Plant and Equipment (continued)

2018/19	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Gross book value</b>							
At 1 April 2018	1,519,304	561,013	71,636	477,268	21,301	117,202	<b>2,767,724</b>
Additions	81,844	65,909	6,292	53,391	1,834	74,220	<b>283,490</b>
Revaluations increases/(decrease) recognised in the Revaluation Reserve	(69,101)	68,677	-	-	-	-	<b>(424)</b>
Revaluations increases/(decrease) recognised in the Surplus/deficit on the Provision of Services	-	(8,827)	-	-	-	-	<b>(8,827)</b>
Derecognition - disposals	(4,606)	-	(1,170)	-	-	-	<b>(5,776)</b>
Derecognition	(57)	(1,052)	-	-	-	(13,282)	<b>(14,391)</b>
Assets reclassified	-	(52,491)	-	-	-	(12,143)	<b>(64,634)</b>
<b>At 31 March 2019</b>	<b>1,527,384</b>	<b>633,229</b>	<b>76,758</b>	<b>530,659</b>	<b>23,135</b>	<b>165,997</b>	<b>2,957,162</b>

## Note 2 Group Property Plant and Equipment (continued)

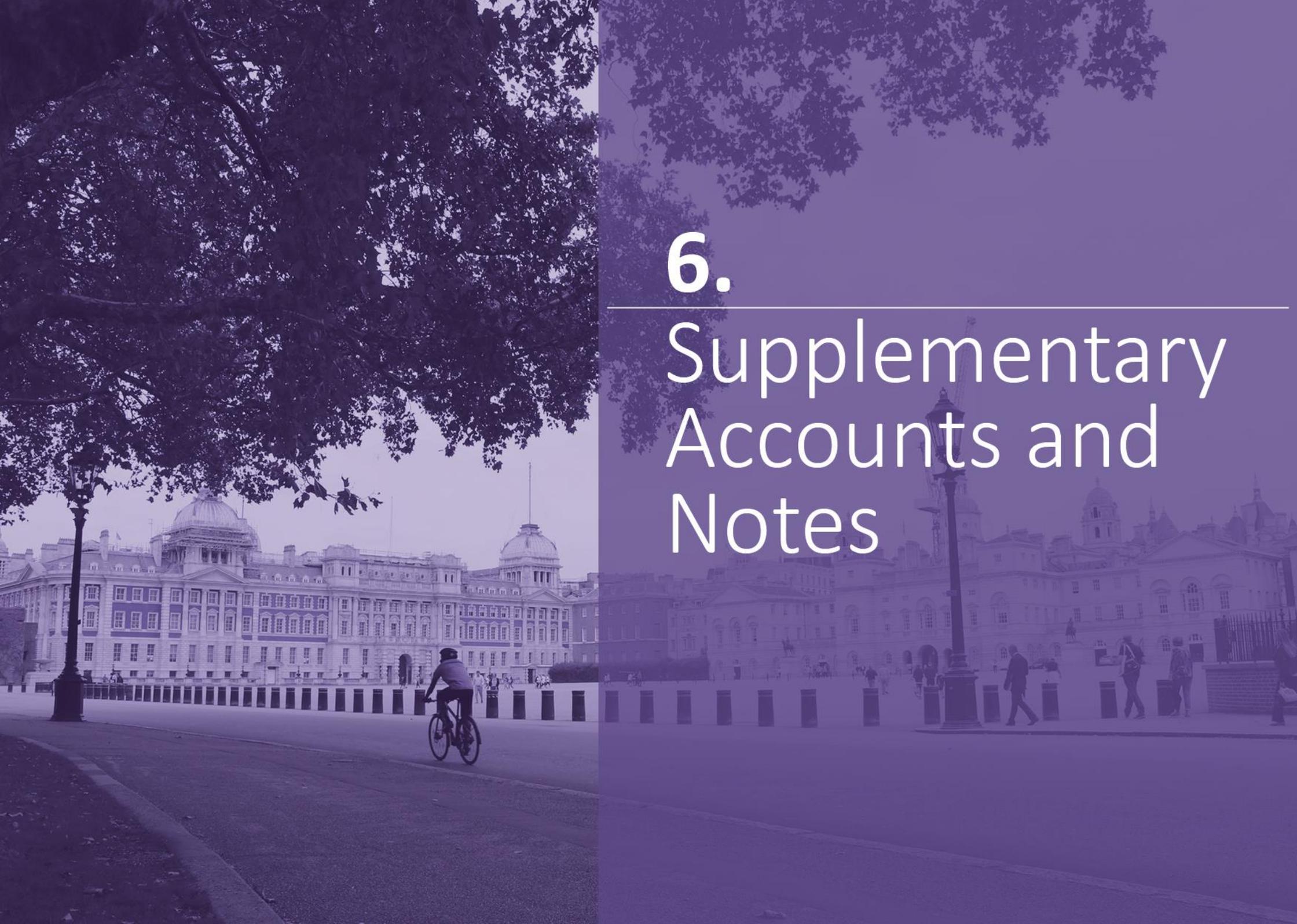
2018/19	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated depreciation and impairment</b>							
At 1 April 2018	(29,500)	(8,866)	(67,484)	(243,800)	-	-	(349,650)
Depreciation charge	(19,413)	(26,331)	(2,294)	(40,516)	-	-	(88,554)
Depreciation written out to Revaluation Reserve	36,147	24,120	-	-	-	-	60,267
Accumulated Impairment written out to the Revaluation Reserve	6,600	-	-	-	-	-	6,600
Impairments losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	616	-	-	-	-	616
Derecognition - disposals	15	-	1,099	-	-	-	1,114
Derecognition - other	20	31	-	-	-	-	51
<b>At 31 March 2019</b>	<b>(6,131)</b>	<b>(10,430)</b>	<b>(68,679)</b>	<b>(284,316)</b>	<b>-</b>	<b>-</b>	<b>(369,556)</b>
<b>Net book value:</b>							
<b>At 31 March 2019</b>	<b>1,521,253</b>	<b>622,799</b>	<b>8,079</b>	<b>246,343</b>	<b>23,135</b>	<b>165,997</b>	<b>2,587,606</b>
<b>At 31 March 2018</b>	<b>1,489,804</b>	<b>552,147</b>	<b>4,152</b>	<b>233,468</b>	<b>21,301</b>	<b>117,202</b>	<b>2,418,074</b>

\*For further detail, please refer to Note 39 – Prior Period Adjustment

## Note 2 Group Property Plant and Equipment (continued)

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

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



# 6.

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# Supplementary Accounts and Notes

# Housing Revenue Account (HRA) Statements

## HRA INCOME AND EXPENDITURE STATEMENT AND MOVEMENT ON HRA BALANCE

This account shows the cost of financing, managing and maintaining the Council's housing stock. The total cost is met by income from rents, charges and Government subsidies. The management of the Council's housing stock was delegated to City West Homes from 1 April 2000 until 31 March 2019 at which point the management of the housing stock was brought back under the direct control of the Council. The 2018/19 management fee from City West Homes has been allocated across the various activities within the Housing Revenue Account.

## HRA Income and Expenditure Statement

2017/18		2018/19
£'000		£'000
<b>Expenditure</b>		
19,053	Repairs and Maintenance	20,162
56,474	Supervision and Management	50,906
777	Rents, Rates, Taxes and Other Charges	1,378
3,070	Increase/(decrease) in Impairment Allowance for Doubtful Debts	397
29,972	Depreciation, Impairment and Revaluation losses in relation to non-current assets	24,800
123	Debt Management Cost	130
<b>109,469</b>	<b>Total HRA Expenditure</b>	<b>97,773</b>
<b>HRA Income</b>		
(75,230)	Dwellings Rents	(73,764)
(1,421)	Non-dwellings Rents	(1,154)
(7,414)	Charges for Services and Facilities	(7,434)
(19,411)	Contributions towards Expenditure	(21,809)
<b>(103,476)</b>	<b>Total HRA Income</b>	<b>(104,161)</b>
<b>5,993</b>	<b>Net Cost of HRA services as included in the whole-authority Income and Expenditure Statement</b>	<b>(6,388)</b>

## Housing Revenue Account (HRA) Statements (continued)

### HRA Income and Expenditure Statement (continued)

2017/18		2018/19
£'000		£'000
45	HRA services share of Corporate and Democratic Core	45
<b>6,038</b>	<b>Net Cost of HRA services including HRA share of costs not allocated to specific services</b>	<b>(6,343)</b>
(22,799)	(Gain) or loss on sale of HRA non-current assets	(11,942)
(2,000)	Capital grants and contributions	(245)
3,393	Movements in the fair value of investment properties	7,998
12,089	Interest payable and similar charges	11,017
(7,531)	HRA Investment Property income	(8,329)
(487)	HRA Investment Income	(481)
<b>(11,297)</b>	<b>(Surplus) or deficit for the year on HRA services</b>	<b>(8,325)</b>

2017/18		2018/19
£'000		£'000
<b>Movement on the Housing Revenue Account Statement</b>		
<b>(41,586)</b>	<b>Balance on the HRA at the end of the previous reporting period</b>	<b>(25,366)</b>
(11,297)	(Surplus) or deficit for the year on the HRA Services	(8,325)
Adjustments between the accounting basis and funding basis:		
23,371	Transfer to Major Repairs Reserve	24,256
22,799	(Gain) or loss on sale of HRA non-current assets	11,942
(3,393)	Movements in the fair value of investment properties	(7,998)
17,781	Capital expenditure funded by the HRA	22,148
93	Financial Instrument Adjustment	77
(29,972)	Transfer (to) the Capital Adjustment Account (CAA)	(24,799)
<b>19,382</b>	<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>17,301</b>
(3,162)	Transfers (to) or from earmarked reserves	(9,169)
<b>16,220</b>	<b>Increase or (decrease) in year on the HRA</b>	<b>8,132</b>
(25,366)	Balance on the HRA at the end of the current reporting period	(17,234)
(9,169)	Earmarked Reserves	-
<b>(34,535)</b>	<b>Total HRA Reserves</b>	<b>(17,234)</b>

# Housing Revenue Account (HRA) Explanatory Notes

## HRA 1 Housing Stock

31 March 2018		31 March 2019
£'000		£'000
735	Rented Houses	741
11,110	Rented Flats	11,029
59	Shared Ownership	70
9,063	Leasehold Properties	8,927
<b>20,967</b>	<b>Total Stock</b>	<b>20,767</b>

# HRA 2 Housing Asset Valuation

a) The vacant possession value of HRA tenanted dwellings is £5.814bn.

b) The difference between the vacant possession value and the Balance Sheet value of dwellings within the HRA adjusts for the economic cost to the Government of providing housing at below market rents. This cost is determined by applying the Government prescribed discount rate (25% of Market Value) to the vacant possession value.

# HRA 3 Rent Arrears and Provision

31 March 2018		31 March 2019
£'000		£'000
2,805	Rent Arrears	3,218
(1,220)	Bad Debt Provision	(1,417)
<b>1,585</b>	<b>Total</b>	<b>1,801</b>

# Collection Fund Accounts

The Collection Fund shows the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from local taxpayers, and its subsequent distribution to local authorities and the Government. There is no requirement for a separate Collection Fund Balance Sheet since the assets and liabilities arising from collecting non-domestic rates and council tax belong to the bodies concerned (i.e. major preceptors, the billing authority and the Government). The Council's share of council tax and business rates income is reflected in the Comprehensive Income and Expenditure Statement on an accruals basis in line with the Code. Income due from council tax and business ratepayers is recognised in full at 1 April i.e. the start of the financial year.

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

2017/18					2018/19			
Business Rates	Business Rates Supplement	Council Tax	Total	Collection Fund	Business Rates	Business Rates Supplement	Council Tax	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
<b>INCOME</b>								
-	-	(90,986)	<b>(90,986)</b>	Council Tax	-	-	(95,162)	<b>(95,162)</b>
(2,007,612)	-	-	<b>(2,007,612)</b>	Business Rates	(2,167,524)	-	-	<b>(2,167,524)</b>
(113,086)	-	-	<b>(113,086)</b>	Transitional protection payments - Business Rates	(37,054)	0	0	<b>(37,054)</b>
-	(79,741)	-	<b>(79,741)</b>	Income collectable in respect of Business Rates Supplements	-	(80,058)	-	<b>(80,058)</b>
<b>Contributions towards previous year's Collection Fund deficit:</b>								
(75,511)	-	-	<b>(75,511)</b>	Central Government	-	-	-	-
(45,306)	-	-	<b>(45,306)</b>	City of Westminster Council	-	-	-	-
(30,204)	-	-	<b>(30,204)</b>	Greater London Assembly	-	-	-	-
<b>(2,271,719)</b>	<b>(79,741)</b>	<b>(90,986)</b>	<b>(2,442,446)</b>	<b>Total amounts to be credited</b>	<b>(2,204,578)</b>	<b>(80,058)</b>	<b>(95,162)</b>	<b>(2,379,798)</b>

## Collection Fund Accounts (continued)

2017/18				2018/19				
Business Rates	Business Rates Supplement	Council Tax	Total	Collection Fund	Business Rates	Business Rates Supplement	Council Tax	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
<b>EXPENDITURE</b>								
-	-	-	-	Transitional protection payments - non-domestic rates	-	-	-	-
<b>Precepts, demands and shares</b>								
677,465	-	-	<b>677,465</b>	Central Government	-	-	-	-
615,877	-	52,021	<b>667,898</b>	City of Westminster Council	1,388,483	-	53,834	<b>1,442,317</b>
759,582	-	35,556	<b>795,138</b>	Greater London Assembly	781,021	-	37,907	<b>818,928</b>
<b>Business Rate Supplement:</b>								
-	79,374	-	<b>79,374</b>	Payment to levying authority's Business Rate Supplement Revenue Account	-	79,575	-	<b>79,575</b>
-	102	-	<b>102</b>	Administrative Costs	-	102	-	<b>102</b>
<b>Charges to Collection Fund</b>								
7,860	265	2,598	<b>10,723</b>	Write-offs of uncollectable amounts	9,832	381	2,661	<b>12,874</b>
1,800	-	(500)	<b>1,300</b>	Increase/(decrease) in allowance for impairment	2,400	-	(1,100)	<b>1,300</b>
(28,000)	-	-	<b>(28,000)</b>	Increase/(decrease) in allowance for appeals	(23,000)	-	-	<b>(23,000)</b>
3,306	-	-	<b>3,306</b>	Charge to General Fund for allowable collection costs for non-domestic rates	3,310	-	-	<b>3,310</b>

## Collection Fund Accounts (continued)

2017/18					2018/19			
Business Rates	Business Rates Supplement	Council Tax	Total	Collection Fund	Business Rates	Business Rates Supplement	Council Tax	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
<b>Apportionment of previous year's estimated Collection Fund surplus:</b>								
-	-	-	-	Central Government	123,126	-	-	<b>123,126</b>
-	-	690	<b>690</b>	City of Westminster Council	85,859	-	900	<b>86,759</b>
-	-	485	<b>485</b>	Greater London Assembly	77,211	-	618	<b>77,829</b>
<b>2,037,890</b>	<b>79,741</b>	<b>90,850</b>	<b>2,208,481</b>	<b>Total amounts to be debited</b>	<b>2,448,242</b>	<b>80,058</b>	<b>94,820</b>	<b>2,623,120</b>
<b>Movements on the Collection Fund</b>								
<b>(233,829)</b>	-	<b>(136)</b>	<b>(233,965)</b>	<b>(Surplus) /deficit arising during the year</b>	<b>243,664</b>	-	<b>(342)</b>	<b>243,322</b>
<b>(17,693)</b>	-	<b>(1,117)</b>	<b>(18,810)</b>	<b>(Surplus)/deficit brought forward at 1 April</b>	<b>(251,522)</b>	-	<b>(1,253)</b>	<b>(252,775)</b>
<b>(251,522)</b>	-	<b>(1,253)</b>	<b>(252,775)</b>	<b>(Surplus)/deficit carried forward at 31 March</b>	<b>(7,858)</b>	-	<b>(1,595)</b>	<b>(9,453)</b>

# Collection Fund Explanatory Notes

## COLL 1 General

The Council, as a billing authority, is statutorily required to maintain a separate Collection Fund account as agent into which all transactions relating to collection of business rates 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.

The proportions were as follows:

2017/18			2018/19	
Council Tax	Business Rates		Council Tax	Business Rates
	33.0%	Department of Communities & Local Government	-	-
40.7%	37.0%	Greater London Authority	42.5%	36.0%
59.3%	30.0%	Westminster City Council (General Fund)	57.5%	64.0%

# COLL 2 Council Tax

Council tax is charged on residential properties based upon valuation bandings established when the system was introduced in 1993. The number of properties in each band and calculation of the tax base (adjusted to reflect relevant discounts and exemptions) was approved by Full Council in January 2018 and is summarised in the table to the right:

Band	Range of property values (£)		Number of chargeable dwellings	2017/18 Band D equivalent dwellings	Multiplier	Number of chargeable dwellings	2018/19 Band D equivalent dwellings
	£	£					
A	-	40,000	1,730	966	6/9	1,730	964
B	40,001	52,000	6,817	4,267	7/9	6,668	4,192
C	52,001	68,000	15,932	12,125	8/9	15,945	12,106
D	68,001	88,000	22,691	19,816	9/9	22,796	19,904
E	88,001	120,000	22,702	24,371	11/9	22,972	24,620
F	120,001	160,000	17,425	22,251	13/9	17,635	22,516
G	160,001	320,000	22,480	33,761	15/9	22,788	34,219
H	320,001		15,250	28,658	18/9	15,522	29,277
			<b>125,027</b>	<b>146,215</b>		<b>126,056</b>	<b>147,798</b>
				(14,403)			(14,052)
				455			455
<b>Total</b>				<b>132,267</b>			<b>134,201</b>
<b>Westminster Council Share (96%)</b>				<b>126,976</b>			<b>128,833</b>

# COLL 3 Business Rates

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

<b>Standard Multiplier</b>	49.3p / £ Rateable Value (47.9p in 2017/18)
<b>Small Business Multiplier</b>	48.0p / £ Rateable Value (46.6p in 2017/18)

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:

2017/18		2018/19
£'000		£'000
677,465	Central Government	-
615,877	Westminster City Council	1,388,483
759,582	Greater London Assembly	781,022
<b>2,052,924</b>		<b>2,169,505</b>

The total rateable value for business premises as at the end of March 2019 was £5.164bn (£5.157bn for the prior year).

A system of Tariff and Top-Up payments operates on the localised shares distributed to local government bodies (Westminster and the GLA). A significant proportion of Westminster's retained share (£1.388bn) in 2018/19 is subsequently top-sliced and returned to Business Rates Pool for redistribution across local government. The main advantage of being part of the pool is not paying levy on growth which would normally be paid to MHCLG but is now redistributed within London Councils.

In 2018/19 a no detriment guarantee was also provided by MHCLG for London Councils within the Business Rates Pool. This ensured that local authorities which were part of the pool were protected from a net localised business rate yield of less than 97% of its Baseline Funding. In these circumstances if the pool cumulative income is less than the threshold it would receive a Safety Net grant which would be distributed accordingly between London Councils.

# COLL 4 Business Rates Supplements – Crossrail

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

The aggregate rateable value of properties liable for the BRS at 31st March 2019 was £4.638bn (the equivalent figure at 31st March 2018 being £4.628bn). The multiplier has remained at 2.0p / £ since the BRS was introduced.

# Pension Fund Accounts and Explanatory Notes

## FUND ACCOUNT

2017/18		Notes	2018/19
£'000			£'000
<b>Dealings with members, employers and others directly involved in the fund</b>			
<b>Contributions</b>			
(44,982)	From Employers	Note 6	(45,363)
(8,894)	From Members	Note 6	(8,982)
(4,992)	Individual Transfers in from Other Pension Funds		(6,897)
<b>(58,868)</b>			<b>(61,242)</b>
<b>Benefits</b>			
43,802	Pensions	Note 7	45,610
8,674	Commutation, Lump Sum Retirement and Death Benefits	Note 7	7,464
<b>Payments to and on Account of Leavers</b>			
4,807	Individual Transfers Out to Other Pension Funds		4,919
67	Refunds to Members Leaving Service		196
<b>57,350</b>			<b>58,189</b>

## Fund Account (continued)

2017/18		Notes	2018/19
<b>£'000</b>			<b>£'000</b>
(1,518)	Net (Additions)/Withdrawals from Dealings with Members		(3,053)
5,734	Management Expenses	Note 8	5,823
<b>4,216</b>	<b>Net (Additions)/Withdrawals including Fund Management Expenses</b>		<b>2,770</b>
	<b>Returns on Investments</b>		
(15,785)	Investment Income	Note 9	(12,194)
	Other Income	-	(48)
<b>(15,785)</b>			<b>(12,242)</b>
(56,708)	(Profit) and loss on disposal of investments and changes in the market value of investments	Note 11	(72,884)
<b>(72,493)</b>	<b>Net return on investments</b>		<b>(85,126)</b>
<b>(68,277)</b>	<b>Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year</b>		<b>(82,356)</b>
(1,267,699)	Opening Net Assets of the Scheme		(1,335,976)
<b>(1,335,976)</b>	<b>Closing Net Assets of the Scheme</b>		<b>(1,418,332)</b>

## NET ASSETS STATEMENT FOR THE YEAR ENDED 31 MARCH 2019\*

2017/18		Notes	2018/19
£'000			£'000
<b>Investment assets</b>			
183,879	Bonds	Note 16	-
150	Equities		150
1,129,276	Pooled Investment Vehicles		1,402,288
Derivative Contracts:			
282	Futures	Note 13	-
55	Forward Foreign Exchange	Note 13	-
Other Investment Balances:			
2,790	Income Due		120
13,218	Debtors		-
10,321	Cash Deposits		5,802
<b>1,339,971</b>			<b>1,408,360</b>
<b>Investment Liabilities</b>			
Derivative Contracts:			
(173)	Futures	Note 13	-
(56)	Forward Foreign Exchange	Note 13	-
<b>(229)</b>			<b>-</b>

## Net Assets Statement for the Year Ended 31 March 2019\* (continued)

2017/18	Notes	2018/19
<b>£'000</b>		
(9,663) Amounts payable for purchases of investments	Note 11	-
<b>1,330,079</b> Net Value of Investment Assets	Note 10	<b>1,408,360</b>
<b>6,728</b> Current Assets	Note 19	<b>11,293</b>
<b>(831)</b> Current Liabilities	Note 20	<b>(1,321)</b>
<hr/>		
<b>1,335,976</b> Net Assets of the Fund Available to Fund Benefits at the Period End		<b>1,418,332</b>

\* The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Note 18.

# Note 1 Description of the City of Westminster Pension Fund

## a) General

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

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

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

## b) Funding

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from interest and dividends on the Fund's investments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2019. Employers also pay contributions into the Fund based on triennial funding valuations. The last such valuation was as at 31 March 2016. Currently employer contribution rates range from 10.1% to 38.8% of pensionable pay.

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

### c) Benefits

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

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

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

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

Westminster Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from the pension fund. The Fund has used Aegon as its appointed AVC provider for the past 15 years and Equitable Life before. AVCs are paid to the AVC providers by employers and specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

### d) Governance

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

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

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

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

### e) Investment Principles

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

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

### f) Membership

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

Organisations participating in the City of Westminster Pension Fund include:

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

The following table summarises the membership numbers of the scheme:

31 March 2018		31 March 2019
31	Number of employers with active members	29
4,359	Active members	4,371
5,830	Pensioners receiving benefits	5,921
6,220	Deferred Pensioners	6,201
<b>16,409</b>	<b>Total</b>	<b>16,493</b>

## Note 2 Basis of Preparation of Financial Statements

The Statement of Accounts summarise the Fund's transactions for 2018/19 and its position at year end as at 31st March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits.

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset Statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Authority has opted to disclose this information in an accompanying report to the accounts, which is disclosed in Note 18. The Pension Fund Accounts have been prepared on a going concern basis.

# Note 3 Summary of Significant Accounting Policies

## FUND ACCOUNT – REVENUE RECOGNITION

### a) Contribution Income

Primary 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.

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

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

### b) Transfers to and from Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

### c) Investment Income

Investment income is reported gross of withholding taxes which are accrued in line with the associated investment income. Investment income arising from the underlying investments of the Pooled Investment Vehicles is either reinvested within the Pooled Investment Vehicles and reflected in the unit price or taken as a cash dividend to support the Fund's outgoing cash flow requirements.

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

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

Where the amount of an income distribution has not been received from an investment manager by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used.

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

## FUND ACCOUNT – EXPENSE ITEMS

### d) Benefits Payable

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

### e) Taxation

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

### f) VSP, MSP and lifetime allowance

Members are entitled to request the Pension Fund pays their tax liabilities due in respect of annual allowance and life time allowance in exchange for a reduction in pension.

Where the Fund pays member tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

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

### g) Management Expenses

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

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

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

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

All investment management expenses are accounted for on an accruals basis. The Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage and/or a fee based on performance.

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.

## NET ASSETS STATEMENT

### h) Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised in the Fund account.

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 14).

### i) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 13).

### j) 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.

### k) Cash and Cash Equivalents

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

### l) 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.

### m) 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 18).

### n) Additional Voluntary Contributions

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed as a note only (Note 21).

### o) Recharges from the General Fund

The LGPS (Management and Investment of Funds) Regulations 2016 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund on the basis of actual time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the Fund are set out separately in Note 22.

# Note 4 Critical Judgements in Applying Accounting Policies

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

## **PENSION FUND LIABILITY**

The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used in the intervening years follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Note 16. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

## **PANTHEON INFRASTRUCTURE INVESTMENT**

This investment has been valued at cost (£14.403m) on the basis that fair value as at 31 March 2019 cannot be reliably estimated. Management have made this judgement because:

- the Investment has only been drawn down on 20 March 2019.
- no dividend to shareholders has as yet been declared.
- no published trading results are as yet available which would allow fair value to be calculated on a net asset basis or enable the accuracy of profit and cash flow projections to be assessed with confidence.

# 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.

## VALUATION OF INVESTMENTS LEVEL 3

The Pension Fund contains investments in unitised pooled property funds that are classified within the financial statements as level 3 investments (as detailed in note 14). These funds are valued according to non-exchange based market valuations. As a result of this, the final realised value of those pooled units may differ slightly from the valuations presented in the accounts.

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actuarial present value of promised retirement benefits</b>	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £37.85m. A 0.1% increase in assumed earnings would increase the value of liabilities by approximately £2.77m and a year increase in life expectancy would increase the liability by about £77.32m.

# 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

2017/18		2018/19
£'000		£'000
(43,652)	Administering Authority	(45,265)
(5,763)	Scheduled bodies	(5,146)
(4,461)	Admitted bodies	(3,934)
<b>(53,876)</b>	<b>Total</b>	<b>(54,345)</b>

## BY TYPE

2017/18		2018/19
£'000		£'000
(8,894)	Employees' normal contributions	(8,982)
	Employers' contributions:	
(18,981)	Normal contributions	(20,025)
(24,863)	Deficit recovery contributions	(24,743)
(1,138)	Augmentation contributions	(595)
<b>(53,876)</b>	<b>Total</b>	<b>(54,345)</b>

# Note 7 Benefits Payable

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

## BY TYPE

2017/18		2018/19
£'000		£'000
43,802	Pensions	45,610
7,034	Commutation and lump sum retirement benefits	6,839
1,640	Lump sum death benefits	625
<b>52,476</b>	<b>Total</b>	<b>53,074</b>

## BY AUTHORITY

2017/18		2018/19
£'000		£'000
41,206	Administering Authority	41,837
2,020	Scheduled Bodies	2,172
9,250	Admitted Bodies	9,065
<b>52,476</b>	<b>Total</b>	<b>53,074</b>

## Note 8 Management Expenses

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

2017/18		2018/19
£'000		£'000
386	Administration Expenses	546
373	Oversight and Governance	437
4,975	Investment Management Expenses	4,840
<b>5,734</b>	<b>Total</b>	<b>5,823</b>

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

2017/18		2018/19
£'000		£'000
3,095	Management fees*	4,572
63	Custody fees	38
1,817	Transaction costs*	230
<b>4,975</b>	<b>Total</b>	<b>4,840</b>

\*£1.6m transaction costs transferred to management fees.

## Note 9 Investment Income

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

2017/18		2018/19
£'000		£'000
6,762	Income from bonds	210
6,713	Pooled investments - unit trust and other managed funds	9,653
2,265	Pooled property investments	2,240
45	Interest and cash deposits	91
<b>15,785</b>	<b>Total before taxes</b>	<b>12,194</b>
<b>15,785</b>	<b>Total</b>	<b>12,194</b>

# Note 10 Investment Management Arrangements

As at 31 March 2019, the investment portfolio was managed by nine external managers:

- UK property portfolios are split between Hermes Investment Managers and Aberdeen Standard;
- Fixed income mandates are managed by CQS (Multi Asset Credit, via the London CIV), Insight (Bonds) and Pantheon (Infrastructure);
- Equity portfolios are split between Majedie Investment Managers (active UK, managed by the London CIV), Baillie Gifford (active global, managed by the London CIV), Legal and General Investment Management (passive global) and Longview Partners (active global).

All managers have discretion to buy and sell investments within the constraints set by the Committee and their respective Investment Management Agreements. Each manager has been appointed with clear strategic benchmarks which place maximum accountability for performance against that benchmark on the investment manager.

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

Northern Trust acts as the Fund's global custodian. They are responsible for safe custody and settlement of all investment transactions and collection of income. The bank account for the Fund is held with Lloyds Bank.

The market value and proportion of investments managed by each fund manager at 31 March 2019 was as follows:

31 March 2018 Market Value	%	Fund Manager	Mandate	31 March 2019 Market Value	%
£'000				£'000	
<b><u>Investments merged by the London CIV asset pool:</u></b>					
297,503	22.4%	London LGPS CIV Ltd - Majedie	UK Equity (Active)	292,964	20.9%
150	0.0%	London CIV	UK Equity (Passive)	150	0.0%
<b>297,653</b>	<b>22.4%</b>	<b>UK Equity</b>		<b>293,114</b>	<b>20.8%</b>
264,319	19.9%	London LGPS CIV Ltd - Baillie Gifford	Global Equity (Active)	283,978	20.2%
310,073	23.4%	LGIM	World Equity (Passive)	325,643	23.1%
<b>574,392</b>	<b>43.3%</b>	<b>Global Equity</b>		<b>609,621</b>	<b>43.3%</b>
-	0.0%	CQS LCIV Global Mac	Multi Asset Credit	91,629	6.5%
-	0.0%	<b>Fixed Income</b>		<b>91,629</b>	<b>6.5%</b>
<b>872,045</b>	<b>65.7%</b>	<b>Total pooled</b>	<b>Sub-Total</b>	<b>994,364</b>	<b>70.6%</b>
<b><u>Investments managed outside of the London CIV asset pool:</u></b>					
142,754	10.7%	Longview	Global Equity (Active)	70,003	5.0%
<b>142,754</b>	<b>10.7%</b>	<b>Global Equity</b>		<b>70,003</b>	<b>5.0%</b>
-	0.0%	Insight Buy and Maintain Bond Fund	Bonds	198,690	14.2%
18,626	1.4%	Insight	Bonds	-	0.0%
173,103	13.0%	Insight	Sterling non-Gilts	-	0.0%
<b>191,729</b>	<b>14.4%</b>	<b>Bonds</b>		<b>198,690</b>	<b>14.2%</b>
62,983	4.7%	Hermes	Property	65,247	4.6%

## Note 10 Investment Management Arrangements (continued)

31 March 2018 Market Value	%	Fund Manager	Mandate	31 March 2019 Market Value	%
<b>£'000</b>				<b>£'000</b>	
60,474	4.5%	Standard Life	Property	64,709	4.6%
<b>123,457</b>	<b>9.2%</b>	<b>Property</b>		<b>129,956</b>	<b>9.2%</b>
-	0.0%	Pantheon Global Infrastructure	Infrastructure	14,403	1.0%
-	<b>0.0%</b>	<b>Fixed Income</b>		<b>14,403</b>	<b>1.0%</b>
<b>457,940</b>	<b>34.3%</b>	<b>Total outside pool</b>	<b>Sub-total</b>	<b>413,052</b>	<b>29.3%</b>
94	0.0%	Cash deposits		944	0.1%
<b>1,330,079</b>	<b>100%</b>	<b>Total investments</b>		<b>1,408,360</b>	<b>100%</b>

# Note 11 Reconciliation in Movement in Investments

2017/18	Market value 1 April 2017	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2018
	£'000	£'000	£'000	£'000	£'000
Bonds	173,673	127,645	(112,775)	(4,664)	183,879
Equities	150	-	-	-	150
Pooled equity investments	974,609	393,201	(410,211)	51,010	1,008,609
Pooled property investments	110,739	-	(333)	10,261	120,667
Derivatives:					
Futures	243	1,205	(987)	(352)	109
Forward foreign exchange	(36)	816	(1,232)	451	(1)
Cash Instruments	-	-	-	-	-
<b>Total</b>	<b>1,259,378</b>	<b>522,867</b>	<b>(525,538)</b>	<b>56,706</b>	<b>1,313,413</b>
Cash deposits	1,726	-	-	47	10,321
Amounts receivable for sales of investments	-	-	-	-	13,218
Investment income due	2,499	-	-	-	2,785
Spot FX contracts	-	-	-	(1)	5
Amounts payable for purchases of investments	(1,710)	-	-	(44)	(9,663)
<b>Net investment assets</b>	<b>1,261,893</b>	<b>-</b>	<b>-</b>	<b>56,708</b>	<b>1,330,079</b>

## Note 11 Reconciliation in Movement in Investments (continued)

2018/19	Market value 1 April 2018	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 2019
	£'000	£'000	£'000	£'000	£'000
Bonds	183,879	-	(183,658)	(221)	-
Equities	150	-	-	-	150
Pooled equity investments	1,008,609	287,433	(101,278)	66,098	1,260,862
Pooled property investments	120,667	50	(309)	6,615	127,023
Derivatives:	-	14,403	-	-	14,403
Futures	-	-	-	-	-
Forward foreign exchange	109	129	(216)	(22)	-
Cash Instruments	(1)	272	(443)	172	-
<b>Total</b>	<b>1,313,413</b>	<b>302,287</b>	<b>(285,904)</b>	<b>72,642</b>	<b>1,402,438</b>
Cash deposits	10,321	-	-	190	5,802
Amounts receivable for sales of investments	13,218	-	-	-	-
Investment income due	2,785	-	-	-	120
Spot FX contracts	5	-	-	7	-
Amounts payable for purchases of investments	(9,663)	-	-	45	-
<b>Net investment assets</b>	<b>1,330,079</b>	<b>-</b>	<b>-</b>	<b>72,884</b>	<b>1,408,360</b>

Purchases and sales of derivatives are recognised in Note 11 above as follows:

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

## 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%.

31 March 2018			31 March 2019	
Market Value	Holding		Market Value	Holding
£'000	%		£'000	%
292,703	22.0%	London LGPS CIV Ltd – LCIV MJ UK Equity A GBP INC	292,609	20.8%
310,073	23.3%	L&G - World Equity Index - GBP Hedged/GB Hedged OFC	325,643	23.1%
261,977	19.7%	London LGPS CIV Ltd – Baillie Gifford Life Global Alpha Sub Fund	282,477	20.1%
142,754	10.7%	Longview	70,003	5.0%
-	-	Insight Buy and Maintain Bond Fund	198,500	14.1%
-	-	CQS LCIV Global MAC	91,629	6.5%
<b>1,007,507</b>	<b>75.7%</b>	<b>Total Top Holdings</b>	<b>1,260,861</b>	<b>89.6%</b>
<b>1,330,079</b>		<b>Total Value of Investments</b>	<b>1,408,360</b>	

# Note 13 Analysis of Derivatives

## OBJECTIVES AND POLICIES FOR HOLDING DERIVATIVES

The Committee has authorised the use of derivatives for efficient portfolio management purposes and to reduce certain investment risks, in particular, foreign exchange risk. All uses of derivatives are outsourced to the Fund's external asset managers which must adhere to the detailed requirements set out in their investment management agreements.

### a) Liquidity

The Fund uses interest rate futures to hedge some of the non-Sterling interest rate risk.

### 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).

## VALUATION OF FUTURES

### c) Futures

On close out or expiry of the futures contract the variation margin balances held in respect of unrealised gains or losses are recognised as cash receipts or payments, depending on whether there is a gain or loss.

## FUTURES

Outstanding exchange traded futures contracts are as follows.

Economic Exposure	Market Value 31 March 2018	Type	Expires	Economic Exposure	Market Value 31 March 2019
£'000	£'000			£'000	£'000
<b>Assets</b>					
14,861	278	UK Fixed Income	less than 1 year	-	-
547	4	Overseas fixed income	less than 1 year	-	-
-	<b>282</b>	<b>Total Assets</b>			<b>-</b>
<b>Liabilities</b>					
(5,927)	(173)	Overseas Fixed Income	less than 1 year	-	-
-	<b>(173)</b>	<b>Total Liabilities</b>			<b>-</b>
<b>Net futures</b>					
-	<b>109</b>			-	-

# Note 14a Fair Value – Basis of Valuation

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

Description of asset	Valuation hierarchy 17/18	Valuation hierarchy 18/19	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Pooled Investments - Equity Funds UK and Overseas Managed Funds</b>	Level 2	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets.	Evaluated price feeds	Not required
<b>Quoted UK and Overseas Bonds</b>	Level 2	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
<b>Futures</b>	Level 2	N/A	Published exchange prices at the year-end.	Evaluated price feeds	Not required
<b>Forward Foreign Exchange Derivatives</b>	Level 2	N/A	Market forward exchange rates at the year-end.	Exchange rate risk	Not required
<b>Pooled Long Lease Property Fund</b>	Level 2	Level 2	The Standard Life Long Lease Property Fund is priced on a Single Swinging Price.	In house evaluation of market data	Not required
<b>Pooled Investments – Property Funds</b>	Level 3	Level 3	Closing bid price where bid and offer prices are published.	Adjusted for net capital current assets	Estimated acquisition and disposal costs
<b>Pooled Investments – Multi Asset Credit</b>	N/A	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
<b>Pooled Investments - Infrastructure</b>	N/A	Level 3	Valued at cost at year end.	Manager valuation statements are prepared in accordance with ECVA guidelines	Upward valuations are only considered when there is validation of the investment objectives and such progress can be demonstrated

## Note 14a Fair Value – Basis of Valuation (continued)

### SENSITIVITY OF ASSETS VALUED AT LEVEL 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2019.

Description of asset	Assessed Valuation Range (+/-)	Value at 31 March 2019	Value on increase	Value on decrease
		£'000	£'000	£'000
Pooled investments - Property funds	3%	62,315	64,184	60,445
<b>Total</b>		<b>62,315</b>	<b>64,184</b>	<b>60,445</b>

As at March 2018 – Restated due to cash balances held within the portfolio

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

# Note 14b Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

**Level 1** – where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities, quoted index linked securities and unit trusts). Listed investments are shown at bid prices. The bid value is based on the market quotation of the relevant stock exchange.

**Level 2** – where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

**Level 3** – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, neither of which the Fund currently invests in.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into the level at which fair value is observable.

31 March 2018			31 March 2019		
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
<b>Financial Assets</b>					
282	1,251,920	60,343	-	1,325,571	76,868
<b>282</b>	<b>1,251,920</b>	<b>60,343</b>	<b>-</b>	<b>1,325,571</b>	<b>76,868</b>
<b>Financial Liabilities</b>					
(173)	(9,719)	-	-	-	-
<b>(173)</b>	<b>(9,719)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
109	1,242,201	60,343	-	1,325,571	76,868
<b>1,302,653</b>			<b>1,402,439</b>		

# Note 14c Reconciliation of Fair Value Measurements Within Level 3

2018/19	Opening balance	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/losses	Realised gains/losses	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equity	150	-	-	-	-	-	-	150
Pooled investments - property funds	60,193	-	-	-	-	2,122	-	62,315
Pooled investments - Infrastructure	-	-	-	14,403	-	-	-	14,403
<b>Total</b>	<b>60,343</b>	<b>-</b>	<b>-</b>	<b>14,403</b>	<b>-</b>	<b>2,122</b>	<b>-</b>	<b>76,868</b>

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

2017/18 Restated	Opening balance	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/losses	Realised gains/losses	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equity	150	-	-	-	-	-	-	150
Pooled investments - property funds	55,967	-	-	-	-	4,226	-	60,193
<b>Total</b>	<b>56,117</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,226</b>	<b>-</b>	<b>60,343</b>

# Note 15a Classification of Financial Instruments

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

31-Mar-18			31-Mar-19		
Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial Assets</b>					
98,537	-	-	-	-	-
-	-	-	-	-	-
85,342	-	-	-	-	-
<b>Pooled funds - investment vehicles</b>					
864,903	-	-	992,509	-	-
120,667	-	-	127,023	-	-
143,856	-	-	268,503	-	-
-	-	-	14,403	-	-
<b>Derivative Contracts</b>					
282	-	-	-	-	-
55	-	-	-	-	-
-	<b>4,668</b>	-	-	<b>7,397</b>	-
-	<b>2,790</b>	-	-	<b>120</b>	-
-	<b>10,321</b>	-	-	<b>5,802</b>	-
-	<b>14,611</b>	-	-	<b>3,875</b>	-
<b>1,313,642</b>	<b>32,930</b>	-	<b>1,402,438</b>	<b>17,194</b>	-

## Note 15a Classification of Financial Instruments (continued)

Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£'000	£'000	£'000		£'000	£'000	£'000
<b>Financial Liabilities</b>						
<b>Derivative Contracts</b>						
(173)	-	-	Futures	-	-	-
(56)	-	-	Forward Foreign Exchange	-	-	-
-	-	-	Other Investment Balances	-	-	-
-	-	(9,904)	Creditors	-	-	(745)
(229)	-	(9,904)		-	-	(745)
1,313,413	32,390	(9,904)	Total	1,402,438	17,194	(745)
<b>1,335,899</b>				<b>1,418,887</b>		

## Note 15b 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 2018		31 March 2019
£'000		£'000
<b>Financial Assets</b>		
56,706	Designated at fair value through profit and loss	72,642
2	Loans and receivables	192
<b>56,708</b>		<b>72,834</b>
<b>Financial Liabilities</b>		
-	Financial liabilities at amortised cost	51
-		51
<b>56,708</b>	<b>Total</b>	<b>72,883</b>

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

# Note 16 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 2018	1,330,079	1,463,088	1,197,072
<b>As at 31 March 2019</b>	<b>1,408,360</b>	<b>1,549,196</b>	<b>1,267,524</b>

## Note 16 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 13).

Fixed interest securities, cash and cash equivalents are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%.

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

Assets exposed to interest rate risk	Average Duration	Value	Value on 1% increase	Value on 1% decrease
	Years	£'000	£'000	£'000
UK quoted	8.16	198,690	182,477	214,903
Overseas quoted	1.27	91,629	90,465	92,793
<b>As at 31 March 2019</b>		<b>290,319</b>	<b>272,942</b>	<b>307,696</b>

### 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 16 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 2018	750,881	825,969	675,793
<b>As at 31 March 2019</b>	<b>665,350</b>	<b>731,885</b>	<b>598,815</b>

### b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of 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 2019, liquid assets were £1,264m representing 90% of total fund assets (£1,209m at 31 March 2018 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. It was not used in the year 2018/19.

# Note 17 Funding Arrangements

The LGPS Regulations require that a full actuarial valuation of the Fund is carried out every three years. The purpose of this is to establish that the City of Westminster Pension Fund is able to meet its liabilities to past and present contributors and to review the employer contribution rates.

The latest full triennial valuation of the Fund was carried out by Barnett Waddingham, the Fund's actuary, as at 31 March 2016 in accordance with the Funding Strategy Statement of the Fund and Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008. The results were published in the triennial valuation report dated 31 March 2017. The report and Funding Strategy Statement are both available on the Council's website.

The actuary's smoothed market value of the scheme's assets at 31 March 2016 was £1,056.7m and the Actuary assessed the present value of the funded obligation at £1,320.8m. This indicates a net liability of £264.1m, which equates to a funding position of 80% (2013: £297.3m and 74%).

The actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions, the main ones being:

Future assumed returns at 2016	Assumed returns %	Risk adjusted weighting %
Other Bonds	3.3	20
Equities	7.4	65
Property	5.9	15

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

The 2016 valuation certified an aggregate employer contribution rate of 33.9% of pensionable pay (2013: 29.8%). The contribution rate is set on the basis of the cost of future benefit accrual, increased to bring the funding level back to 100% over a period of 22 years, as set out in the Funding Strategy Statement (2013: 25 years). The common future service contribution rate for the Fund was set at 16.9% of pensionable pay (2013: 13.3%).

The triennial valuation also sets out the individual contribution rate to be paid by each employer from 1 April 2017 depending on the demographic and actuarial factors particular to each employer. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

# Note 18 Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2019. 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 2018		31 March 2019	
£'000		£'000	
(2,014,651)	Present Value of Promised Retirement Benefits	(2,046,789)	
1,335,977	Fair Value of Scheme Assets (bid value)	1,402,762	
<b>(678,674)</b>	<b>Net Liability</b>	<b>(644,027)</b>	

Present Value of Promised Retirement Benefits comprise of £2,003m (2017/18: £1,967.2m) and £43.8m (2017/18: £47.5m) in respect of vested benefits and non-vested benefits respectively as at 31 March 2019.

## ASSUMPTIONS

To assess the value of the Fund's liabilities at 31 March 2019, the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2016 have been rolled forward, using financial assumptions that comply with IAS19.

## DEMOGRAPHIC ASSUMPTIONS

The demographic assumptions used are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016, hence they are different from those used for the 2018/19 statement of accounts. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 80%, for males and 85% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a.

Assumed life expectancy from age 65 is:

Life expectancy from age 65 years		31 March 2018	31 March 2019
Retiring today	Males	24.5	23.4
	Females	26.1	24.8
Retiring in 20 years	Males	26.8	25.0
	Females	28.4	26.6

## FINANCIAL ASSUMPTIONS

The main financial assumptions are:

	31 March 2018	31 March 2019
	%	%
RPI increases	3.30	3.40
CPI increases	2.30	2.40
Salary increases	3.80	3.90
Pension increases	2.30	2.40
Discount rate	2.55	2.40

## Note 19 Current Assets

31 March 2018		31 March 2019	
£'000		£'000	
	Debtors:		
1,228	Contributions due - employers	1,893	
165	Contributions due - employees	578	
667	Sundry debtors	1,425	
4,668	Cash balances	7,397	
<b>6,728</b>	<b>Total</b>	<b>11,293</b>	

## ANALYSIS OF DEBTORS

31 March 2018		31 March 2019	
£'000		£'000	
667	Central Government Bodies	28	
706	Other entities and individuals	718	
687	Administering Authority	3,150	
<b>2,060</b>		<b>3,896</b>	

## Note 20 Current Liabilities

31 March 2018		31 March 2019	
£'000		£'000	
(831)	Sundry creditors	(1,321)	
<b>(831)</b>	<b>Total</b>	<b>(1,321)</b>	

## ANALYSIS OF CREDITORS

31 March 2018		31 March 2019	
£'000		£'000	
(589)	Central government bodies	(576)	
(242)	Other entities and individuals	(140)	
-	Administering Authority	(605)	
<b>(831)</b>	<b>Total</b>	<b>(1,321)</b>	

# Note 21 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 2018		Market Value 31 March 2019	
£'000		£'000	
956	Aegon	895	
438	Equitable Life	312	
<b>1,394</b>	<b>Total</b>	<b>1,207</b>	

Additional voluntary contributions of £0.1m were paid directly to Aegon during the year (2017/18: £0.1m).

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

# Note 22 Related Party Transactions

The Fund is administered by Westminster City Council. The Council incurred costs of £0.424m in the period 2018/19 (2017/18: £0.43m) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Fund uses the same Banking and Control Service provider as WCC and no charge is made in respect of this.

## KEY MANAGEMENT PERSONNEL REMUNERATION

The key management personnel of the Fund are the Members of the Pension Fund Committee, the Executive Director of Finance and Resources (of which no remuneration was payable by the Pension Fund for 2018/19), the Tri-Borough Director of Pensions and Treasury Management and the Director of People Services. Total remuneration payable to key management personnel from the Pension Fund is set out below:

31 March 2018		31 March 2019
£'000		£'000
42	Short-term benefits	58
83	Post-employment benefits	22
<b>125</b>	<b>Total</b>	<b>80</b>

## Note 23 External Audit Costs

The external fee payable to the Fund's external auditors Grant Thornton UK LLP was £16,000 (£21,000 in 2017/18).

31 March 2018		31 March 2019
£'000		£'000
21	External audit fees	16
(3)	PSAA refund	-
<b>18</b>	<b>Total</b>	<b>16</b>

## Note 24 Events After the Reporting Period

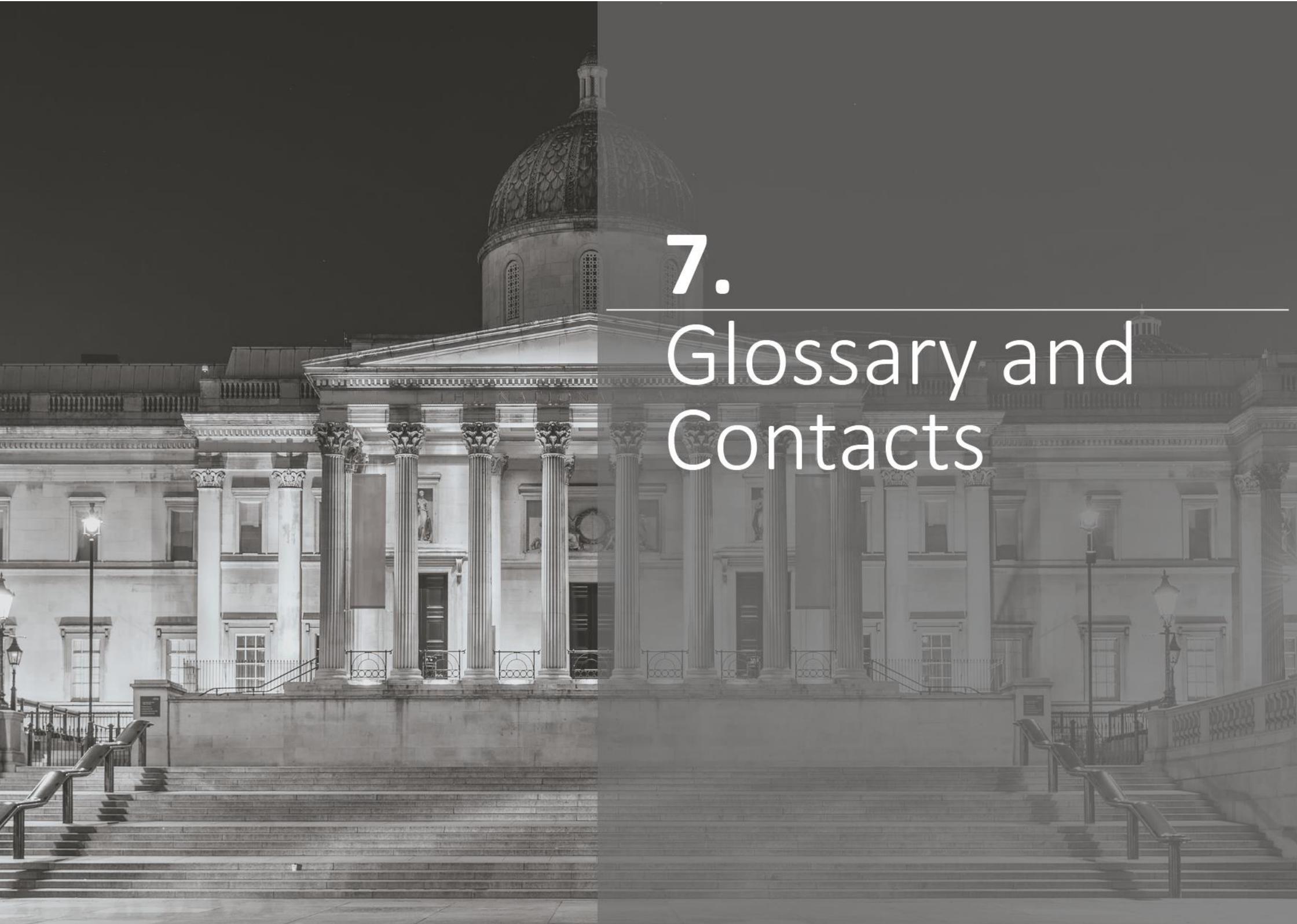
Management have reviewed and can confirm that there are no significant events occurring after the reporting period.

## Note 25 Contractual Commitments

The Fund has committed \$91.5m (£70.2) to the Pantheon Global Infrastructure Fund III. Of this commitment \$72.8m (£55.8m) was still outstanding at 31 March 2019. (Exchange rate £1 : \$1.3043).

## Note 26 Contingent Liabilities

During 2018/19 the Court of Appeal upheld two claims concerning age discrimination within the transitional arrangements of the judges and firefighters pension schemes. The impact of the Court of Appeal rulings would be to increase the pension liabilities of both schemes. The Government is considering whether to seek leave to appeal the judgements to the Supreme Court and it is uncertain as to the outcome of any such appeal. The Local Government Pension Scheme has similar transitional arrangements to the judges and firefighters schemes. The gross pension liability of £2.047bn reported at Note 18 does not take account of the two rulings because the Local Government Pension Scheme is outside the scope of the rulings and Scheme has not been amended. If the LGPS was amended to reflect the age discrimination issues raised by the Court of Appeal rulings, this would increase the gross liabilities of the City of Westminster Pension Fund by between 0.5 and 1.0% i.e. between £10m and £20m.



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# Glossary and Contacts

# Glossary of Terms

## ACCOUNTING POLICIES

The rules and practices adopted by the Council that determine how transactions and events are reflected in the accounts.

## ACCRUALS

Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

## ACTUARIAL GAINS AND LOSSES

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

## AMORTISATION

A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

## ANNUAL GOVERNANCE STATEMENT

The annual governance statement is a statutory document that explains the processes and procedures in place to enable the council to carry out its functions effectively.

## BALANCES (OR RESERVES)

These represent accumulated funds available to the Council. Some balances (reserves) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities. There are a number of unusable reserves, which are set out for technical purposes. It is not possible to utilise these to provide services.

## BUSINESS RATES (NNDR/NDR)

Rates are payable on business premises based on their rateable value (last assessed in the 2017 Rating List by the Valuation Office Agency) and a national rate poundage multiplier (49.3p/£ in 2018/19). Westminster acts as the “billing authority” for its area and under the current Localised Business Rates regime retains 64% of the net

yield from business rates with the Greater London Authority receiving 36%. A system of Tariffs and Top-ups as well as a Safety Net scheme operate within the Council’s General Fund to further adjust the amount the Council ultimately retains.

## CAPITAL EXPENDITURE

Payments for the acquisition, construction, enhancement or replacement of assets such as land, buildings, roads, and computer equipment.

## CAPITAL ADJUSTMENT ACCOUNT

A reserve set aside from revenue resources or capital receipts to fund capital expenditure or the repayment of external loans and certain other capital financing transactions.

## CAPITAL RECEIPTS

Income received from the sale of land, buildings or equipment.

## CENTRAL SUPPORT SERVICES

Support provided to front line services by administrative and professional officers, including financial, legal, people services, IT, property and general administrative support.

## CIPFA (CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTING)

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code.

## COLLECTION FUND

An account that shows the income due from NNDR and Council Tax payers and the sums paid to central government 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.

## Glossary of Terms (continued)

### **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

A statement which details the total income received and expenditure incurred by the Council during a year in line with IFRS reporting as required by the Code.

### **CONTINGENT ASSET**

An asset arising from past events, whereby its existence can only be confirmed by one or more uncertain future events not wholly within the control of the Council.

### **CONTINGENT LIABILITY**

A contingent liability is either:

- a possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Council; or
- a present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.

### **CORPORATE AND DEMOCRATIC CORE**

This comprises all activities which local authorities engage in specifically because they are elected, multi-purpose organisations. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. It includes costs relating to the corporate management and democratic representation.

### **COUNCIL TAX**

A local tax on properties within the City Council, set by the charging (Westminster) and precepting (GLA) authorities. The level is determined by the revenue expenditure requirements for each authority divided by the council tax base for the year.

### **COUNCIL TAX BASE**

The amount calculated for each billing authority from which the grant entitlement of its share is derived. The number of properties in each band is multiplied by the

relevant band proportion in order to calculate the number of Band D equivalent properties in the area. The calculation allows for exemptions, discounts, appeals and a provision for non-collection.

### **CREDITORS**

Amounts owed by the Council for goods and services received but not paid for as at 31 March.

### **CURRENT SERVICE COST**

An estimate of the true economic cost of employing people in a financial year. It measures the full liability estimated to have been generated in the year.

### **DEBTORS**

Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31 March.

### **DEFERRED CAPITAL INCOME**

Deferred Capital Income comprises amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses, which form the main part of mortgages under loans for purchase and improvement of property.

### **DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

### **DEFINED CONTRIBUTION SCHEME**

A pension or other retirement benefit scheme into which an employee pays regular fixed contributions as an amount or as a percentage of pay, and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to the employee service in the current and prior periods.

## Glossary of Terms (continued)

### **DEPRECIATION**

A measure of the cost of the economic benefits of the tangible fixed assets consumed during the period.

### **EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the Council, which need to be disclosed separately by virtue of their size or incidence to give a fair representation in the accounts.

### **EXPECTED RETURN ON ASSETS**

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

### **FINANCE LEASE**

A lease that substantially transfers the risks and rewards of a fixed asset to the lessee. With a Finance Lease, the present value of the lease payments would equate to the fair value of the leased asset.

### **FIXED ASSETS**

Assets that yield benefit to the Council and the services it provides for a period of more than one year.

### **GENERAL FUND**

The account to which the cost of providing the Council Services is charged that are paid for from Council Tax and Government Grants (excluding the Housing Revenue Account).

### **HOUSING REVENUE ACCOUNT (HRA)**

A statutory account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

### **IMPAIRMENT**

A reduction in the carrying value of a fixed asset below its carrying value (due to obsolescence, damage or an adverse change in the statutory environment).

### **INTEREST COST**

For defined benefit pension schemes the interest cost is the present value of the liabilities during the year as a result of moving one year closer to being paid.

### **INFRASTRUCTURE ASSETS**

A class of assets whose life is of indefinite length and which are not usually capable of being sold, such as highways and footpaths.

### **INTANGIBLE FIXED ASSETS**

'Non-financial' fixed assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights. Purchased intangibles, such as software licences, are capitalised at cost whilst internally developed intangibles are only capitalised where there is a readily ascertainable market value for them.

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB)

### **INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)**

International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

### **LEVIES**

Payments made to the London Pensions Fund Authority, the Environment Agency and the Lee Valley Regional Park Authority.

## Glossary of Terms (continued)

### **LONG TERM DEBTORS**

These debtors represent the capital income still to be received, for example, from the sale of an asset or the granting of a mortgage or a loan.

### **MINIMUM REVENUE PROVISION**

The minimum amount that the Council must charge to the income and expenditure statement to provide for the repayment of debt.

### **MOVEMENT IN RESERVES STATEMENT**

This financial statement presents the movement in usable and unusable reserves (the Council's total reserve balances).

### **NET BOOK VALUE**

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value, less the cumulative amount provided for depreciation.

### **NET REALISABLE VALUE**

The amount at which an asset could be sold after the deduction of any direct selling costs.

### **NON-DISTRIBUTED COSTS**

Non-distributed costs are defined as comprising:

- retirement benefit costs including past service costs, settlements and curtailments. To note, current service pension costs are included in the total costs of services;
- the costs associated with unused shares of IT facilities; and
- the costs of shares of other long-term unused but unrealisable assets.

### **NON-OPERATIONAL ASSETS**

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment

properties and assets that are surplus to requirements, pending sale or redevelopment.

### **OPERATING LEASE**

A lease other than a finance lease. This is a method of financing assets which allows the Council to use, but not own the asset and therefore is not capital expenditure. A third party purchases the asset on behalf of the Council, who then pays the lessor an annual rental charge for the use of the asset.

### **OPERATIONAL ASSETS**

Fixed assets held and occupied, used or consumed by the local authority, in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

### **PAST SERVICE COST**

A cost arising from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years.

### **POST BALANCE SHEET EVENTS**

These events, both favourable and unfavourable, occur between the Balance Sheet date (31 March) and the date on which the statement of accounts are signed.

### **PRECEPTS**

These are demands made upon the Collection Fund, by the Greater London Authority for monies, which it requires to finance the services it provides.

### **PRIOR YEAR ADJUSTMENT**

A material adjustment applicable to prior years arising from changes in accounting policies or correction of fundamental errors.

### **PROJECTED UNIT METHOD – PENSION FUND VALUATION**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

## Glossary of Terms (continued)

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

### PROVISIONS

A liability that is of uncertain timing or amount which is to be settled by transfer of economic benefits.

### PRUDENTIAL CODE

Since 1 April 2004, local authorities have been subject to a self-regulatory “prudential system” of capital controls. This gives authorities the freedom to determine how much of their capital investment they can afford to fund by borrowing. The objectives of the code are to ensure that the local authority’s capital investment plans are affordable, prudent and sustainable, with Councils being required to set specific prudential indicators.

### RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the Council and its pension fund.

### RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party, irrespective of whether a charge is made.

Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services; and
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

### RESERVES

An amount set aside for a specific purpose in one year and carried forward to meet future obligations.

### REVENUE EXPENDITURE

Day to day payments on the running of Council services including salaries, wages, contract payments, supplies and capital financing costs.

### REVENUE SUPPORT GRANT

The main Government grant paid to local authorities. It is intended to adjust for differences in needs between areas so that, if all local authorities were to spend at the level which the Government assess that they need to spend, the Council Tax would be the same across the whole country.

### REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the

Balance Sheet as a fixed asset. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.

### **SERVICE CONCESSIONS**

An arrangement involving the private sector constructing or upgrading assets used in the provision of a public service and operating and maintaining those assets for a specified period of time.

### **SOCIETY OF LOCAL AUTHORITY CHIEF EXECUTIVES (SOLACE)**

Solace (Society of Local Authority Chief Executives and Senior Managers) is the representative body for senior strategic managers working in the public sector.

### **SOCIETY OF LONDON TREASURERS**

Representative body of section 151 Officers from all 32 London Boroughs, the City of London Corporation and the Greater London Authority Group.

### **THE CODE**

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

*NOTE: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.*

### **UK GAAP**

UK GAAP is the Generally Accepted Accounting Practice in the UK (UK GAAP) is the body of accounting standards and other guidance published by the UK's Financial Reporting Council (FRC)

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# Contact Information

This document gives details of Westminster City Council's Annual Accounts and is available on the Council's website at [westminster.gov.uk](http://westminster.gov.uk).

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