City of Westminster

City for All

Annual Accounts

Westminster City Council • 2016/17

Contents

The Statement of Accounts for Westminster City Council for the year ended 31 March 2017 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 2016/17 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy. The Code is based on International Financial Reporting Standards, as adapted for the UK public sector under the oversight of the Financial Reporting Advisory Body.

1. Councillor Preface

Councillor Preface

INTRODUCTION TO THE 2016/17 STATEMENT OF ACCOUNTS BY COUNCILLOR TIM MITCHELL, CABINET MEMBER FOR FINANCE, PROPERTY AND CORPORATE SERVICES

Westminster City Council's ambitious City for All plan is a plan for the Council and for the whole of the city. It invites each and every one of us to play a part in creating a City for All. 2016/17 was a successful year as the Council yet again demonstrated its ability to lead the industry in a number of ways in its pursuit of its City for All objectives.

Amongst many, these successes include the introduction of a new Health and Wellbeing Strategy, the signing of a new sports and leisure contract and the completion of the first new homes and community base in the Church Street regeneration project. The Council has also had success in implementing enabling activities which support front line services. 2016/17 saw the implementation of a modernised suite of IT productivity tools and the final cohort of Westminster leaders undertaking the Westminster Way Leadership Academy.

The success in achievements for our residents is equally matched by our success in managing the public funds with which we are entrusted. Since 2008 Westminster City Council has faced significant financial challenges due to reductions in funding from central government along with cost pressures within services.

Between 2015 and 2018 alone, we are delivering approximately £130m of financial savings. In addition to these savings, for the first time since 2010/11 there was no Council Tax Freeze grant available to the Council. As a result, the Council took the necessary decision to increase Council Tax by 1.99% together with a 2% Social Care levy to protect front line Adult Social Care Services. Despite this increase, the city's Council Tax remained the lowest in the Country at £392.81 per annum for a Band D property.

The process of identifying savings is on-going and will continue for the foreseeable future. The uncertainty and complexity is magnified by significant changes in the worldwide political landscape exemplified by the EU referendum vote and 2016 US presidential election. Supporting the organisation to navigate these financial challenges is a finance service which is sector leading. This finance service delivered this high quality Statement of Accounts within 4 working days of the year end. This is truly a mark of a sound and robust Financial Management service. The service prides itself on its ambition to remain at the leading edge of performance as well as to deliver value for money and high quality services to our residents.

Going forward, the change in leadership comes at a time when the Council is excelling in delivering the final year of its City for All ambitions. I feel positive that the Executive Team within the Council and our strategic direction will enable us to continue to navigate significant financial challenges and deliver excellent services to our residents, businesses and customers.

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

Councillor Tim Mitchell

Cabinet Member for Finance, Property and Corporate Services

2.

Written Statements and City Treasurer's Narrative Report

City Treasurer’s Narrative Report

1. WESTMINSTER AS A PLACE

Westminster is the heart of the UK, contributing £55bn of the UK’s economic output – the single biggest local authority area. This strength comes from a multitude of sources – leisure and accommodation, retail and professional jobs such as media, investment and development companies.

As well as being the power house of the UK economy, Westminster is a unique place – home to the monarchy, government, over 11,000 listed buildings and one of the most creative locations in the world – Soho.

Nearly a quarter of a million residents live in Westminster, a place frequently regarded as affluent, though this often masks the challenges the Council faces; responding to a highly mobile population, significant inequalities in wealth and outcomes for residents and an increasingly high demand for services.

Over 800,000 people commute into Westminster every day, and whilst bringing significant benefit to Westminster this level of daily movement creates a strain on the City’s infrastructure.

Westminster is one of 33 London Boroughs and is a major financial organisation. However, despite being the engine of the UK economy, the Council faces a number of significant challenges over the next few years.

- Westminster:
  - collects £1.9bn in business rates but only retains 4% to spend on services
  - manages the £1.3bn City of Westminster Pension Fund
  - holds £2.5bn of assets for service delivery and investment
  - generates £1bn of income to help deliver services and keep council tax down
- Central government formula funding is falling year on year, and made up 32% of the core funding in 2016/17, reducing to 27% in 2017/18.
- Demographic growth and an increasingly ageing population will continue to present challenges on the Council’s budget in years to come.
- Brexit will create some uncertainty in 2017/18 and beyond. The financial impacts are not currently quantified and could be positive or negative. The impact on the Council’s finances could include:
  - Interest rates (both for capital borrowing and investments)
  - General inflation rates
  - Labour costs
  - Property values or rents

2. CITY TREASURER’S DEPARTMENT – STEVEN MAIR

Best in class

The City Treasurer’s department continues on its journey to become ‘Best in Class’. This achievement can be seen in the continuing improvement in the publication of these accounts and ensuring they are available to the public when they are still current.

The Council published its accounts on 6th April, maintaining Westminster’s lead as the first Authority in the UK to publish its accounts and exceeding 95% of FTSE 100 companies. This has been achievable not only from more efficient working practices but also from investment in its staff through the Westminster Way training programme to embed a culture of continuous improvement within the department.

The Department is also leading the way in ensuring the accounts are not just published quickly but also pushing to streamline them to make them as relevant as possible to the resident and taxpayer.

2017/18 will see the Department leading the way nationally to streamline local government financial reporting. This will:

- make the accounts more readily understandable and accessible to users
- help improve services to the public.

Steven Mair
City Treasurer, Section 151 Officer
Westminster City Council

CITY FOR ALL

Global City, strong neighbourhoods, thriving community

Westminster is the UK's cultural and political centre, and a local economy with generating over £55bn of output to the national economy. The city plays host to world renowned theatres, restaurants, hotels and entertainment, as well as government and the Royal Family. Most importantly, however, the distinctive and well known neighbourhoods are also home to nearly a quarter million people, an important part of this great city.

THREE NEW PRIORITIES

CIVIC LEADERSHIP AND RESPONSIBILITY AT THE HEART OF ALL WE DO

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

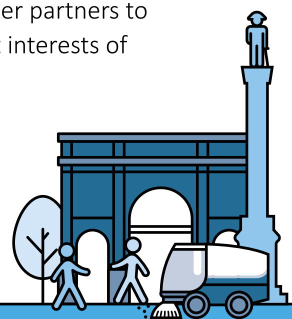
OPPORTUNITY AND FAIRNESS ACROSS THE CITY

Providing more homes of all types and tenures, will be at the forefront of our priority to create opportunities for people to do the best for themselves and their families. Our extensive housing renewal programme includes providing more social and affordable homes so we can all take continued and genuine pride in our mixed community. Our Westminster Employment Service will help get people in to work.

We will continue our commitment to outstanding schools and take a positive approach to adult social care in the face of increasing demand and despite the on-going financial reality for UK public services. We will do this by providing quality services that give people the support they may need at key moments in life. We will work closely with partners including the NHS to encourage individuals and families to enjoy active, fulfilling, healthy and happy lives, whilst we quite rightly focus our increasingly scarce resources on the support needed for the most vulnerable in our city.

SETTING THE STANDARDS FOR A WORLD CLASS CITY

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

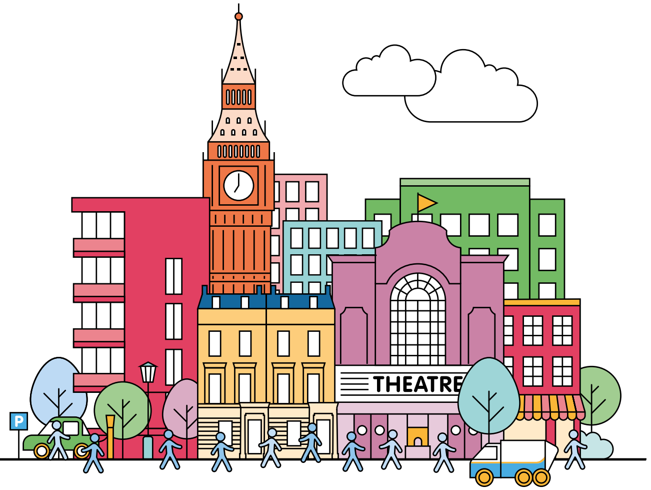


3. COUNCIL'S PERFORMANCE

Achievements 2016/17

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

- We have continued our commitment to providing excellent services and good value for money. We are proud to say that 73% of our residents believe we are efficient and well run, an increase on 2015
- Our Open Forum events have put residents at the heart of our decision making in Westminster. Hundreds of people have attended our Open Forum events and over 10,000 people visited our new Open Forum website, showing that our community cares deeply about delivering positive change
- We worked to protect our residents from the disruptive impact of iceberg basements by introducing a new levy and a Sub Squad to monitor and enforce against noisy construction work
- Our campaigning efforts led the national debate on the impact the drug Spice has on the most vulnerable people in our community, and we secured the reclassification of the drug to help protect those most at risk
- We also took on board the concerns of local business in Saville Row, Harley Street and other distinctive areas of our city, putting in place new planning controls to protect the special and historic value of these unique communities
- In our 2015 City Survey residents named air quality as their joint top concern and we responded by creating the Marylebone Low Emission Neighbourhood, where we joined forces with local businesses to invest £2.1m over three years delivering new green initiatives to improve air quality
- Our outreach teams have spoken to over 2,900 rough sleepers in 2016 and our work has helped more than 500 people move from hostels to independent living
- We have helped give children the best start in life and local schools continue to go from strength to strength, with the latest figures showing our secondary schools are among the best in London and 12th nationally
- During 2016, 13,000 time credits were handed out to our incredible volunteers to recognise the time they give. These credits allow them to visit London landmarks or access our sports and leisure facilities for free
- This year 258 new affordable homes have been built. This brings the total to over 500 since City for All began. The new Westminster Home Ownership Accelerator scheme with Dolphin Living, that helps residents get on the property ladder, was a winner at the prestigious Housing Innovation Awards
- We have helped 5,500 of the most vulnerable older people to receive the care they need in their own home. We also supported 5,000 older people to take part in local activities through Silver Sunday and over a thousand people took to the floor at the 2016 Westminster Tea Dance
- Westminster holds a privileged position as the stage for the country's biggest events and we marked the centenary of World War I at a number of locations across the city including Lord's Cricket Ground. West End LIVE, our celebration of musical theatre, was the most successful yet and attracted half a million people
- The 2016 Westminster Mile was the biggest yet, with over 5,000 people taking to the streets of central London to enjoy a healthy morning run
- We have been recognised by Ofsted as delivering the joint best Children's Services in the country, and 74% of young people leaving our care secured education, employment and training
- We led by example and employed 80 apprentices across a range of services, providing work experience alongside a formal qualification to support their aspiration for full time employment
- We continue to champion employment in Westminster, delivering jobs for over 750 unemployed residents, more than half of whom had been long-term unemployed
- Our second ever Westminster Enterprise Week was attended by 2,800 of our budding young entrepreneurs, providing them with a unique chance to meet business leaders and visit our expanding network of enterprise space across the city
- In 2016 Westminster was ranked the best place in the UK for providing life chances for young people and reducing child poverty. We are proud to say that we also received top rating from the Social Mobility Commission for our work to create opportunities and employment



4. FINANCIAL PERFORMANCE

Financial Context of the Council

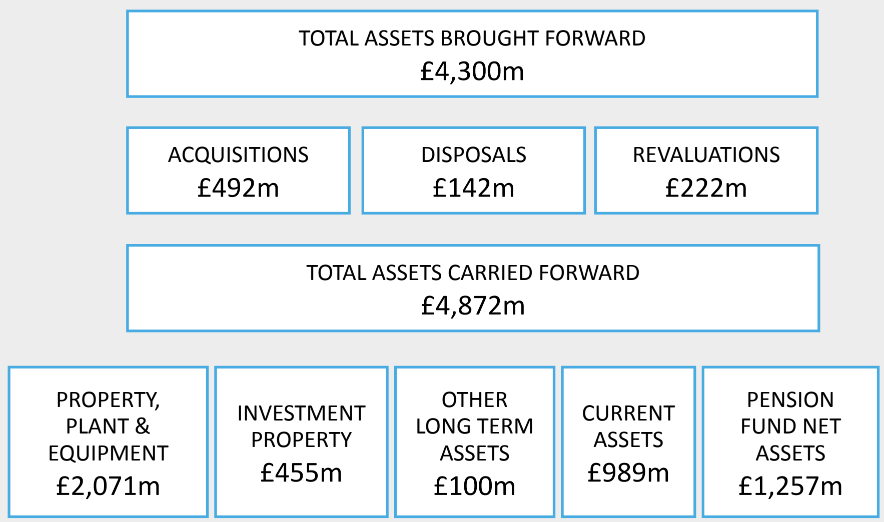
Westminster City Council is responsible for managing cashflows and assets exceeding £7 billion.

The Council:

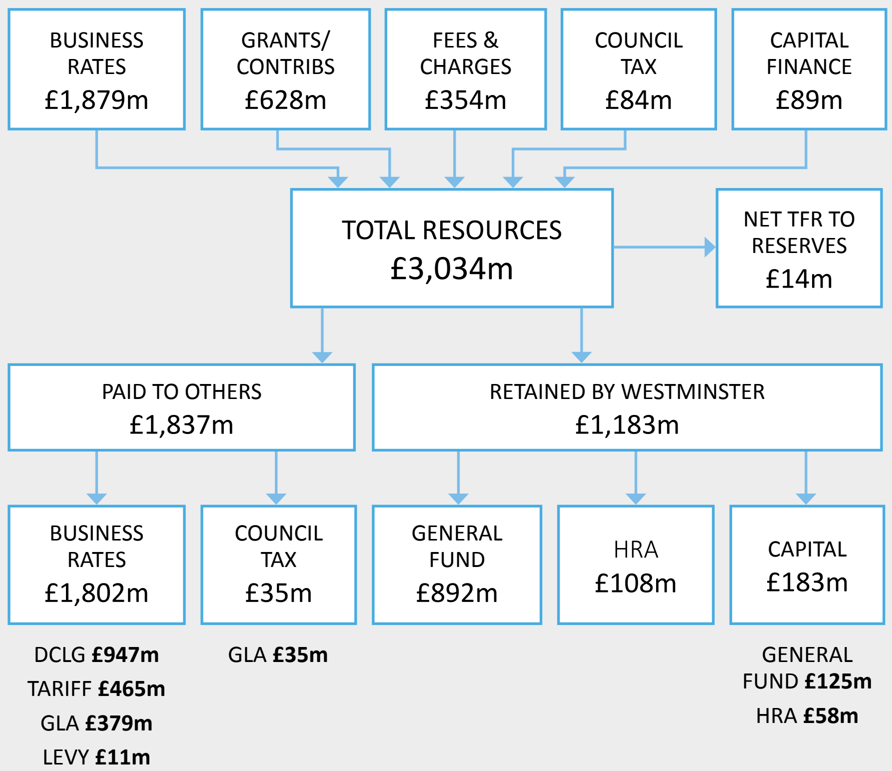
- collects £1.9 billion of business rates – the largest amount in the country at 8% of national business rates. 96% of the business rates collected is passed onto central government and the Greater London Assembly, the Council retaining £77m.
- is responsible for managing the £1.3 billion City of Westminster Pension Fund which provides pensions to 5,600 pensioners and has 4,300 active members.
- holds £2.5 billion of fixed assets comprising £2.1 billion of operational assets for delivering services and £0.4 billion of investment property. Active management of the asset portfolio is expected to realise £100m of capital receipts in 2017/18 and generates investment income of £24m annually.
- generates £1 billion of fees, charges and grants used to deliver services and keep council tax down

Active treasury management of these cashflows involves £7.2 billion of churn annually.

CAPITAL CASH FLOWS

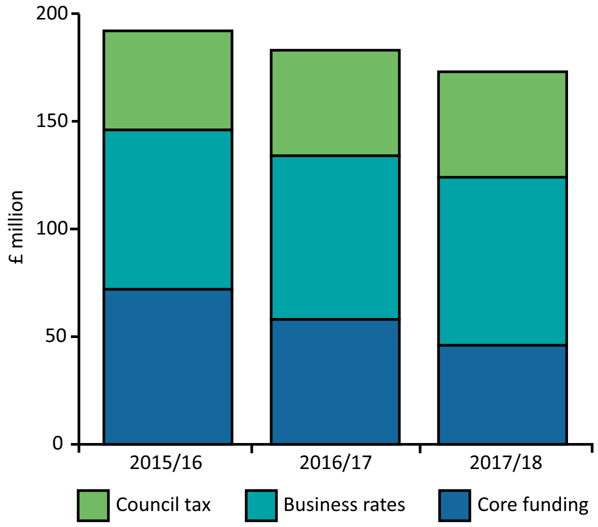


REVENUE CASH FLOWS



4. FINANCIAL PERFORMANCE (CONTINUED)

In common with the rest of local government, the Council has seen a steady reduction in its core funding putting increasing pressure on council tax.



Against this background, the Council continues to lead the way in rising to the financial challenges facing local government through:

- sound financial stewardship and
- innovative approaches to service delivery and support functions

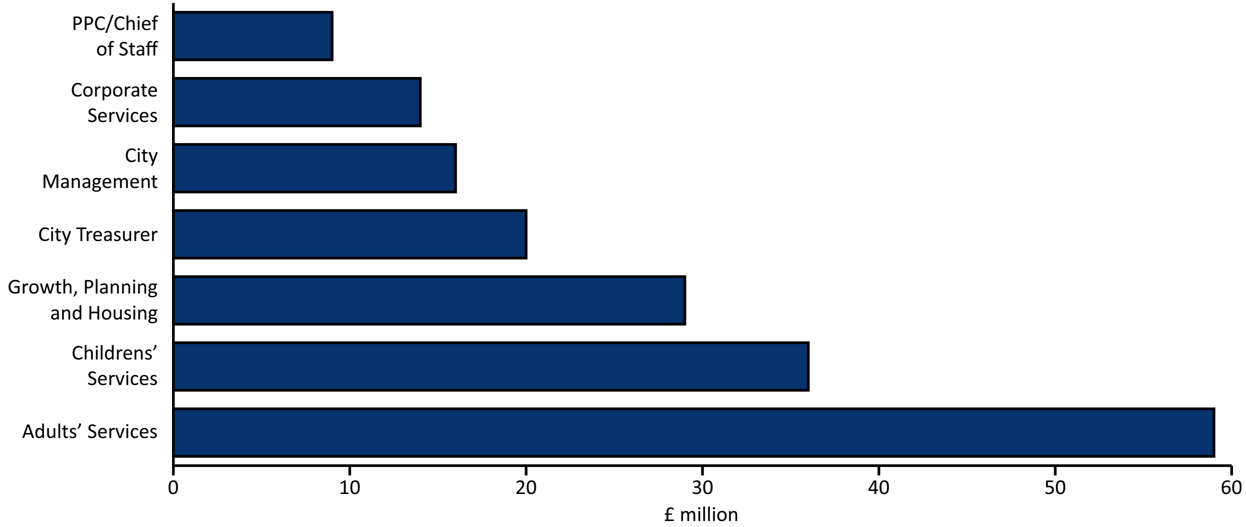
These have seen the majority of the savings found from efficiencies and income rather than cuts to service delivery.

2017/18 is no exception, with 99% of required savings being found from efficiencies and enhanced commercial income opportunities.

As a result Westminster continues to set the lowest Council Tax in the country at £392.81 for a Band D property in 2016/17 (£408.12 in 2017/18 including the 2% Adult Social Care precept).

Council spending in 2016/17

Council spending by department was within 1% of budget for all departments reflecting sound financial management and budgetary control.



Addressing future challenges

In 2016/17 the Government allowed councils to apply an additional 2% levy on council tax to fund Adult Social Care pressures.

This raised an additional £1m for the Council to spend specifically on adult social care.

4. FINANCIAL PERFORMANCE (CONTINUED)

PENSION LIABILITIES
£285M

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

Pension fund is revalued every three years to set future contribution rates.

Its current funding level is 70%.

17 year recovery plan from March 2017 to make additional contributions in line with the Pension Funding Strategy Statement, which includes the use of flexible capital receipts.

HOUSING REVENUE ACCOUNT
£41.2M RESERVES AT 31ST MARCH 2017 (£31.6M AT 31ST MARCH 2016)

- Council's housing stock is a ring-fenced landlords' account managed by City West Homes (wholly owned by Westminster City Council
- Council owns approximately 12,000 homes
- Collected £76m in dwelling rents in 2016/17 (£76m in 2015/16)
- Council is planning to spend £700m over 5 years to purchase and improve its housing stock

CONTINGENCIES

The Council has to set aside a provision for any business rate appeals against rateable valuations. Westminster has the largest business rates bases in the country and therefore the largest appeals provision.

Appeals outstanding at 31st March 2017: 8,585

	2015/16	2016/17
Provision	£393m	£256m

FINANCIAL POSITION
NET ASSETS £1,909M (£1,898M AT 31 MARCH 2016)

The Council maintains a strong balance sheet despite the financial challenges

Non-Current Assets (property and long-term investments) **£2,461m**

Net Current Assets (debtors, stock and cash less creditors and liabilities) **£504m**

Long-term liabilities and provisions **(£1,067m)**

NET ASSETS **£1,898m** 31 March 2016

Funded by:

Usable Reserves **£652m**

Unusable Reserves **£1,246m**

Non-Current Assets (property and long-term investments) **£2,625m**

Net Current Assets (debtors, stock and cash less creditors and liabilities) **£505m**

Long-term liabilities and provisions **(£1,247m)**

NET ASSETS **£1,883m** 31 March 2017

Funded by:

Usable Reserves **£576m**

Unusable Reserves **£1,307m**

4. FINANCIAL PERFORMANCE (CONTINUED)

CAPITAL

The Council has an ambitious five year capital programme of £1.9bn (including £700m HRA capital programme). This investment will deliver a range of benefits which aim to achieve City for All objectives, including:

- New improved leisure, adult social care and education facilities, as well as enterprise space and improved public realm
- 969 new and replacement affordable homes are planned, with 345 being completed by 2021/22.
- Improved public spaces, transport and other infrastructure to ensure the continued success of the West End as a business, leisure and heritage destination
- Improved public realm and pedestrian environment to accommodate safe and efficient travel in the City
- Well-maintained, efficiently managed infrastructure, allowing residents, businesses and visitors to enjoy clean, high quality streets

	OUTTURN	FIVE YEAR PLAN					TOTAL
EXPENDITURE	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**£m**
Adult Services	0	1	0	0	0	0	**1**
Children's Services	4	10	10	0	0	0	**20**
City Management and Communities	27	84	62	29	20	17	**212**
City Treasurer	0	39	38	22	26	34	**159**
Corporate Services	1	3	4	2	1	1	**11**
Growth, Planning & Housing	94	229	213	162	111	115	**830**
Policy, Performance & Communications	6	1	0	0	0	0	**1**
Housing Revenue Account	64	134	186	142	143	95	**700**
Total Expenditure	**196**	**501**	**513**	**357**	**301**	**262**	**1,934**
FUNDING							
Grants and Other Contributions	(97)	(145)	(122)	(40)	(57)	(18)	**(382)**
Capital Receipts and Reserves	(33)	(196)	(184)	(158)	(226)	(134)	**(898)**
Borrowing	(66)	(160)	(207)	(159)	(18)	(110)	**(654)**
Total Funding	**(196)**	**(501)**	**(513)**	**(357)**	**(301)**	**(262)**	**(1,934)**

4. FINANCIAL PERFORMANCE (CONTINUED)

Some examples of major schemes are:

- **Huguenot House £103m**
  This includes the option of a potential mixed use office and residential site. This will enhance rental income stream, increase employment, new housing and improve public realm.

- **Dudley House £85m**
  A mixed development as part of the regeneration of the Paddington Basin area to increase provision of affordable housing and provide additional secondary school places.

- **HRA capital programme £700m**
  The first five years of the HRA capital programme is estimated at £700m and will include regeneration schemes as well as purchases and improvement works.

Right / far right: Dudley House visualisations

5. WHO WORKS FOR THE COUNCIL?

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

The Council employs a number of apprentices in a wide variety of roles. From April 2017, Westminster Council will pay an apprenticeship levy. The levy is 0.5% of the Council's total pay bill, including maintained schools.

It can be used to pay for apprenticeship training, against an approved apprenticeship standard for both new recruits and for existing Council 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.

Westminster sees the development of its employees, a culture of lifelong learning and continuous improvement as integral to providing quality services. In support of this the Council has made significant investments towards the learning and development of its people across the council through initiatives like the Westminster Way, the Leadership Academy, Coaching and various service specific training modules.

6. HEALTH & WELLBEING

In December 2016, the Health and Wellbeing Board launched its strategy for the next five years. The plan establishes four key priorities to ensure that Westminster's residents, workers and visitors are given the opportunity to be healthy and well.

One of the clear priorities for the future is to improve the physical and mental health outcomes for Westminster's children and young people. The Board commits to ensuring front line workers are able to support families via a joined up approach to the provision of services and work in partnership with young people in the design and provision of health services.

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

Another key aim of the plan is the improvement of mental health outcomes through prevention and self management. This involves addressing the stigma of mental health and working with communities to address its wider determinants such as housing, employment and education.

The strategy looks to deliver these commitments through a sustainable and effective local health and care system. A key recommendation is ensuring that the budget and services of Westminster and its partners are "as one" in addressing these health and wellbeing challenges. The Board will model the strategy's spend and priorities over the lifetime of this strategy, setting out how the finance will be used.

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. Set out below are the key risks from the Council's corporate risk register.

Risk	Impact	Mitigation
Brexit: Detrimental impact of Brexit on the Council's corporate objectives and finances.	• Housing schemes could become more expensive (future restrictions on migration might increase labour cost). • Employment targets will be harder to achieve if there is an economic downturn due to Brexit. • Reduced income - central Gov. grant might decrease, European grant funding could end, potential for reduced tourism/inward investment.	• Review budgets for major projects to ensure adequate buffer for cost inflation. • Seek commercial opportunities to make up for any future reduction in EU/central Gov. grants. • Lobby government to influence Brexit negotiation strategy.
TriB: Termination of relationship between tri-borough partners for delivering Adult Social Care, Public Health and Children's Services.	• Unwinding of Tri-B relationship creates uncertainty around data sharing, forward plans and governance arrangements. • Increased risk of failing in duty of care to vulnerable during the transitional process to a bi-borough arrangement.	• Plan to be devised for smooth transition to bi-borough arrangement. • Staff to be kept informed. • Measures put in place to ensure safeguarding of vulnerable.
Business rates: Localising business rates could reduce the Council's income.	• Current proposal means a reduction in the level of income Westminster City Council receives from business rates. • Westminster City Council would in future be 100% liable for appeals and backdating; exposure is 50% at present.	• Lobby central Gov. to ensure favourable business rates settlement. • 'Check, challenge and appeal' aims to reduce the number of business rates appeals.
Change fatigue: Staff antipathy to continual change and reduced staffing levels.	• Reduced morale if staff feel overwhelmed by workplace changes. • Potential for increased sick leave/absences among staff. • Lack of confidence in future changes and lost productivity if enablers for change (e.g. IT) do not work properly.	• Rolling 'change network' programmes to help to embed change in the organisation. • Audits/surveys to ensure that all staff are comfortable in their working environments. • IT forward plan to minimise risk of further server failure.
Social care: Demographic pressures and increasing cost of social care.	• Increasing cost of social care due to growing number of older people and prevalence of long-term ailments. • Increased risk of private social care providers going out of business. • Those employed by private social care providers at increased risk of unemployment.	• Increase in council tax precept will help to meet funding demand. • Lobbying central government to ensure adequate funding for Adult Social Care in future. • Greater emphasis entrepreneurship: testing sustainable new models of care.
Major incident: Major incident in Westminster (terrorist attack, freak weather occurrence, etc.)	• Major disruption to Westminster transport and roads; difficulties for staff getting home. • Potential injury or death to Westminster staff and/or residents.	• Business continuity plan in place (knowledge of staff routes to work, etc.). • Crisis comms plan in place and all staff aware of how to respond to emergency situation.
Safeguarding children: Ensuring that all children within Westminster's care system are properly looked after and come to no harm	• Harm or death to child in Westminster care. Reputational impact to Council – negative media coverage. • Fines and loss of confidence in service users. Decreased morale for workers involved with service provision.	• Continual service reviews to ensure safeguarding protocols are adhered to. • Spot checks to ensure that restructure not negatively impacting service delivery.
IT: Security of the Council's IT systems.	• WCC continues to be at risk from failure of remaining legacy datacentre services. • The risk of malicious virus/hacking from external sources remains high, in line with the external threat profile. This may result in significant loss of productivity and reputation.	• A joint IT Strategy is currently being developed with RBKC for the shared IT service. • Netconsent policies recently published to all WCC staff. • Strengthen Information Governance processes including staff training, policy awareness and data breach handling. • Ensure IT Security Healthcheck actions are completed for robust Council IT security controls.

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 2017. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which in turn is underpinned by International Financial Reporting Standards;

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

The **Core Statements** are:

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

The **Supplementary Financial Statements** are:

- The **Annual Governance Statement** which sets out the governance structures of the Council and its key internal controls.
- The **Housing Revenue Account** – this separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.
- The **Collection Fund** summarises the collection of Council tax and business rates, and the redistribution of some of that money to the Greater London Authority (GLA) and central government.
- The **Pension Fund Account** reports the contributions received, payments to pensioners and the value of net assets invested in the Local Government Pension Scheme on behalf of Council employees.
- The **Notes** to these financial statements provide more detail about the Council's accounting policies and individual transactions.

Independent Auditor's Report

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

We have audited the financial statements of City of Westminster Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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.

Respective responsibilities of the City Treasurer and auditor

As explained more fully in the Statement of Responsibilities, the City Treasurer 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 2016/17, which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception
We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

CONCLUSION ON THE AUTHORITY'S ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN ITS USE OF RESOURCES

Respective responsibilities of the Authority and auditor
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.

We are required under Section 20(1)(c) of the Act 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.

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources
We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether 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 criteria 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 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper 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 criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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 Act 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 2017. 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 2017; and
- our consideration of objections brought to our attention by local authority electors under Section 27 of the Audit and Accountability Act 2014. We are satisfied that these matters do 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 2017.

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

Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

18th July 2017

Independent Auditor's Report – Pension Fund

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

We have audited the pension fund financial statements of City of Westminster Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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 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.

Respective responsibilities of the City Treasurer and auditor

As explained more fully in the Statement of Responsibilities, the City Treasurer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the City Treasurer; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion:

- the pension fund financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities; and
- the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the audited pension fund financial statements.

Elizabeth Jackson
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Melton Street
Euston Square
LONDON
NW1 2EP

18th July 2017

Statement of Responsibilities for the Statement of Accounts

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

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

THE SECTION 151 OFFICER'S RESPONSIBILITIES

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

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

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

The Section 151 Officer has also:

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

Steven Mair

City Treasurer, Section 151 Officer.

APPROVAL OF STATEMENT OF ACCOUNTS

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

Councillor Ian Rowley

Chairman of the Audit and Performance Committee

Annual Governance Statement 2016/17

INTRODUCTION

Local authorities are statutorily required to review their governance arrangements at least once a year. Preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SoLACE Delivering Good Governance in Local Government Framework (2016) (the Framework) fulfils this requirement. The Framework requires local authorities 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.

The Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs which facilitate the effective exercise of functions and ensure that the responsibilities set out above are being met.

KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

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

Council, Cabinet and Leader

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

Decision making

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

Risk management

- Risk registers identify both operational and strategic risks
- Key risks are considered by EMT every quarter

Scrutiny and review

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

Executive Management Team (EMT)

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

HOW WE COMPLY WITH THE CIPFA/ SOLACE FRAMEWORK

The Council has approved and adopted:

- a Code of Corporate Governance
- the requirements of the CIPFA/SoLACE Framework Delivering Good Governance in Local Government Framework 2016
- a number of specific strategies and processes for strengthening corporate governance.

Set out below is how the Council has complied with the seven principles set out in the CIPFA/SoLACE Framework during 2016/17. New or enhanced arrangements as part of the Council's continuous improvement in its governance have been highlighted in **bold**.

PRINCIPLE A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Council has a Code of Conduct for elected and co-opted Members, which has been updated during 2016/17, and a Code of Corporate Governance which provides guidance for officers and Members on expected standards of behaviours to ensure integrity. The Council has three priorities which are to put civic leadership and responsibility at the heart of all it does, promote opportunity and fairness across the City and set the standards for a world class city. To support these priorities Members and officers receive training in Code of Conduct and behaviour issues. The Standards Committee and Monitoring Officer keep Codes of Conduct up to date and investigate any suspected breaches.

All officers and Members sign up to the Council's Anti-Fraud, Bribery and Corruption Policy. In addition, the Audit and Performance Committee receive an annual report setting out the arrangements in place and how these have been applied in practice during the year. The Whistleblowing policy places emphasis on the agreed ethical values of Members and employees, providing protection for individuals to raise concerns in confidence about suspect behaviour and ensuring that any concerns raised are properly investigated.

All Council decisions have to consider legal implications which are recorded on the Council's website. Senior officers and other key post holders receive support from Legal Services in this regard and if specialist legal advice is required then the Council will engage external advisors. The Section 151 and Monitoring Officers have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements, and for reporting any such instances to members.

PRINCIPLE B

Ensuring openness and comprehensive stakeholder engagement

All meetings are open to the public and all agenda papers, reports and decisions made by the Council are published on the Council's website together with details of forthcoming consultation exercises, surveys and, public meetings, except those determined as exempt from publication. The Council's constitution sets out how it engages with stakeholders and partners through a combination of joint working arrangements, partnership boards and representation on the governing bodies of external organisations including local NHS bodies, neighbourhood forums, local business and other local authorities.

Various residents associations are in place. The Council also undertakes an annual resident's survey. **This year the Council launched the Open Forum. Three Open Forum meetings will be held each year hosted by the Leader of the Council, plus an online discussion forum.**

The Council sends every household the quarterly magazine – The Westminster Reporter. This is also available online and the Council utilises various online communication channels including Twitter, Instagram, Facebook, LinkedIn and YouTube. More specific e-bulletins are created for various communities of interest, such as Businesses and Families.

PRINCIPLES C AND D

Defining, optimising and achieving outcomes

The Council's strategic vision for Westminster is set out in City for All. To ensure that it delivers this vision the Council develops various strategies to define specific outcomes for key service areas. Each directorate also plans out how it will deliver the outcomes relevant to its area of work through business plans in the context of the agreed budget for the year ahead. To maintain a focus on delivering sustainable social and environmental benefits, the Council has an economic development plan and an environmental strategy as well as a series of more specific strategies. This includes the Greener Action Plan, the Health and Well Being strategy, and the Air Quality Strategy. Environmental impact assessments for major capital works and infrastructure development are mandatory.

All service decisions are subject to rigorous scrutiny by lead Members, review of options and risk by officers and Members and key performance indicators are in place for all directorates. These are reported quarterly and include reports to the Audit and Performance Committee for discussion and potential intervention where expected performance is not being achieved.

The Council has a programme of significant transformation programmes. Budget proposals are developed by services, challenged and subject to scrutiny by the Budget Task Force. The Council regularly engages with other authorities to learn and understand how best practice has been delivered elsewhere.

PRINCIPLE E

Developing capacity and capability

A key element of the Council's service planning is to maximise the investment in staff through staff training, including the Westminster Way leadership academy to develop leaders of the future. All employees have Personal Development Plans highlighting their development needs. The Council also has an Online Learning Portal available to all employees as and when required

The Council works across a broad set of partnerships and collaborative arrangements, and uses commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way

PRINCIPLE F

Managing risks and performance

The Risk Management Strategy sets out the Council's approach to identifying and controlling risk. Risk registers are maintained at a corporate and individual service department level with significant risks reported to EMT and to the Audit and Performance Committee.

Service outputs, outcomes, and achievements are monitored and reported quarterly.

The Council has an Anti-Fraud, Bribery and Corruption strategy as well as Financial Regulations which set out expected processes and internal controls. The internal audit team provide regular reports on the effective operation of these controls together with an annual assessment of the overall control environment.

The Council has a dedicated Information Management Team responsible for information governance, security and records management.

Newly adopted Corporate Security Policy and Codes of Practice govern how information should be securely handled, transmitted, stored and maintained. All staff sign a Personal Commitment Statement to maintain the confidentiality of council information and a dedicated Records Management Service (RMS) aids other departments within the Council to maintain their records and ensure they are stored correctly.

Westminster City Council is developing a national reputation for strong financial management. Internal quality assurance processes have been greatly enhanced improving the quality of financial reporting and promoting a "right first time approach", thus improving efficiency. At the same time the Council is playing a leading role nationally in simplifying final reporting across the local government sector. For three years' running it has been the first Public body in the United Kingdom to complete the production and audit of its year-end statement of accounts. In 2015/16 the Council became the first ever public body in the United Kingdom to produce its accounts within two weeks of the financial year-end and in doing so bettered 94% of FTSE 100 companies. In 2016/17 the accounts were submitted for audit within a week of the year-end on 6 April. The Council has also developed:

- **a standard option appraisal methodology for all major project decision-making**
- **a Capital Gateway assessment process for capital investment**
- **due diligence processes for assessing non-specified investments**

Managed Services Update

In 2015/16 the Council reported as part of its Annual Governance Statement details about the Managed Services Programme (MSP) which had included a new Enterprise Resource Planning (ERP) system which had gone live on 16th March 2015. The Council reported in 2015/16 that due to a range of issues, key deliverables had not been delivered on time, internal audits had been delayed in terms of their completion and that there had been gaps in the internal control environment during the year. In order to mitigate this risk the Council's finance team had undertaken a range of transaction testing in a range of key areas to provide assurance over the integrity of the EPR system and its reporting. During 2016/17 the control environment has stabilised and the assurance processes which the Council's finance team completed in 2015/16 have not been considered necessary. In addition the planned programme of internal audit fieldwork has been completed and has provided adequate assurance that the controls over the ERP system were working as intended to a level that reporting from the system is materially reliable. The Council continue to monitor performance of the service provider closely and take remedial action where appropriate.

PRINCIPLE G

Implementing good practices in transparency, reporting, and accountability

All council decisions are published online together with supporting information to outline why that decision was chosen above other options. The Council follows the Government Communication Service guidance on providing clear and accurate information, **and has developed its both its website and the format of Council reports to improve transparency and accessibility.**

The Council reports performance against targets and financial targets on a regular basis. This reporting incorporates services provided by all models of delivery including services shared with other authorities, partnerships and contracted out services, and reports performance and finance within the same document for ease of comparison.

All audit recommendations are reported to the Audit and Performance Committee, to ensure that officers undertake any follow up actions as appropriate.

This year Westminster's Children's Services received an outstanding rating by Ofsted, the service regulator – the first under the new regime. The Council has welcomed delegations from other authorities to share the good practice learnt. A peer review of our processes under Public Sector Internal Audit Standards is due next year.

REVIEW OF EFFECTIVENESS

The Council uses a number of ways to review and assess the effectiveness of its governance arrangements. These are set out below:

Assurance from Internal and External Audit

One of the key assurance statements the Council receives is the annual report and opinion of the Head of Internal Audit. During 2016/17 the Head of Internal Audit reported on 65 areas of which 53 (82%) were deemed satisfactory, including all key financial systems reviewed. Of the remaining 12 areas reviewed, none were core financial systems and only the three areas below were identified as high risk. The internal auditors' opinion for 2016/17 is that the Council's internal control environment and systems of internal control in the areas audited were adequate with the exception of the three areas where improvements were recommended:

Issues Identified for 2016/17	Planned action
Housing Tenant Management Organisations – Improvements required across a range of issues including governance, financial control & housing management	Support is being provided by CityWest Homes to implement the recommendations made and to improve areas of weakness identified in the reviews. This is being monitored by the Council's Housing Strategy Team and progress will be reviewed by Internal Audit during 2017/18.
Weaknesses in the system of controls for IT Disaster Recovery and Business Continuity	Plans are in place to implement the recommendations which will be followed up in June/July 2017.
Arrangements for engaging consultancy staff to cover for skills shortages, temporary surges in demand and absences could be improved.	Guidance will be developed and implemented to assist line managers in engaging consultancy staff including the use of standard forms of contract.

The Council's external auditor, Grant Thornton, provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. The most recent Audit Letter, issued in October 2016, identified no material errors in the accounts and gave an unqualified opinion in respect of value for money.

Self-assessment and review of key performance indicators

Staff from the Council's Finance Team have undertaken a review to confirm that the arrangements described above have been in place throughout the year. Management Assurance Statements, signed by senior officers, have also been obtained to provide confirmation that Codes of Conduct, Financial Regulations, and other corporate governance processes, have been operating as intended throughout the year so far as they are aware.

The Council uses a number of key outcome indicators to assess the quality of governance arrangements. Performance in 2016/17 is set below:

Issues Identified	Performance in 2016/17
Formal reports by s151 or Monitoring Officer	None issued
Outcomes from Standards Committee or Monitoring Officer investigations	No breaches of member or officer Codes of Conduct have occurred
Proven frauds carried out councillors or members of staff	None identified in 2016/17
Objections received from local electors	None in 2016/17
Local Government Ombudsman referrals upheld exceed national averages	20 cases upheld out of 136 (well under the national average of 51%)
Unsatisfactory assessment from Internal Audit reports	Apart from the three areas noted in the Issues Identified for 2016/17 section above, there were no unsatisfactory ratings in 2016/17

Follow up of issues identified in 2015/16

Last year's Annual Governance Report highlighted three key areas for improvement. The table below sets out the action has been taken to address these issues in the current year:

Issues Identified for 2015/16	Action taken to date
During the first 9 months of the Managed Services Project being operational (March to December 2015) a number of significant delays in processing data occurred and it was also identified that some key financial controls had not been operating as expected.	The Council's Finance Team has worked closely with the new service provider to implement and embed expected systems of internal control and to clear backlogs in processed data. A more wide-ranging review of contract terms and conditions, current service standards and performance levels will be included in the annual Internal Audit plan for 2017/18. To provide the Council with assurance over their key financial and Human Resources systems, a number of internal audits have been undertaken and no material issues identified.
IT reviews carried out in 2015/16 identified that controls over 3rd party remote access to data, and multi-user logins, were inadequate.	The Chief Information Officer has confirmed that action to address both of these issues has taken place during 2016.
The Council's contracts register was not being kept up to date.	Additional staff training and follow up reviews have led to improved levels of compliance.

CONCLUSION

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

- addressing the issues identified by Internal Audit as requiring improvement
- embedding the use of performance dashboards introduced this year
- using the new Open Forums to improve engagement with local people.

Cllr Nickie Aiken
Leader of Westminster City Council

Charlie Parker
Chief Executive of Westminster City Council

3.

Core Financial Statements

Comprehensive Income and Expenditure Statement

The **Comprehensive Income and Expenditure Statement (CIES)** records all of the Council's Revenue income and expenditure for the year. Expenditure represents a combination of statutory duties and discretionary spend focused on local priorities and needs. The CIPFA Code of Local Authority Accounting regulates how expenditure and income relating to services is classified in the CIES. The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its reportable segments, which in the Council's case is its internal management reporting structure. This is a change from the previous requirement to report according to Service Expenditure Code of Practice (SERCOP). This represents a re-analysis of the Cost of Services presented in the CIES, however, there is no change to the total Cost of Services.

		2015/16 Restated				**2016/17**
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
63,260	(10,352)	52,907	City Treasurer	26,328	(7,997)	18,331
14,051	(2,359)	11,692	Policy, Performance and Communications	15,424	(8,048)	7,375
140,113	(75,731)	64,382	Adult Services	143,674	(86,245)	57,428
155,748	(111,907)	43,841	Children's Services	151,030	(106,620)	44,410
176,784	(119,352)	57,433	City Management and Communities	175,570	(130,541)	45,028
451,765	(411,367)	40,398	Growth, Planning and Housing	478,965	(413,453)	65,512
4,748	(4,116)	633	Chief of Staff	6,664	(4,203)	2,461
25,713	(4,209)	21,503	Corporate Services	33,256	(4,638)	28,618
1,032,182	**(739,393)**	**292,789**	**Cost of Services**	**1,030,910**	**(761,746)**	**269,164**

Comprehensive Income and Expenditure Statement (continued)

2015/16 Gross Expenditure £'000	2015/16 Gross Income £'000	2015/16 Net Expenditure £'000			2016/17 Gross Expenditure £'000	2016/17 Gross Income £'000	2016/17 Net Expenditure £'000
-	-	(55,745)	Other operating expenditure	Note 4	-	-	491
-	-	(3,573)	Financing and investment income and expenditure	Note 5	-	-	(16,095)
-	-	(290,230)	Taxation and non-specific grant Income	Note 6	-	-	(298,008)
-	**-**	**(56,759)**	**(Surplus)/Deficit on Provision of Services**	**Note 7**	**-**	**-**	**(44,448)**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
-	-	3,414	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets		-	-	(99,933)
-	-	(65,958)	Remeasurement of the net defined benefit liability (assets)		-	-	158,742
-	**-**	**(119,305)**			**-**	**-**	**14,361**
			Items that will be reclassified to the (Surplus) or Deficit on the Provision of Services				
-	-	(1,627)	(Surplus)/deficit on revaluation of financial assets (Available for sale)		-	-	984
-	**-**	**(120,932)**	**Comprehensive Income and Expenditure (Surplus)/Deficit**		**-**	**-**	**15,345**

Movement in Reserves Statement

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

2015/16			Revenue Reserves				Capital Reserves	Total Usable Reserves*	Total Unusable Reserves*	Total Council Reserves
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Schools Reserves	Capital Receipts Reserve	Capital Grants Unapplied			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2015	36,035	193,940	49,950	11,730	6,170	32,203	180,631	510,659	1,266,783	1,777,442
Movement in reserves during 2015/16										
Surplus/(Deficit) on provision of services (accounting basis)	29,343	-	27,419	-	-	-	-	56,761	-	56,761
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	64,171	64,171
Total Comprehensive Income and Expenditure	29,343	-	27,419	-	-	-	-	56,762	64,171	120,933
Adjustments between accounting basis and funding basis under regulations	28,546	-	(44,332)	-	-	57,876	43,147	85,237	(85,237)	-
Net increase/(decrease) before Transfers to Earmarked Reserves	57,889	-	(16,913)	-	-	57,876	43,147	141,999	(21,066)	120,933
Transfers to/(from) Earmarked Reserves	(52,349)	52,916	(1,432)	1,432	(567)	-	-	-	-	-
Increase/(Decrease) In Year	5,540	52,916	(18,345)	1,432	(567)	57,876	43,147	141,999	(21,066)	120,933
Balance at 31 March 2016	**41,575**	**246,856**	**31,606**	**13,162**	**5,603**	**90,079**	**223,778**	**652,658**	**1,245,717**	**1,898,375**

*For further detail, please refer to Note 14 – Transfers to and from Earmarked Reserves and Note 26 – Unusable Reserves.

Movement in Reserves (continued)

2016/17				Revenue Reserves		Capital Reserves		Total Usable Reserves*	Total Unusable Reserves*	Total Council Reserves
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Schools Reserves	Capital Receipts Reserve	Capital Grants Unapplied			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016	41,575	246,856	31,606	13,162	5,603	90,079	223,776	652,658	1,245,717	1,898,374
Movement in reserves during 2016/17										
Surplus/(Deficit) on provision of services (accounting basis)	31,908	-	12,540	-	-	-	-	44,448	-	44,448
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(59,793)	(59,793)
Total Comprehensive Income and Expenditure	**31,908**	**-**	**12,540**	**-**	**-**	**-**	**-**	**44,448**	**(59,794)**	**(15,345)**
Adjustments between accounting basis & funding basis under regulations	(128,578)	-	(3,392)	-	-	(2,917)	13,501	(121,386)	121,386	-
Net increase/(decrease) before Transfers to Earmarked Reserves	**(96,671)**	**-**	**9,149**	**-**	**-**	**(2,917)**	**13,501**	**(76,938)**	**61,592**	**(15,345)**
Transfers to/(from) Earmarked Reserves	103,872	(101,973)	831	(831)	(1,899)	-	-	-	-	-
Increase/(Decrease) In Year	**7,201**	**(101,973)**	**9,980**	**(831)**	**(1,899)**	**(2,917)**	**13,501**	**(76,938)**	**61,592**	**(15,345)**
Balance at 31 March 2017	**48,777**	**144,883**	**41,586**	**12,331**	**3,704**	**87,162**	**237,277**	**575,719**	**1,307,310**	**1,883,029**

*For further detail, please refer to Note 14 – Transfers to and from Earmarked Reserves and Note 26 – Unusable Reserves.

Balance Sheet

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

31 March 2016		Note	31 March 2017
£'000			**£'000**
	ASSETS		
	Non-current		
1,952,377	Property, plant and equipment	Note 15c	2,070,430
42,746	Heritage assets	Note 16	42,746
405,269	Investment property	Note 17	454,840
1,830	Intangible assets		1,077
45,916	Long-term investments		41,284
12,394	Long-term debtors	Note 23	15,229
2,460,532	**Total long term assets**		**2,625,606**
	Current		
514,833	Short-term investments		742,980
235	Inventories		179
137,666	Short-term debtors	Note 23	73,369
117,580	Cash and other cash equivalents		170,302
2,250	Assets held for sale		2,250
772,564	**Current assets**		**989,080**

Balance Sheet (continued)

*Other long-term liabilities

There was a movement of £181m in other long-term liabilities, comprising £182m movement in the actuarial liabilities in the pension fund.

31 March 2016		Note	31 March 2017
£'000			**£'000**
	LIABILITIES		
2,109	Short-term borrowing		2,069
259,931	Short-term creditors	Note 24	471,584
6,151	Revenue receipts in advance	Note 12	8,341
268,191	**Current Liabilities**		**481,993**
202	Long-term creditors	Note 24	204
153,936	Provisions	Note 25	121,504
251,465	Long-term borrowing		251,270
605,540	Other long-term liabilities*		786,898
55,388	Capital receipts in advance	Note 12	89,789
1,066,531	**Long-term liabilities**		**1,249,665**
1,898,374	**Net assets**		**1,883,029**
652,657	Total Usable Reserves		575,719
1,245,717	Total Unusable Reserves	Note 26	1,307,310
1,898,374	**Total Reserves**		**1,883,029**

Cash Flow Statement

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

The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities.

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

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

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

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

2015/16		Note	2016/17
£'000			**£'000**
56,761	Net surplus/(deficit) on the provision of services		44,448
132,657	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	Note 28	415,165
(167,026)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	Note 28	(99,259)
22,392	Net Cash Flows from Operating Activities		360,354
(133,213)	Net Cash Flows from Investing Activities	Note 29	(301,547)
(24,542)	Net Cash Flows from Financing Activities	Note 30	(6,085)
(135,363)	Net increase/(decrease) in cash and cash equivalents		52,722
252,942	Cash and cash equivalents at the beginning of the reporting period		117,580
117,579	**Cash and cash equivalents at the end of the reporting period**		**170,302**

4.

Notes to the Accounts

Note 1 Accounting Policies

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the CIPFA Service Reporting Code of Practice (SeRCOP) for Local Authorities 2016/17, supported by International Financial Reporting Standards (IFRS).

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

ACCRUALS OF INCOME AND EXPENDITURE

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

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

SUPPORT SERVICE RECHARGES

Where support services are a department in their own right, the Comprehensive Income and Expenditure Statement (CIES) will display them separately in line with the Council's departmental management structure.

VALUE ADDED TAX

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

SCHOOLS

Schools maintained by the Council are recognised on the Balance Sheet as the balance of control lies with the Council. Consequently all those schools' assets, liabilities, reserves and cash flows are recognised in the financial statements. Voluntary aided and voluntary controlled schools are not recognised on the Council's Balance Sheet as the balance of control for these schools lies with the respective dioceses.

Note 2 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 2017 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
Property, Plant and Equipment	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets and investment properties. The Council's external valuers provided valuations as at 31 March 2017 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 were reflective of current appropriate values. Investment properties were valued in line with requirements as outlined in Note 34 Fair Value.	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's investment properties were to reduce by say 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £45m. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. Depreciation charges for operational buildings will change in direct relation to changes in estimated fair value. The net book value of non-current assets subject to potential revaluation is over £2 billion.

Note 2 Assumptions made about the future and other major sources of estimation uncertainty (continued)

Items	Uncertainties	Consequences if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to; the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments. The Council has engaged Barnett Waddingham as its consulting actuary to provide expert advice about the assumptions to be applied.	• The effect of changes in these estimates on the net pension liability of the Council are reviewed on an on-going basis by the Pension Fund Committee. Variations in the key assumptions will have the following impact on the net liability; • A 0.1% increase in the discount rate will reduce the net pension liability by £28.4m; • A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £26.2m; • An increase of one year in longevity will increase the net pension liability by £47.9m.

Note 2 Assumptions made about the future and other major sources of estimation uncertainty (continued)

Items	Uncertainties	Consequences if actual results differ from assumptions
Business Rates appeals	2016/17 is the fourth year of the Business Rates Retention Scheme whereby Westminster City Council retains 30% of the business rates income it collects (£526m out of £1.75bn), but is subject to a £465m tariff. Following the 2010 revaluation of business hereditaments, when average rateable values across the City rose by 62%, we have seen unprecedented levels of appeals – the success of which are negatively impacting on the yield, especially with the majority (73% when determined) being back dated to 2010. As at the end of February 2017, 8,585 appeals remain outstanding with the Valuation Office Agency, with around 250 new appeals being received each month. A provision has been made for the estimated success of future appeals for losses for the period to the end of March 2017. A safety net system protects the Council from losses below baseline funding levels of £6.2m.	The Council's overall financial losses are protected by the safety net with any variance to our assumptions affecting the scale of the provision but being offset by a movement in the safety net entitlement (which is accrued for at year end). Sensitivity modelling on our assumptions suggests that a 10% swing in the success rate of appeals would alter the overall figure for the provision for appeals by £25m.
Provision for doubtful debts	As at 31 March 2017, the Council had an outstanding balance of short term debtors totalling £144m. This is significantly lower than the closing position of 15/16 due to the way council tax/business rates/rents receivable for the year is recognised. A review of the major areas of debt has led to an updated provision against doubtful debts of £71m. It is not certain that this provision would be sufficient as the Council cannot assess with certainty which debts will be collected or not.	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The provisions held are based on policies adapted to the nature of the debt and service area, past experience and success rates experienced in collection. If collection rates were to deteriorate by 5% then the Council would need to review its policies on the calculation of its doubtful debt provisions.

Note 3 Critical judgements in applying accounting policies

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

- There is a high degree of uncertainty regarding future levels of funding for local government and the impact of the decision for Britain to leave the European Union remains unclear. However the Council takes the view that this uncertainty is not yet sufficient indication that the value of the Council's assets might need to be impaired due to reduced levels of service provision or the need to close facilities.
- The Council operates joint working arrangements with neighbouring local authorities, the London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea. These arrangements are referred to as "shared services". The Council believes that it is not necessary to impair any non-current assets in light of these shared working arrangements and any current proposals for changes to the way the services are to be delivered by the Council.
- The Council has a number of interests in other entities which fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. However these interests both individually and in aggregate would only increase net worth by £2.8m, long-term assets by £16.9m, liabilities by £5.9m and the surplus on the Comprehensive Income and Expenditure Statement by £3.3m. The Council's view is that this does not warrant producing consolidated group financial statements on the grounds of materiality both from a quantitative and qualitative perspective. In order to ensure compliance with the Code, a range of narrative disclosures have been made in other sections of the accounts (See Note 31 for further information). The movement in net worth of these entities is reflected within Note 18 and the balance sheet.
- The Council has completed a school by school assessment across the different schools operated within the borough. Judgments have been made to determine the arrangements in place and the accounting treatment of the non-current assets. As a result the Council recognises school assets for community schools on its Balance Sheet. The Council does not recognise assets relating to academies, voluntary aided (VA), voluntary controlled (VC) or free schools as it is of the opinion that these assets are not controlled by the Council. In the case of the VA and VC schools, these were deemed to be owned by the relevant dioceses after consultation and review. School assets are recognised as a disposal from the Council's Balance Sheet on the date on which a school converts to academy status, not on the date of any related announcement, nor is any impairment recognised by the Council prior to conversion.

4.1. Notes Supporting the Comprehensive Income and Expenditure Statement

Note 4 Other operating expenditure

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

2015/16		2016/17
£'000		£'000
2,805	Levies, Precepts and Special Expenses	2,830
2,969	Payments to the Government Housing Capital Receipts Pool	2,941
(61,519)	(Gains)/losses on the disposal of non-current assets*	(5,280)
(55,745)	**Total**	**491**

*The year-on-year movement in the gain on disposal is from a large capital receipt received in 2015/16.

Note 5 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.

2015/16 Restated		2016/17
£'000		£'000
14,071	Interest payable and similar charges	12,818
20,438	Net interest on the net defined benefit liability (asset)	20,912
(4,271)	Interest receivable and similar income	(6,606)
(33,401)	Income and expenditure in relation to investment properties and changes in their fair value	(42,809)
(410)	Other investment income	(410)
(3,573)	**Total**	**(16,095)**

Note 6 Taxation and non-specific grant income

This note consolidates all non-specific grants and contributions receivable that cannot be identified to particular service expenditure and therefore cannot be credited to the gross income amount relevant to the service area. All capital grants and contributions are credited to non-specific grant income even if service specific. The note also identifies the Council's proportion of council tax and business rates used to fund in year service activities.

2015/16		2016/17
£'000		**£'000**
(46,656)	Council Tax Income	(50,062)
(22,980)	Non-Domestic Rates Expenditure	(91,490)
(139,769)	Non-ringfenced government grants*	(74,430)
(37,424)	Capital grants and contributions applied	(81,035)
(43,401)	Capital grants and contributions received without conditions	(991)
(290,230)	**Total**	**(298,008)**

* The reduction in non-ringfenced grants in 2016/17 is due to reductions in the business rates safety net payment and reduction in Revenue Support Grant from central government.

Note 7 Expenditure and funding analysis

		2015/16				2016/17
Expenditure chargeable to GF and HRA balances	**Adjustments between funding and accounting basis**	**Net Expenditure in the CIES**		**Expenditure chargeable to GF and HRA balances**	**Adjustments between funding and accounting basis**	**Net Expenditure in the CIES**
£’000	£’000	£’000		£’000	£’000	£’000
608	(25)	633	Chief of Staff	6,477	(153)	6,630
121,252	68,345	52,907	City Treasurer	(93,514)	(97,568)	4,055
12,065	373	11,692	Policy, Performance and Communications	1,861	(524)	2,385
53,815	(10,567)	64,382	Adult Services	68,744	(1,981)	70,725
34,056	(9,786)	43,841	Children’s Services	47,038	(5,753)	52,791
3,740	(53,693)	57,433	City Management and Communities	17,306	(42,535)	59,842
16,408	(5,096)	21,503	Corporate Services	(2,629)	(3,530)	901
38,767	(1,631)	40,398	Growth, Planning and Housing	21,985	(49,850)	71,835
280,710	**(12,079)**	**292,789**	**Net Cost of Services**	**67,268**	**(201,894)**	**269,164**

Note 7 Expenditure and funding analysis (continued)

		2015/16				2016/17
Expenditure chargeable to GF and HRA balances	**Adjustments between funding and accounting basis**	**Net Expenditure in the CIES**		**Expenditure chargeable to GF and HRA balances**	**Adjustments between funding and accounting basis**	**Net Expenditure in the CIES**
£'000	£'000	£'000		£'000	£'000	£'000
10,075	65,820	(55,745)	Other operating expenditure	3,400	2,909	491
(6,300)	(2,727)	(3,573)	Financing and investment income and expenditure	(2,529)	13,565	(16,095)
(271,680)	18,550	(290,230)	Taxation and non-specific grant income and expenditure	(85,321)	212,687	(298,008)
(267,905)	81,643	(349,548)	Other Income and Expenditure	(84,450)	229,162	(313,612)
12,804	69,563	(56,759)	(Surplus)/Deficit on Provision of Services	(17,182)	27,267	(44,448)
(85,985)			Opening General Fund and HRA balances	(73,181)		
12,804			Less Deficit/(Surplus) on General Fund and HRA Balance in Year	(17,182)		
73,181			**Closing General Fund and HRA balances**	**(90,363)**		

Note 7 Expenditure and funding analysis (continued)

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

			2015/16					2016/17
Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments		Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	-	(25)	(25)	Chief of Staff	-	(274)	121	(153)
3,609	(2,252)	66,989	68,346	City Treasurer	1,280	(323)	(97,841)	(96,884)
-	-	373	373	Policy, Performance and Communications	-	(334)	(190)	(524)
(4,054)	(1,186)	(5,327)	(10,567)	Adult Services	(631)	(415)	(935)	(1,981)
(3,614)	(2,352)	(3,820)	(9,786)	Children's Services	(4,964)	(415)	(374)	(5,753)
(49,977)	(1,572)	(2,144)	(53,693)	City Management and Communities	(39,331)	(611)	(2,593)	(42,535)
(3,206)	(1,258)	(632)	(5,096)	Corporate Services	(2,430)	(341)	(758)	(3,530)
230	(694)	(1,167)	(1,631)	Growth, Planning and Housing	(47,773)	(464)	(2,297)	(50,534)
(57,012)	(9,314)	54,247	(12,079)	Net Cost of Services	(93,850)	(3,177)	(104,867)	(201,895)
68,788	-	(2,968)	65,820	Other Operating Income and Expenditure	2,909	-	-	2,909
16,816	(20,438)	895	(2,727)	Financing and Investment Income and Expenditure	34,384	(20,912)	93	13,565
80,825	-	(62,275)	18,550	Taxation and Non-Specific Grant Income and Expenditure	81,823	-	130,864	212,687
			69,563	**Difference Between Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services**				**27,267**

Note 8 Pooled Budgets

Pooled Budget for Social Care

The Council has entered into a pooled budget arrangement with both the Central London Clinical Commissioning Group and the West London Clinical Commissioning Groups for the provision of Adult Social Care and Health services to customers with primary support needs of physical support, mental health support, learning disability support, support with memory and cognition, social support and services to safeguard adults.

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

The arrangement is made in accordance with Section 75 (S75) of the National Health Service Act 2006 and any surplus or deficit generated will be the responsibility of the respective partner to whom it is attributed.

The pooled budget includes all income and expenditure relating to the Better Care Fund (BCF), whether funded by the local authority or the NHS.

It is hosted by Westminster City Council; however not all transactions pass through the Council's accounting system.

The following table summarises the position for 2016/17:

2015/16 published	2015/16 restated		2016/17
£'000	**£'000**		**£'000**
		Funding provided to the pooled budget:	
19,915	22,383	Westminster City Council	20,267
11,852	28,640	Central London Clinical Commissioning Group*	30,115
3,343	8,751	West London Clinical Commissioning Group*	9,190
35,111	**59,774**		**59,572**
		Expenditure met from the pooled budget:	
19,719	21,601	Westminster City Council	19,617
11,546	27,922	Central London Clinical Commissioning Group*	30,638
3,257	8,534	West London Clinical Commissioning Group*	8,673
34,522	**58,057**		**58,928**
588	1,717	Net surplus/(deficit) arising on the pooled budget during the year	644
196	**782**	**Westminster City Council share of the net surplus/(deficit) arising on the pooled budget**	**650**

*West London Clinical Commissioning Group has boundaries that cover Westminster City Council's Queen's Park and Paddington wards referred to as QPP in this Note to the Accounts.

The 2015/16 note only took account of the original S75 agreement but in 2016/17 the wider BCF arrangements are included in the note with the equivalent details for 2015/16 for reference.

To take account of this, the funding received from the Clinical Commissioning Groups is split 77.2% to Central London Clinical Commissioning Group and 22.8% to West London Clinical Commissioning Group respectively.

Note 9 Officers' remuneration (including termination benefits and members' allowances)

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

2015/16	Salary, Fees and Allowances*	Deferred Pay	Private Health Insurance / Benefits in Kind	Pension Contributions	Expenses	Compensation for Loss of Office	Total
	£	£	£	£	£	£	£
Chief Executive – C Parker	203,387	35,820	-	-	186	-	239,393
Executive Director City Management and Communities	12,880	-	-	2,689	-	-	15,569
Executive Director City Management and Communities - S Love	137,557	15,104	-	34,502	6,765	-	193,928
Executive Director of Growth, Planning and Housing	74,747	7,972	1,404	18,694	-	-	102,817
Executive Director of Growth, Planning and Housing	26,329	-	-	5,950	-	-	32,279
Director of Policy, Performance and Communications	111,766	11,307	4,446	27,814	-	-	155,333
City Treasurer (Section 151 Officer)	115,316	12,591	-	28,907	1,442	-	158,255
Her Majesty's Coroner – Inner West London	145,446	-	-	28,667	-	-	174,113
Acting Director of Public Health	71,085	-	-	10,165	-	-	81,250
Director of Public Health	54,926	-	-	8,033	-	-	62,959

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

Note 9 Officers' remuneration (including termination benefits and members' allowances) (continued)

2016/17	Notes	Salary, Fees and Allowances*	Deferred Pay	Private Health Insurance / Benefits in Kind	Pension Contributions	Expenses	Compensation for Loss of Office	Total
		£	£	£	£	£	£	£
Chief Executive – C Parker		226,561	32,541	-	-	-	-	259,102
Executive Director of City Management & Communities – S Love		137,699	15,104	-	37,491	-	-	190,294
Executive Director Growth, Planning and Housing	A	130,164	2,864	5,684	34,007	-	-	172,719
Director of Policy, Performance and Communications – J Corkey		141,615	13,258	2,105	38,617	-	-	195,595
City Treasurer (Section 151 Officer)		120,912	12,591	5,684	34,143	-	-	173,330
Her Majesty's Coroner – Inner West London	B	145,446	-	5,684	32,110	-	-	183,240
Director of Public Health	C	133,292	-	4,210	14,741	-	-	152,243
Executive Director of Corporate Services	D	118,078	-	4,210	-	-	-	122,288

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

A) The Executive Director of Growth, Planning and Housing started in post on 18th January 2016 so accrued approximately 2.5 months of deferred pay.
B) 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.
C) The Director of Public Health is engaged or employed by Westminster City Council. The costs of this post are shared between the London Borough of Hammersmith & Fulham, the Royal Borough of Kensington & Chelsea and the City of Westminster. The share was 30.9% RBKC; 29.1% LBHF: 40.0% Westminster.
D) This post is funded 60% WCC and 40% RBKC. Post holder commenced 29th March 2016.

The Tri-Borough Executive Director of Adult Social Care is employed by the London Borough of Hammersmith & Fulham. The costs of this post are shared between the London Borough of Hammersmith & Fulham, the Royal Borough of Kensington & Chelsea and the City of Westminster. The share was 21.2% RBKC: 46.3% LBHF: 32.5% Westminster. Further details are available in the London Borough of Hammersmith & Fulham annual accounts which are available at:

https://www.lbhf.gov.uk/councillors-and-democracy/about-hammersmith-fulham-council/statement-accounts

The Tri-Borough Executive Director of Children's Services is employed by the Royal Borough of Kensington & Chelsea. The most recent incumbent commenced in May 2016. The costs of this post are shared between the London Borough of Hammersmith & Fulham, the Royal Borough of Kensington & Chelsea and the City of Westminster. The share was 33.3% RBKC; 33.3% LBHF; 33.3% Westminster. Further details are available in the Royal Borough of Kensington and Chelsea's annual accounts which are available at:

https://www.rbkc.gov.uk/council/how-council-manages-money/council-spending-and-finances/council-spending-and-finance.

Note 9 Officers' remuneration (including termination benefits and members' allowances) (continued)

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

2015/16		2016/17
No of Employees		No of Employees
163	£50,000 - £54,999	159
75	£55,000 - £59,999	94
64	£60,000 - £64,999	55
35	£65,000 - £69,999	41
42	£70,000 - £74,999	41
22	£75,000 - £79,999	26
19	£80,000 - £84,999	23
20	£85,000 - £89,999	13
6	£90,000 - £94,999	3
7	£95,000 - £99,999	3
5	£100,000 - £104,999	4
1	£105,000 - £109,999	3
2	£110,000 - £114,999	1
3	£115,000 - £119,999	2
1	£120,000 - £124,999	1
3	£125,000 - £129,999	4
1	£130,000 - £134,999	-
1	£135,000 - £139,999	2
470	**Total**	**475**

Note 9 Officers' remuneration (including termination benefits and members' allowances) (continued)

EXIT PACKAGES

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

2015/16					2016/17			
(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**
113	-	113	737	£0 - £20,000	188	-	188	1,134
19	-	19	554	£20,001 - £40,000	25	-	25	648
9	-	9	674	£40,001 - £60,000	8	-	8	385
3	-	3	282	£60,001 - £80,000	4	-	4	284
2	-	2	183	£80,001 - £100,000	-	-	-	-
2	-	2	260	£100,001 - £150,000	5	-	5	675
1	-	1	160	£150,001 - £200,000	3	-	3	478
149	**-**	**149**	**2,850**	**Total**	**233**	**-**	**233**	**3,604**

TERMINATION BENEFITS

When the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy, these costs are charged on an accruals basis to the respective Service line in the Comprehensive Income and Expenditure Statement.

The Council terminated the contracts of 233 employees in 2016/17. Of the total payment of £3.604m, £1.026m related to the enhancement of retirement benefits for 20 officers.

MEMBERS' ALLOWANCES

The Council paid allowances to its members in 2016/17 of £0.944m (2015/16 – £0.928m).

Note 10 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:

2015/16		2016/17
£'000		**£'000**
186	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	186
8	Fees payable to external auditors for additional resources	13
25	Fees payable to external auditors for the certification of grant claims and returns for the year	22
25	Fees payable in respect of other services provided by external auditors during the year relating to objections	-
25	Other fees payable	-
269	**Total**	**221**

Note 11 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

	Central Expenditure	ISB	Total 2016/17	Total 2015/16
	£'000	**£'000**	**£'000**	**£'000**
Final DSG before Academy Recoupment	-	-	148,552	146,477
Academy figure recouped	-	-	**(66,108)**	(62,038)
Total DSG after Academy recoupment	-	-	82,444	84,439
Brought forward	-	-	**6,288**	6,971
Carry forward projected	-	-		(6,275)
Agreed initial budgeted distribution	15,240	67,204	82,444	83,895
In year adjustments	-	(587)	**(587)**	696
Final budgeted distribution			81,857	84,591
Less Actual central expenditure	(15,918)		(15,918)	(13,659)
Less Actual ISB deployed to schools		(66,952)	(66,952)	(71,463)
(Drawdown from)/Contribution to DSG Reserve	-	-	(1,013)	(683)
Carry Forward	-	-	5,275	6,288

Note 12 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17.

2015/16		2016/17
£'000	**Credited to Taxation and Non Specific Grant Income**	**£'000**
70,039	Revenue Support Grant	57,851
58,308	Business Rates Safety Net	-
7,523	New Homes Bonus	13,371
3,269	Collection Allowance – Business Rates and Business Rates Supplement	3,208
631	Other Grants Credited to Taxation and Non Specific Grant Income	-
139,770	**Sub-Total**	**74,430**

2015/16		2016/17
£'000	**Credited to Services**	**£'000**
223,646	Housing Benefits Subsidy	218,606
84,439	Dedicated Schools Grant	81,857
31,442	Public Health Grant	32,886
2,485	Discretionary Housing Payments Grant	2,611
1,264	Education Services Grant	559
7,153	Learning Skills Council Grant	-
5,657	Pupil Premium Grant	5,345
14,168	Other Grants	10,213
370,254	Sub-Total	352,077
510,024	Total	426,507

Note 12 Grant Income (continued)

2015/16		2016/17
£'000	**Capital Grants Receipts in Advance (Non-Current)**	**£'000**
39,962	S106 / S278 Contributions	63,564
1,265	Affordable Housing Fund	16,348
4,192	Transportation and Infrastructure External Funding	3,258
1,547	Transport for London Grants	4,414
5,769	Other Government Grants	805
2,654	Other Grants and Contributions	1,400
55,388	**Total**	**89,789**

2015/16		2016/17
£'000	**Deposits and Receipts in Advance (Current)**	**£'000**
1,945	Central Government Bodies	944
4,206	Other entities and individuals	7,397
6,151	**Total**	**8,341**

4.2. Notes Supporting the Movement in Reserves Statement

Note 13 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council within the year to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure, in accordance with proper accounting practice.

	2015/16 Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation of non-current assets	(53,882)	(23,369)	-	-	-	77,251
Impairment Losses on Property, Plant and Equipment	(16,730)	-	-	-	-	16,730
Movements in the market value of Investment Properties	16,816	-	-	-	-	(16,816)
Amortisation of intangible assets	(1,559)	-	-	-	-	1,559
Revenue expenditure funded from capital under statute	(7,661)	-	-	-	-	7,661
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8,636)	(8,778)	-	-	-	17,414

Note 13 Adjustments between accounting basis and funding basis under regulations (continued)

(Continued)					2015/16 Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	3,589	-	-	-	-	(3,589)
Capital expenditure charged against the General Fund and HRA balances	1,572	17,659	-	-	-	(19,231)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	80,825	-	-	-	(80,825)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	37,677	(37,677)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	51,423	34,778	(86,201)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	25,451	-	-	(25,451)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2,968)	-	2,968	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	(93)	-	-	93

Note 13 Adjustments between accounting basis and funding basis under regulations (continued)

(Continued)				2015/16 Usable Reserves		Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	23,368	-	(23,368)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	23,368	-	(23,368)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	222	672	-	-	-	(895)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(46,281)	-	-	-	-	46,281
Employer's pensions contributions and direct payments to pensioners payable in the year	16,529	-	-	-	-	(16,529)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(62,275)	-	-	-	-	62,275
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	471	-	-	-	-	(471)
Total Adjustments	**(28,544)**	**44,330**	**(57,876)**	**-**	**(43,147)**	**85,238**

Note 13 Adjustments between accounting basis and funding basis under regulations (continued)

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

Note 13 Adjustments between accounting basis and funding basis under regulations (continued)

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

Note 13 Adjustments between accounting basis and funding basis under regulations (continued)

(Continued)	2016/17 Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	23,225	-	(23,225)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	23,225	-	(23,225)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	93	-	-	-	(93)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(43,453)	-	-	-	-	43,453
Employer's pensions contributions and direct payments to pensioners payable in the year	19,623	-	-	-	-	(19,623)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	130,864	-	-	-	-	(130,864)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(259)	-	-	-	-	259
Total Adjustments	**128,578**	**3,392**	**2,916**	**-**	**(13,501)**	**(121,381)**

Note 14 Transfer to/from earmarked reserves

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

Earmarked Reserves	31 March 2015 Restated	Transfers Out Restated	Transfers In Restated	31 March 2016 Restated	1 April 2016	Transfers Out	Transfers In	31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adults Services Reserve	(10,367)	(761)	8,311	(2,817)	(2,817)	721	-	(2,096)
Corporate Risks Reserve	(3,893)	(10,318)	6,362	(7,849)	(7,849)	537	(734)	(8,046)
Economy and Enterprise Reserve	(5,783)	-	481	(5,302)	(5,302)	2,239	-	(3,063)
Revenue Support Grant Damping Reserve	-	-	-	-	-	-	(5,500)	(5,500)
Income Pressures Reserve	(10,620)	-	-	(10,620)	(10,620)	8,500	-	(2,120)
Insurance Reserve	(13,512)	-	2,249	(11,263)	(11,263)	-	(766)	(12,029)
Invest to Save Reserve	(14,632)	-	-	(14,632)	(14,632)	-	-	(14,632)
Refurbishment/Transformation of Estate	(10,000)	(3,872)	3,872	(10,000)	(10,000)	-	-	(10,000)
Redundancy & Re-organisation	(4,017)	-	-	(4,017)	(4,017)	1,243	-	(2,774)
Safety Net Equalisation Reserve	(61,468)	(58,308)	2,548	(117,228)	(117,228)	117,227	(13,671)	(13,672)
Troubled Family Programme	(355)	(118)	-	(473)	(473)	-	(848)	(1,321)
Housing Benefit Earmarked Reserves	(961)	-	300	(661)	(661)	100	(439)	(1,000)
Minimum Revenue Provision Equalisation Reserve	-	(3,587)	-	(3,587)	(3,587)	-	(2,000)	(5,587)

Note 14 Transfer to/from earmarked reserves (continued)

Earmarked Reserves	31 March 2015 Restated	Transfers Out Restated	Transfers In Restated	31 March 2016 Restated	1 April 2016	Transfers Out	Transfers In	31 March 2017
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
West End Partnership	-	-	-	-	-	-	(1,199)	(1,199)
Service Realignment and Transformation Reserve	-	-	-	-	-	-	(3,000)	(3,000)
Children's Transformation	(6,777)	(325)	3,905	(3,197)	(3,197)	1,157	(1,229)	(3,269)
Statues and Monuments Reserves	(331)	-	18	(313)	(313)	26	(86)	(373)
Pensions Deficit Recovery Reserve	-	-	-	-	-	-	(10,000)	(10,000)
Other Council Reserves	(21,119)	(8,114)	10,815	(18,418)	(18,418)	11,302	(3,501)	(10,617)
Receipts In Advance Reserve	(14,537)	(8,284)	1,164	(21,657)	(21,657)	1,821	-	(19,836)
Total Earmarked Reserves	**(178,372)**	**(93,687)**	**40,025**	**(232,034)**	**(232,034)**	**144,873**	**(42,973)**	**(130,134)**

Note 14 Transfer to/from earmarked reserves (continued)

Earmarked Reserves – General Fund	31 March 2015 Restated	Transfers Out Restated	Transfers In Restated	31 March 2016 Restated	1 April 2016	Transfers Out	Transfers In	31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Ring Fenced Revenue Schemes								
Learning Skills Council Reserve	(514)	(130)	356	(288)	(288)	-	(630)	(918)
Dedicated Schools Grant	(6,971)	-	683	(6,288)	(6,288)	1,013	-	(5,275)
Public Health Reserve	(8,083)	(163)	-	(8,246)	(8,246)	-	(308)	(8,554)
Total Ring Fenced Reserves	(15,567)	(294)	1,039	(14,822)	(14,822)	1,013	(938)	(14,747)
Total Earmarked and Ring-fenced Revenue Reserves	(193,939)	(93,981)	41,064	(246,856)	(246,856)	145,886	(43,911)	(144,881)
HRA earmarked reserves	(11,730)	(1,432)	-	(13,162)	(13,162)	831	-	(12,331)
Total General Fund and HRA Earmarked Reserves	**(205,669)**	**(95,413)**	**41,065**	**(260,018)**	**(260,018)**	**146,717**	**(43,911)**	**(157,212)**

Note 14 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 **Corporate Risks Reserve** has been provided to support the financial strategy and risk management.

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

The **Revenue Support Grant Damping Reserve** is set aside to mitigate the potential loss of Damping Grant contained in the current Settlement Funding Assessment.

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

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

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

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

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

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

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

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

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

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

The **Service Realignment and Transformation Reserve** relates to the need to transform services to accommodate changing delivery requirements.

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

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

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 15a Capital Contractual Commitments

At 31 March 2017, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years. The major commitments amounting to £1m or more are as follows and equivalent figures have been provided for 31 March 2016:

31 March 2016		31 March 2017
£'000		**£'000**
17,618	Various Public Realm Schemes	11,175
-	Sir Simon Milton University Technical College	3,338
5,250	Amey Community Ltd	4,826
130	Tresham House	-
3,400	Moberly and Jubilee Leisure Centres Project	10,921
4,650	Property Purchase – Vauxhall Bridge Road	-
31,048	**Total**	**30,260**

Note 15b Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Lambert Smith Hampton undertook valuations on behalf of the Council pertaining to operational properties.

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.

For 2016/17 the valuation of operational properties has reduced by £47.33m (2015/16 £20.23m reduction) and for HRA stock has reduced by £0.63m (2015/16 £113.03m increase).

	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	Assets Held for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Held at Historic Cost	-	30,614	34,205	-	-	69,527	429,066	20,340	-	583,751
Valued at Current Value										
31st March 2017	1,340,134	87,932	303,798	454,839	-	-	-	-	-	2,186,703
31st March 2016	-	-	4,785	-	-	-	-	-	2,250	7,035
31st March 2015	-	-	9	-	42,746	-	-	-	-	42,755
31st March 2014	-	-	178	-	-	-	-	-	-	178
31st March 2013	-	950	14,271	-	-	-	-	-	-	15,221
Total Cost or Valuation	**1,340,134**	**119,495**	**357,246**	**454,839**	**42,746**	**69,527**	**429,066**	**20,340**	**2,250**	**2,835,643**

Note 15c 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; and,

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

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

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

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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

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).

Note 15c Property, Plant and Equipment (continued)

Depreciation is calculated on the following bases:

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

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.

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 15c Property, Plant and Equipment – Movement of balances 2015/16

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus 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	£'000
Cost of Valuation										
At 1 April 2015	1,253,327	60,544	343,133	70,757	355,116	18,664	83	68,180	**2,169,804**	12,951
Additions	36,457	14,418	13,359	756	29,476	531	-	20,336	**115,333**	5,015
Other Additions	-	-	3,426	-	-	-	-	-	**3,426**	-
Donations	-	-	-	-	-	-	-	-	**-**	-
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	(627)	536	(8,043)	-	-	-	-	-	**(8,135)**	3,000
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(3,917)	(17,189)	(456)	-	-	-	-	**(21,562)**	(4,293)
Derecognition – disposals	(8,857)	-	(500)	-	-	-	-	-	**(9,357)**	-
Derecognition – other	-	-	-	-	-	-	-	-	**-**	-
Assets reclassified to/from Asset Under Construction	-	27,318	2,900	1,821	18,743	646	-	(51,428)	**-**	-
Assets reclassified within Property, Plant and Equipment	-	-	-	-	-	-	-	-	**-**	-
Assets reclassified to/from Investment Properties	-	6,917	-	-	-	-	-	(919)	**5,998**	-
Other movement in Cost or Valuation	-	(1,134)	(28,541)	(5,300)	-	-	(83)	(2,352)	**(37,410)**	(3,151)
At 31 March 2016	**1,280,300**	**104,682**	**308,544**	**67,578**	**403,335**	**19,841**	**-**	**33,817**	**2,218,097**	**13,523**

Note 15c Property, Plant and Equipment – Movement of balances 2015/16 (continued)

	Council Dwellings	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus 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	£'000
Accumulated Depreciation and Impairment										
At 1 April 2015	-	(3,605)	(28,906)	(59,422)	(140,763)	-	(83)	-	**(232,779)**	(4,131)
Depreciation Charge	(21,187)	(2,202)	(13,364)	(3,505)	(36,994)	-	-	-	**(77,251)**	(954)
Depreciation written out to the Revaluation Reserve	-	-	18,790	-	-	-	-	-	**18,790**	733
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	7,775	-	-	-	-	-	**7,775**	573
Derecognition – Disposals	-	-	-	-	-	-	-	-	-	-
Derecognition – other	-	-	-	-	-	-	-	-	-	-
Other Movements in Depreciation and Impairments	-	1,134	11,229	5,300	-	-	83	-	**17,746**	3,151
At 31 March 2016	**(21,187)**	**(4,673)**	**(4,476)**	**(57,627)**	**(177,757)**	**-**	**-**	**-**	**(265,720)**	**(627)**
Net Book Value:										
At 31 March 2016	**1,259,113**	**100,009**	**304,068**	**9,951**	**225,578**	**19,841**	**-**	**33,817**	**1,952,377**	**12,896**
At 31 March 2015	**1,253,327**	**56,939**	**314,227**	**11,335**	**214,353**	**18,664**	**-**	**68,180**	**1,937,025**	**8,820**

Note 15c Property, Plant and Equipment – Movement of balances in 2016/17

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

Note 15c Property, Plant and Equipment – Movement of balances in 2016/17 (continued)

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

Note 16 Heritage Assets

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

Cost or Valuation

	Statues and Monuments (Note a)	Civic Regalia, Works of Art, Trophies and the like (Note b)	Total Assets
	£'000	**£'000**	**£'000**
Balance at 1 April 2016	38,675	4,071	42,746
Balance at 31 March 2017	**38,675**	**4,071**	**42,746**

Notes:

a) This largely comprises of a number of iconic monuments located throughout the borough including a variety of war memorials, decorative fountains, Cleopatra's Needle, Shaftsbury Memorial Fountain (commonly known as Eros).

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

Note 17 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:

	2015/16 Restated					2016/17
HRA Commercial Properties	**General Fund Investment Properties**	**Total**		**HRA Commercial Properties**	**General Fund Investment Properties**	**Total**
£'000	£'000	£'000		£'000	£'000	£'000
7,460	14,818	22,277	Rental income from investment property	7,823	12,900	20,723
(1,172)	(4,221)	(5,392)	Direct operating expenses arising from investment property	(912)	(2,869)	(3,781)
6,288	**10,597**	**16,885**	**Net gain**	**6,911**	**10,031**	**16,942**

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 17 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:

		2015/16				2016/17
HRA Commercial Properties	**General Fund Investment Properties**	**Total**		**HRA Commercial Properties**	**General Fund Investment Properties**	**Total**
£'000	£'000	£'000		£'000	£'000	£'000
179,370	223,510	402,880	Balance at 1 April	177,165	228,104	405,269
			Additions:			
-	411	411	Purchases	-	23,130	23,130
72	174	246	Subsequent expenditure	476	97	573
-	(8,786)	(8,786)	Disposals	-	-	-
4,554	11,962	16,516	Net gains/losses from fair value adjustments	11,903	13,965	25,868
(194)	194	-	Other movements	-	-	-
			Transfers:			
280	639	919	Assets reclassified to/from Asset Under Construction	-	-	-
(6,917)	-	(6,917)	Assets reclassified to/from Property, Plant and Equipment	-	-	-
177,165	**228,104**	**405,269**	**Balance at 31 March**	**189,544**	**265,296**	**454,840**

Note 18 Financial Instruments

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

Financial Liabilities

Financial liabilities are initially measured at fair value and are carried at their amortised cost. The fair value of loans are valued at carrying value because it is not possible to derive a fair market value for the types of loans currently held by the Council.

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

Financial Assets

Financial assets classed as loans and receivables are measured at amortised cost except for fixed term cash deposits which are carried at their purchase price, as these assets cannot be sold and hence there is no market valuation.

Financial assets classed as available for sale have been valued at fair value – for further details please refer to Note 34.

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

1. Instruments with quoted market prices – the market price;
2. Other instruments with fixed and determinable payments – discounted cash flow analysis;
3. Equity shares with no quoted market prices – net worth of the companies.

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

31 March 2016			31 March 2017	
Long Term	**Short Term**		**Long Term**	**Short Term**
£'000	**£'000**		**£'000**	**£'000**
17,394	337,001	Loans and receivables	15,230	624,904
40,916	396,790	Available for sale financial assets	41,284	350,714
70,704	721,397	**Total Financial Assets**	56,514	975,618
270,729	107,286	Financial liabilities at amortised cost*	268,285	98,674
270,729	**107,286**	**Total Financial Liabilities**	**268,285**	**98,674**

* The value of long-term and short-term financial liabilities at amortised cost at 31 March 2016 have been restated upwards by £4.239m and £1.731m respectively to reflect the restatement of finance lease liabilities during the year.

Note 18 Financial Instruments (continued)

Income, Expense, Gains and Losses

2015/16				2016/17		
Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale		Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale
£'000	£'000	£'000		£'000	£'000	£'000
(13,130)	-	-	Interest Expense	(12,153)	-	-
(13,130)	-	-	Total Expense in Surplus/Deficit on the Provision of Service	(12,153)	-	-
-	3,558	1,588	Interest Income	-	3,545	2,658
-	-	44	Gains on derecognition	-	-	-
-	3,558	1,632	Total income in Surplus/Deficit on the Provision of Services	-	3,545	2,658
-	-	16,512	Gains on Revaluation	-	-	1,123
-	-	(1,809)	Losses on Revaluation	-	-	(1,784)
-	-	14,704	Surplus/Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income And Expenditure	-	-	(661)
(13,130)	**3,558**	**16,336**	**Net Gain/(Loss) for the Year**	**(12,153)**	**3,545**	**1,998**

Note 18 Financial Instruments (continued)

The fair value of Public Works Loan Board (PWLB) loans is calculated using the premature repayment rate published by the PWLB on 31 March 2017.

For non-PWLB loans the fair value is deemed to be the standard new loan rate also published by the PWLB on 31 March 2017.

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

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

31 March 2016			31 March 2017	
Carrying Amount	**Fair Value**		**Carrying Amount**	**Fair Value**
£'000	**£'000**		**£'000**	**£'000**
354,395	354,395	Loans and receivables	640,134	640,134
437,706	437,706	Available for sale financial assets	391,998	391,998
792,101	**792,101**	**Total Financial Assets**	**1,032,132**	**1,032,132**
378,015	476,086	Financial liabilities at amortised cost*	366,960	459,024
378,015	**476,086**	**Total Financial Liabilities**	**366,960**	**459,024**

* The carrying value of financial liabilities at amortised cost at 31 March 2016 has been restated upwards by £5.970m to reflect the restatement of finance lease liabilities during the year.

Note 19 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 19 Nature and Extent of Risk (continued)

A summary of the credit quality of the Council's investments at 31 March 2017 is shown below:

31 March 2016			31 March 2017	
Available for Sale	**Loans and receivables**	**Fitch Rating**	**Available for Sale**	**Loans and receivables**
£'000	**£'000**		**£'000**	**£'000**
15,247	79,943	AAA	75,932	175,555
250,098	-	AA+	-	-
27,493	-	AA	99,242	70,037
-	55,276	AA-	130,498	109,568
47,251	61,684	A+	50,310	75,484
-	29,680	A	20,046	100,344
-	14,040	BBB+	-	5,042
97,617	113,772	NA	15,971	104,104
437,706	**354,395**	**Total**	**391,998**	**640,134**

*The 2015/16 disclosure for "NA" Fitch rated for assets Available for Sale and Loans and Receivables figures has been restated.

The credit quality of debtors is reflected in the level of the bad debt provision for trade debtors shown In Note 23.

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 2016		31 March 2017
£'000		**£'000**
8,413	Less than three months	7,880
2,370	Three to six months	1,349
467	Six months to one year	921
1,973	More than one year	1,595
13,223	**Total**	**11,745**

Note 19 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 2016		31 March 2017
£'000		**£'000**
2,119	Less than one year	2,069
60	Between one and two years	30,040
45,202	Between two and five years	20,535
32,557	Maturing in five to ten years	31,050
173,646	Maturing in more than ten years	169,645
253,584	**Total**	**253,338**

Note 19 Nature and Extent of Risk (continued)

MARKET RISK

Interest Rate Risk

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

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

Applying the Council's assessment, at 31 March 2017, if interest rates had been 1% lower with all other variables held constant, the financial effect would be:

31 March 2016		31 March 2017
£'000		**£'000**
-	Decrease in interest payable on variable rate borrowings	-
4,306	Decrease in interest receivable on variable rate investments	9,448
4,306	**Impact on Surplus or Deficit on the Provision of Services**	**9,448**

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.

Foreign Exchange Risk

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

Note 20 Capital Expenditure and Capital Financing

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

2015/16		2016/17
£'000		**£'000**
456,581	Capital Financing Requirement at 1 April	471,266
-	Adjustment to opening CFR	(5,443)
456,581	**Revised Opening CFR**	**465,823**
	Capital investment	
115,333	Property, Plant and Equipment	127,394
657	Investment Properties	23,703
467	Intangible Assets	175
7,661	Revenue Expenditure Funded from Capital under Statute	24,799
	Sources of finance	
(13,636)	Capital Receipts	(18,563)
(39,224)	Government grants and other contributions	(67,006)
	Sums set aside from revenue	
(17,685)	Direct revenue contributions	(4,409)
(23,369)	Major Repairs Allowance	(23,296)

Note 20 Capital Expenditure and Capital Financing (continued)

2015/16		2016/17
£'000		**£'000**
	Debt repayment	
(11,929)	Capital Receipts applied to reduce existing Capital Financing Requirement	(2,511)
(2,686)	Minimum Revenue Provision	(4,107)
(903)	Minimum Revenue Provision PFI and Finance Lease	(914)
471,266	**Capital Financing Requirement at 31 March**	521,089
	Explanation of movements in year	
30,204	Increase in underlying need to borrowing (unsupported by government financial assistance)	62,798
(11,929)	Capital Receipts applied to reduce existing Capital Financing Requirement	(2,511)
(2,686)	Statutory provision for repayment of debt (Minimum Revenue Provision)	(4,107)
(903)	Statutory provision for PFI and Finance Lease debt (Minimum Revenue Provision)	(914)
14,685	**Total**	**55,266**

Note 21 Leases

COUNCIL AS LESSEE

Finance Leases

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

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

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

31 March 2016		31 March 2017
£'000		£'000
27,900	Other Land and Buildings	33,169
27,900	**Total**	**33,169**

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 2016				31 March 2017		
Minimum Lease Payment*	Finance Charges	Present Value*		Minimum Lease Payment	Finance Charges	Present Value
£'000	£'000	£'000		£'000	£'000	£'000
887	70	817	Not later than one year	887	70	817
3,549	880	2,669	Later than one year and not later than five years	3,549	880	2,669
43,475	36,767	6,709	Later than five years	42,588	35,890	6,698
47,911	**37,717**	**10,195**	**Total**	**47,024**	**36,840**	**10,184**

* Minimum lease payments were restated from a total of £137,200m to £47.911m and the present value of minimum lease payments were restated from £64.806m to £10.195m following a review of the accounting for finance leases during the year.

Note 21 Leases (continued)

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

In 2016/17 £1.595m contingent rents were payable the Council (£1.595m 2015/16).

Operating Leases

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

The Council 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 2016		31 March 2017
£'000		**£'000**
35,327	Not later than one year	43,384
11,445	Later than one year and not later than five years	16,048
616,016	Later than five years	600,019
662,788	**Total**	**659,451**

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

31 March 2016		31 March 2017
£'000		**£'000**
38,380	Minimum lease payments	41,642
552	Contingent rents	2,147
(24,713)	Sublease payments receivable	(27,022)
14,219	**Total**	**16,767**

Note 21 Leases (continued)

COUNCIL AS LESSOR

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal and replaced by a long-term debtor in the Balance Sheet valued on the future income due under the finance lease.

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 Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres.
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

31 March 2016		31 March 2017
£'000		**£'000**
20,457	Not later than one year	21,874
73,258	Later than one year and not later than five years	81,873
670,094	Later than five years	735,517
763,809	**Total**	**839,265**

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 22 Service Concessions

Service concessions are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. As the Council is deemed to control the VAT services that are provided under these schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

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

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

2016/17 was the sixth full year of a seven year service concession contract for waste and recycling collection, street cleansing and ancillary services, which terminates part way through 2017/18.

Under the contract, the operator provides a fleet of vehicles subject to a renewal programme approved by the Council 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 Council has the option to purchase the vehicles at net book value, which is currently estimated to be £1.6m. The contract provides for the Council's depots to be leased to the operator for the duration of the contract and returned to the Council 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 Council 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 Council 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 Council owns the freehold to the land. At the end of the contract the building transfers to the Council 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 Council 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 Council at the end of the lease, and the Council has 100% nomination rights and provides an annual care contract for residents. The operator retains all rent and service charge income from residents.

Sports and Leisure Management Ltd contract

2016/17 was the first 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 an 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 that financial performance targets are exceeded. The contractor will pay a management fee of £35.4m to the Council over the life of the contract.

Note 22 Service Concessions (continued)

The Council has rights under the contract to specify the activities and services to be provided and regulate the prices charged. The contract specifies minimum standards to be met by the contractor, with penalties payable if the facilities or performance 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 Council'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 15c.

Payments

The Council 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 PFI contract at 31 March 2017 (including an estimate of inflation) are as follows:

	31 March 2016	31 March 2017
	£'000	**£'000**
Balance outstanding at start of the year	13,569	10,598
Restatement of Opening Balances	(2,068)	-
Restated Opening Balance	11,501	10,598
Payments made during the year	(903)	(914)
Balance outstanding at year end	**10,598**	**9,684**

Note 22 Service Concessions (continued)

2015/16

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	**£'000**	**£'000**	**£'000**
Payable in 2016/17	42,259	914	247	**43,421**
Payable within 2 to 5 years*	26,933	3,145	297	**30,375**
Payable within 6-10 years	6,315	1,026	56	**7,396**
Payable within 11-15 years	-	363	-	**363**
Payable within 16 - 20 years	-	363	-	**363**
Payable within 21+ years	-	4,788	-	**4,788**
Total	**75,507**	**10,599**	**600**	**86,706**

* The analysis of the amounts payable within 2 to 5 years were amended to reflect an acceleration of the repayment of capital expenditure which increased by £1.593m to £3.145m. This was matched by reductions of £1.567m to the service charge and £0.026m to the interest charge.

2016/17

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	**£'000**	**£'000**	**£'000**
Payable in 2017/18	19,979	2,179	115	**22,272**
Payable within 2 to 5 years	10,506	1,314	217	**12,037**
Payable within 6-10 years	3,622	750	22	**4,394**
Payable within 11-15 years	-	363	-	**363**
Payable within 16 - 20 years	-	363	-	**363**
Payable within 21+ years	-	4,716	-	**4,716**
Total	**34,107**	**9,684**	**353**	**44,145**

Note 23 Debtors

31 March 2016				31 March 2017		
Long Term	Short Term	Total		Long Term	Short Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
-	23,685	**23,685**	Central government bodies	-	14,676	**14,676**
-	4,480	**4,480**	NHS bodies	-	6,291	**6,291**
-	13,004	**13,004**	Other local authorities	-	8,964	**8,964**
-	-	**-**	Public corporations and trading funds	-	5	**5**
			Other entities and individuals:			
-	14,430	**14,430**	Westminster share of NNDR debt	-	17,408	**17,408**
-	28,507	**28,507**	Parking fines	-	22,746	**22,746**
-	17,637	**17,637**	Housing Benefits overpayments	-	19,022	**19,022**
12,394	114,306	**126,700**	Other*	15,229	55,094	**70,323**
-	(78,382)	**(78,382)**	Less: Provision for irrecoverable debts (see below)	-	(70,837)	**(70,837)**
12,394	**137,666**	**150,061**	**Total**	**15,229**	**73,369**	**88,598**

*The reduction in the Other category has arisen as the Safety Net on Business Rates is no longer applicable in 2016/17.

Provision for Irrecoverable Debts

31 March 2016		31 March 2017
£'000		**£'000**
(25,844)	Parking fines	(20,081)
(18,032)	Housing General Fund (incl. benefits overpayments)	(18,035)
(34,506)	Other provisions	(32,720)
(78,382)	**Total**	**(70,837)**

Note 24 Creditors

		31 March 2016				31 March 2017
Long Term	**Short Term**	**Total**		**Long Term**	**Short Term**	**Total**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
-	123,238	**123,238**	Central government bodies*	-	232,531	**232,531**
111	24,233	**24,344**	Other local authorities*	-	93,832	**93,832**
-	8,505	**8,505**	NHS bodies	-	4,204	**4,204**
-	22	**22**	Public corporations and trading funds	-	-	**-**
91	103,933	**104,024**	Other entities and individuals	204	141,017	**141,221**
202	**259,931**	**260,133**	**Total**	**204**	**471,584**	**471,787**

*The reduction in 2016/17 is due to the movement from a Business Rates safety net position in 2015/16 to a levy position in 2016/17.

Note 25 Provisions

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

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

For example, the insurance provision sets aside amounts required in order to meet potential claims that may be met by the Council within the agreed excess limits with the insurers. Where some or all of the payment required to settle a provision is expected to be recovered from a third party, this will only be recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

	1 April 2016	Additional provisions made in 2016/17	Amounts used in 2016/17	Unused amounts reversed in 2016/17	31 March 2017
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Compensation, Property and Contractual Claims	5,570	-	-	-	5,570
Dilapidations	5,875	-	-	(5,875)	-
Ill-health Pension Contributions	4,000	700	-	-	4,700
Insurance Claims	8,703	388	(1,154)	-	7,937
Business Rates Appeals	117,900	-	(43,500)	-	74,400
Business Rates Losses to Safety Net	4,500	-	-	(4,500)	-
Other	7,388	11,111	(1,431)	(1,598)	15,471
London Pension Fund Authority	-	13,427	-	-	13,427
Total	**153,936**	**25,626**	**(46,085)**	**(11,973)**	**121,504**

Note 25 Provisions (continued)

Closing provisions include the following elements:

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

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

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

Business Rates Appeals
Due to the localisation of Business Rates, which became effective from 1 April 2013, the Council has set aside a provision for any potential liabilities as a result of Business Rate payers' appeals against rateable valuations. The Council is responsible for a 30% share of this liability, and the Department for Communities and Local Government and the Greater London Authority are responsible for a 50% and 20% share respectively.

Other
This section includes an estimate of the Council's liability in respect of a number of areas, including a provision for the consequential impact of the Hemming legal case on other areas of the Council. Although this case has been won, a final decision from the Supreme Court making an order on remedy and costs is awaited.

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.

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

Note 26 Unusable Reserves

31 March 2016		31 March 2017
£'000		£'000
268,647	Revaluation Reserve	352,200
1,679,966	Capital Adjustment Account	1,711,245
(5,460)	Financial Instrument Adjustment Account	(5,376)
2,445	Deferred Capital Receipts Reserve	2,364
(124,900)	Collection Fund Adjustment Account	5,964
(590,417)	Pensions Reserve	(772,989)
(911)	Accumulated Absences Account	(1,170)
16,347	Available for Sale Financial Instruments Reserve	15,256
1,245,717	**Total Unusable Reserves**	**1,307,310**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Revaluation Reserve contains only revaluation gains accumulated since 1 April 2007. The reserve was introduced in 2007/08. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

31 March 2016		31 March 2017
£'000		£'000
279,348	Balance at 1 April	268,879
232	Upward revaluation of assets	-
(3,414)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	83,321
275,934	Surplus/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	352,200
(7,287)	Difference between fair value depreciation and historical cost depreciation	-
(7,287)	Amount written off to the Capital Adjustment Account	-
268,879	**Balance at 31 March**	**352,200**

Note 26 Unusable Reserves (continued)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

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

31 March 2016		31 March 2017
£'000		**£'000**
1,668,517	Balance at 1 April	1,679,966
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(87,239)	Charges for depreciation and impairment of non-current assets	(96,046)
(1,559)	Amortisation of intangible assets	(928)
(7,661)	Revenue expenditure funded from capital under statute	(24,799)
-	Write-out of other capital expenditure	1,075
(17,414)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(15,718)
(113,873)		(136,416)
-	Adjusting amounts written out of the Revaluation Reserve	21,023
(113,873)	Net written out amount of the cost of non-current assets consumed in the year	(115,393)
3,589	Minimum Revenue Provision	5,020

Note 26 Unusable Reserves (continued)

Capital Adjustment Account

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

31 March 2016		31 March 2017
£'000		**£'000**
	Capital financing applied in the year:	
13,672	Use of the Capital Receipts Reserve to finance new capital expenditure	18,562
11,929	Use of the Capital Receipts Reserve to reduce capital financing requirement	2,511
23,369	Use of the Major Repairs Reserve to finance new capital expenditure	23,296
37,112	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	67,006
19,231	Capital expenditure charged against the General Fund and HRA balances	4,409
105,313		115,784
16,420	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	25,868
1,679,966	**Balance at 31 March**	**1,711,245**

Note 26 Unusable Reserves (continued)

Collection Fund Adjustment Account

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

31 March 2016		31 March 2017
£'000		**£'000**
270	Balance at 1 April - Council Tax	646
376	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	9
646	Balance at 31 March	655
(62,895)	Balance at 1 April – Business Rates	(125,546)
(62,651)	Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Business Rates income calculated for the year in accordance with statutory requirements	130,855
(125,546)	Balance at 31 March	5,309
(124,900)	**Grand Total**	**5,964**

Note 26 Unusable Reserves (continued)

Pension Reserve

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

31 March 2016		31 March 2017
£'000		**£'000**
(626,623)	Balance at 1 April	(590,417)
65,958	Actuarial gains or losses on pensions assets and liabilities	(158,742)
(29,752)	Employers contributions and reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(23,830)
(590,417)	**Balance at 31 March**	**(772,989)**

Note 27 Defined Benefit Pension Schemes

ACCOUNTING POLICY

The accounting policy in this area has changed as a result of the Code's adoption of the 2011 amendments to IAS 19 and IAS 1. This change requires the recognition within the financial statements of a number of new classes of components of defined benefit costs: net interest on the net defined benefit liability (asset) and remeasurement of the net defined benefit liability (asset); and where there is a material impact, new definitions or recognition criteria for termination benefits. Therefore, our reporting reflects the enhanced disclosure. The Council concludes that there is no material impact of the revised standard.

The amendments to IAS 19 have been implemented in the current year. No prior period adjustment has been made as the change was not material.

PARTICIPATION IN PENSION SCHEMES

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

DESCRIPTION OF THE WESTMINSTER FUND

The Council administers a defined benefit final salary scheme where the retirement benefits are determined independently from investments of the scheme, and employers have obligations to make contributions where assets are insufficient to meet employee benefits. The schemes which make up the overall Westminster Scheme are: The Local Government Pension Scheme (LGPS) administered locally by Westminster City Council (WCC) which is a funded defined benefit final salary scheme meaning that the Council 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 27 Defined Benefit Pension Schemes (continued)

TRANSACTIONS RELATING TO POST - EMPLOYMENT BENEFITS

The Council recognises the cost of post-employment benefits in the reported cost of services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. During the year the following transactions have been made in the Comprehensive Income and Expenditure Statement and General Fund Balance via the Movement in Reserves Statement:

WCC Pension Scheme 31 March 2016	LPFA Pension Scheme 31 March 2016		WCC Pension Scheme 31 March 2017	LPFA Pension Scheme 31 March 2017
£'000	**£'000**	**Comprehensive Income and Expenditure Statement**	**£'000**	**£'000**
		Cost of Services		
		Service Cost Comprising:		
23,570	21	Current service cost	20,478	34
1,768	-	Past service cost	1,696	-
(23)	-	(Gain)/Loss from settlements	-	-
476	31	Administration Expenses	308	25
		Finance and investment income and expenditure:		
20,356	82	Net interest expense	20,824	88
46,147	**134**	**Total Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services**	**43,306**	**147**

Note 27 Defined Benefit Pension Schemes (continued)

The current service cost is an estimate of the true economic cost of employing people in a financial year. It measures the full liability estimated to have been generated in the year.

The past service costs arise from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years.

Interest cost is the amount needed to unwind the discount applied in calculating the defined benefit obligations (liability). As members of the plan are one year closer to receiving their pension, the provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to keep pace with current values.

The expected return on assets is a measure of the return on the investment assets held by the plan for the year. It is not intended to reflect the actual realised return by the plan, but a longer term measure based on the value of assets at the start of the year taking into account movements in assets during the year and an expected return factor.

Actuarial gains and losses arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

WCC Pension Scheme 31 March 2016	LPFA Pension Scheme 31 March 2016		WCC Pension Scheme 31 March 2017	LPFA Pension Scheme 31 March 2017
£'000	**£'000**	**Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement**	**£'000**	**£'000**
24,520	745	Return on plan assets (excluding the amount included in the net interest expense)	(112,653)	(3,291)
-	-	Actuarial gains and (losses) arising on changes in demographic assumptions	29,740	(712)
(90,330)	(856)	Actuarial gains and (losses) arising on changes in financial assumptions	316,086	3,063
-	-	Other actuarial (gains) and losses	(32,920)	(174)
(37)	-	Experience (gain)/loss on defined benefit obligation	(39,382)	(1,015)
(65,847)	(111)	Total Post-Employment Benefits Charged to other Comprehensive Income and Expenditure Statement	160,871	(2,129)
(19,700)	**23**	**Total Charged to Comprehensive Income and Expenditure Statement**	**204,177**	**1,982**
		Movement in Reserves Statement		
(46,147)	(134)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(43,306)	(147)
16,509	20	Employers contributions payable to scheme	19,600	23

PENSIONS ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET

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

WCC Pension Scheme 31 March 2016	LPFA Pension Scheme 31 March 2016		WCC Pension Scheme 31 March 2017	LPFA Pension Scheme 31 March 2017
£'000	£'000		£'000	£'000
(1,235,024)	(22,356)	Present value of the defined benefit obligation	(1,572,620)	(23,010)
647,445	19,517	Fair value of plan assets	800,464	22,176
(587,579)	**(2,839)**	**Net liability arising from the funded defined benefit obligation**	**(772,156)**	**(834)**

Note 27 Defined Benefit Pension Schemes (continued)

RECONCILIATION OF THE MOVEMENTS IN FAIR VALUE OF PLAN ASSETS

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

WCC Pension Scheme 31 March 2016	LPFA Pension Scheme 31 March 2016		WCC Pension Scheme 31 March 2017	LPFA Pension Scheme 31 March 2017
£'000	**£'000**		**£'000**	**£'000**
669,911	20,862	Opening fair value of scheme assets	647,445	19,517
21,787	588	Interest income	23,036	584
		Remeasurement gain/(loss):		
(24,520)	(745)	Return on plan assets, excluding the amount included in the net interest expense	112,653	3,291
-	-	Other actuarial gains and losses	32,920	174
(476)	(31)	Administration Expenses	(308)	(25)
16,509	20	Contributions from employer	19,600	23
6,324	3	Contributions from employees into the scheme	6,743	6
(41,975)	(1,180)	Benefits paid	(41,625)	(1,394)
(115)	-	Other	-	-
647,445	**19,517**	**Closing fair value of assets**	**800,464**	**22,176**

Note 27 Defined Benefit Pension Schemes (continued)

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

WCC Pension Scheme 31 March 2016	LPFA Pension Scheme 31 March 2016		WCC Pension Scheme 31 March 2017	LPFA Pension Scheme 31 March 2017
£'000	**£'000**		**£'000**	**£'000**
(1,293,699)	(23,698)	Balance at 1 April	(1,235,024)	(22,356)
(23,570)	(21)	Current Service Cost	(20,478)	(34)
(42,143)	(670)	Interest Cost	(43,860)	(672)
(6,324)	(3)	Contributions from Scheme Participants	(6,743)	(6)
		Remeasurement (gains) and losses:		
-	-	Actuarial gains/losses arising from changes in demographic assumptions	(29,740)	712
90,330	856	Actuarial gains/losses arising from changes in financial assumptions	(316,086)	(3,063)
37	-	Experience loss/(gain) on defined benefit obligation	39,382	1,015
(1,768)	-	Losses/(gains) on curtailment (where relevant)	(1,696)	-
41,975	1,180	Benefits Paid	41,625	1,394
138	-	Liabilities extinguished on settlements (where relevant)	-	-
(1,235,024)	**(22,356)**	**Balance at 31 March**	**(1,572,620)**	**(23,010)**

Note 27 Defined Benefit Pension Schemes (continued)

LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPRISED

WCC Pension Scheme 31 March 2016			WCC Pension Scheme 31 March 2017	
£'000	**%**		**£'000**	**%**
15,539	2%	Gilts - UK	18,411	2%
38,199	6%	Corporate Bonds - UK	49,629	6%
37,552	6%	Corporate Bonds - Overseas	41,624	5%
647	-	Gilts - Overseas	2,401	-
405,301	63%	Unlisted Equities - UK	367,413	47%
65,392	10%	Unlisted Equities - Overseas	242,541	30%
64,097	10%	Property	72,842	9%
8,417	1%	Pooled Fixed Interest	-	-
1,295	-	Investment Debtors	-	-
11,654	2%	Cash	6,404	1%
647	-	Net Current Assets - debtors	-	-
(1,295)	-	Net Current Assets - creditors	(800)	-
647,445	**100%**	**Total**	**800,464**	**100%**

Note 27 Defined Benefit Pension Schemes (continued)

LPFA Pension Scheme 31 March 2016			LPFA Pension Scheme 31 March 2017	
£'000	**%**		**£'000**	**%**
9,066	47%	Equities	13,139	59%
1,978	10%	LDI/ Cashflow matching	-	-
4,152	21%	Target Return Portfolio	4,686	22%
1,069	5%	Infrastructure	1,168	5%
87	-	Commodities	-	-
697	4%	Property	1,131	5%
2,468	13%	Cash	2,052	9%
19,517	**100%**	**Total**	**22,176**	**100%**

a) All scheme assets have quoted prices in active markets

Note 27 Defined Benefit Pension Schemes (continued)

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

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table opposite. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assume for each change that particular assumption changes, while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women.

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

WCC Pension Scheme 31 March 2016	LPFA Pension Scheme 31 March 2016		WCC Pension Scheme 31 March 2017	LPFA Pension Scheme 31 March 2017
		Mortality assumptions:		
		Longevity at 65 for current Pensioners (years):		
22.1	21.3	Men	24.4	20.5
25.3	24.3	Women	26.0	23.5
		Longevity at 65 for future Pensioners (years):		
24.4	23.7	Men	26.6	22.8
27.7	26.6	Women	28.3	25.7
3.2%	2.9%	Rate of Inflation (RPI)	3.6%	3.3%
2.3%	2.0%	Rate of Inflation (CPI)	2.7%	2.4%
4.1%	3.8%	Rate of Increase in salaries	4.2%	3.9%
2.3%	2.0%	Rate of increase in pensions	2.7%	2.4%
3.6%	3.1%	Rate for discounting scheme liabilities	2.7%	2.2%

Note 27 Defined Benefit Pension Schemes (continued)

IMPACT ON THE DEFINED BENEFIT OBLIGATION IN THE SCHEME:

	WCC Pension Scheme	WCC Pension Scheme
	Increase in Assumption	Decrease in Assumption
	£'000	**£'000**
Longevity (increase or decrease in 1 year)	(47,951)	46,488
Rate of inflation (increase or decrease by 0.1%)	(26,177)	25,704
Rate of increase in salaries (increase or decrease by 0.1%)	(2,781)	2,760
Rate of increase in pensions (increase or decrease by 0.1%)	(26,177)	25,704
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	28,436	(28,987)

Note 27 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 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

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

The Council anticipated paying £32.900m in employer contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for the WCC scheme members is 19 years, 2016/17 (19 years 2012/13).

The weighted average duration of the defined benefit obligation for the LPFA scheme members is 12 years, 2016/17 (11 years 2012/13).

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

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

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

4.4. Notes Supporting the Cashflow Statement

Note 28 Cash Flows from Operating Activities

The cash flows for operating activities include the following items:

2015/16		2016/17
£'000		**£'000**
4,612	Interest Received	3,630
(14,172)	Interest Paid	(6,544)
	Adjust net surplus or deficit on the provision of services for non-cash movements	
88,824	Depreciation	112,631
17,030	Impairment	(3,543)
(16,816)	Movement in Investment Property Values	(25,869)
(29,999)	Increase/(Decrease) in Creditors	252,912
(10,478)	(Increase)/Decrease in Debtors	64,297
2,909	(Increase)/Decrease in Long Term Debtors	(2,835)
81	(Increase)/Decrease in Inventories	56
29,752	Movement in Pension Liability	23,830
33,211	Contributions to/(from) Provisions	(32,432)
18,143	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	25,738
-	Other non-cash items	380
132,657	**Sub-total of non-cash movements**	**415,165**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(80,825)	Capital Grants credited to surplus or deficit on the provision of services	(81,823)
(86,201)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(17,436)
(167,026)	**Total Cash Flows from Operating Activities**	**(99,259)**

Note 29 Cash Flows from Investing Activities

2015/16		2016/17
£'000		**£'000**
(128,074)	Purchase of property, plant and equipment, investment property and intangible assets	(175,895)
(5,449,769)	Purchase of short and long-term investments	(1,823,538)
86,201	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	17,436
5,276,120	Proceeds from short and long-term investments	1,599,719
82,309	Other receipts from investing activities	80,731
(133,213)	**Total Cash Flows from Investing Activities**	**(301,547)**

Note 30 Cash Flows from Financing Activities

2015/16		2016/17
£'000		**£'000**
(31,788)	Repayment of short and long-term borrowing	(268)
-	Cash receipts of short and long-term borrowing	65
8,736	Billing authorities - council tax and NNDR adjustments	(4,968)
(1,490)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet service concession contracts	(914)
(24,542)	**Total Cash Flows from Financing Activities**	**(6,085)**

4.5 Other Notes

Note 31 Related Party Transactions

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

CENTRAL GOVERNMENT

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates. It provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, Housing Benefits). Grants received from Government departments are set out in the analysis in Note 12.

MEMBERS

Councillor Ruth Bush is an appointee of Westminster SACRE and Chair of Westminster Faith Exchange. No record is kept of her time on these activities hence no monetary value can be attributed to them.

Councillor Tim Mitchell is a Council appointed Governor of the City Literary Institute. The Council commissioned the Institute to provide a Heritage Walk project from May 2016 to the end of September 2016 at a cost of £19,985.

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

Further details are recorded in the Register of Members' Declarations of Interest.

OFFICERS

The following companies had Westminster officers on their board of directors:

- CityWest Homes – Mark Jones, Jon Gooding, and Tristan Samuels
- Westco Trading Ltd – Dai Williams, Neil Wholey, and Julia Corkey
- Soho Create Ltd – Julia Corkey and Edward Watson
- Westminster Procurement Service Ltd – Dai Williams and Anthony Oliver
- Westminster Community Homes – Mark Jones, Jon Gooding and Tristan Samuels

Note 31 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 are as follows:

CityWest Homes Ltd
a) Nature of the business

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

b) Relationship with the Council

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

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

The total number of Board members is 15, of which the Council has four, but the Council can appoint and remove any members.

c) Financial performance

For 2016/17, the company's results showed a surplus of £0.031m (£2.006m loss in 2015/16), and net liabilities of £29.177m (£18.538m at 31 March 2016). The net liabilities reflect a pension deficit of £28.262m (£19.075m at 31 March 2016).The pension deficit is covered by a guarantee from the Council.

For 2016/17, the Council spent £33.912m on management fees to the ALMO (£27.723m in 2015/16), and received income of £1.102m (nil in 2015/16).

The balance outstanding to CityWest Homes Ltd at 31 March 2017 is nil (£0.878m at 2015/16), and income outstanding is £0.098m (£0.254m at 31 March 2016).

d) Related Party Officers/Members

Four Members of the Council are Board Members at CityWest Homes: Councillor Barbara Arzymanow, Councillor Susie Burbridge, Councillor Aicha Less, and Councillor Angela Harvey.

Westminster Community Homes
a) Nature of the business

The company is a housing development vehicle for the Council.

b) Relationship with the Council

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

Loans outstanding from the Council to the company total £10.283m (£10.379m at 31 March 2016).

c) Financial performance

For 2016/17, the company's results showed a loss of £0.671m (£1.760m surplus in 2015/16), and net assets of £11.710m (£12.379m at 31 March 2016).

In 2016/17, the Council spent £4.872m on services, (£3.811m in 2015/16), and received income of £1.287m (£1.265m in 2015/16).

Income due to the Council is nil, (£0.844m at 31 March 2016).

d) Related Party Officers/Members

Three Officers of the Council are Board Members at Westminster Community Homes: Mark Jones, Jon Gooding and Tristan Samuels.

Note 31 Related Party Transactions (continued)

WestCo Trading Ltd
a) Nature of the business

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

b) Relationship with the Council

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

c) Financial performance

For 2016/17, the company's results showed a profit of £0.013m (£0.031m in 2015/16), and net assets of £0.948m (£0.934m at 31 March 2016).

In 2016/17, the Council spent £0.832m on services and received income of £1.842m. Income outstanding at 31 March 2017 is £1.075m (nil at 31 March 2016).

d) Related Party Officers/Members

For the financial year of 2016/17, Councillor Tony Devenish was the chairman of Westco Trading Limited. Four Officers of the Council were also Board Members: Ian Farrow, Julia Corkey, Dai Williams and Neil Wholey.

Soho Create Ltd
a) Nature of the business

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

The company has been wound up during the year, and the outstanding loan of £0.187m has been written off.

Westminster Procurement Services Limited
a) Nature of the business

Westminster Procurement Services Limited is a trading vehicle for a joint venture agreement between the council and 4C to provide procurement consultancy services to public sector organisations. Symbiance Procurement Services Limited was set up to deliver this service.

b) Relationship with the Council

The company is a private limited company with a nominal share capital of £100 and is wholly owned by the Council.

c) Financial performance

The company was incorporated on 27th July 2016 and has yet to produce a statement of accounts.

d) Related Party Officers/Members

In 2016/17 the following Council Officers were Directors of the company: Dai Williams and Anthony Oliver.

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.

A grant of £0.065m was paid via the Council, originating from the GLA and Capital Enterprise under the New Homes Bonus Places of Work Programme. Loans outstanding from the Council are £0.155m (£0.129m at 31 March 2016).

c) Financial performance

For 2016/17, the company's results showed a loss of £0.099m. (£0.137m loss in 2015/16), and net liabilities of £0.193m (net liabilities of £0.094m at 31 March 2016). The Council spent £0.135m on services in 2016/17, (nil in 2015/16).

d) Related Party Officers/Members

There were no related party or officers during the year.

Note 32 Contingent Liabilities

City West Homes, a wholly owned subsidiary of Westminster City Council, has a pension deficit of £28.262m as at 31March 2017 (£19.075m as at 31 March 2016). This represents a contingent liability for Westminster City Council because, in the event of the failure of City West Homes, the responsibility for making good any funding shortfall would fall back on Westminster City Council.

The Council has entered into an agreement with Veolia ES (UK) Ltd, through a special purpose vehicle Veolia ES Westminster Vehicles Ltd, to ensure that the Council retains the use of 41 'Front Line' vehicles in the event of the premature termination of the waste collection contract. If the contract is terminated the Council may be required to purchase the vehicles. As at 30 September 2016 these vehicles had a net book value of £2.219m (£2.846m as at 31 March 2016).

The main Paddington LTVA construction scheme completed in 2014/15 but there are a number of issues which may result in a contingent liability of £0.690m (£0.690m in 2015/16). The key issue is in respect of a substantial compensation claim by a contractor. The options available to bring this to a conclusion are being explored by the Council and its external advisors. Currently it is unclear when the claim is likely to be settled.

The Council is being taken to court by a group of lessees who are claiming compensation for lease variations. It is not known what the outcome of this claim will be, but total costs could be £0.540m for compensation plus legal fees.

There is an issue in relation to the terms and conditions provided to Sanctuary Housing Association at the point Carlton Dene and Westmead transferred from the Council which has led to a disagreement of which party is liable for increased costs of £0.187m (not previously recognised in 2015/16). The contingent liability relates to utility bills; where Sanctuary are claiming compensation for the additional costs, but Westminster City Council is contesting the validity of this claim.

Note 33 Contingent Assets

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

Following the decision of the Supreme Court to allow in part the City Council's appeal in relation to the recovery of costs through licence fees, the European Court of Justice has now issued a ruling on matters referred to it by the Supreme Court. The City Council is now seeking an order from the Supreme Court for the return of the sum of approximately £1.2m paid to the claimants. It is considered that there is a good prospect that the Court will agree to do so.

The Council has entered into an agreement with Willmott Dixon for the redevelopment of Moberly and Jubilee Leisure Centres, the sites will be mixed use including a residential element. The Council is to loan £13.5m in order to provide working capital to the development which will be repaid from the residential sales. As a result, the Council will potentially be able to benefit from a share of profits above a certain threshold resulting from the value enhancement associated with this scheme. The amounts and timings of these receipts will depend on market conditions.

Note 34 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 which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Quoted UK Bonds	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
Investment in unquoted companies	Level 3	Valued using the net asset value of companies	Valuations are based on unaudited accounts	Valuations could be affected by differences between audited and unaudited accounts
Investment property, assets held for sale	Level 3	Valued at fair value at the year-end using the investment method of valuation by Lambert Smith Hampton, the Council's valuing agents in accordance with the RICS Valuation Standards	Existing lease terms and rentals	

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 2017.

Description of asset	Assessed Valuation Range (+/-)	Value at 31 March 2017	Value on increase	Value on decrease
		£'000	**£'000**	**£'000**
Investment in unquoted companies	+16.1% / - 15.7%	14,428	16,755	12,165
Investment property, assets held for sale	+/- 4.74%	454,839	476,399	433,280
Total		**469,267**	**493,154**	**445,445**

Note 34a 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 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 2016				31 March 2017
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**
			Financial Assets			
-	422,185	15,521	Available for sale	-	377,570	14,428
-	-	405,269	Investment property	-	-	454,839
-	-	2,250	Assets held for sale	-	-	2,250
-	**422,185**	**423,040**	**Total financial assets**	**-**	**377,570**	**471,517**

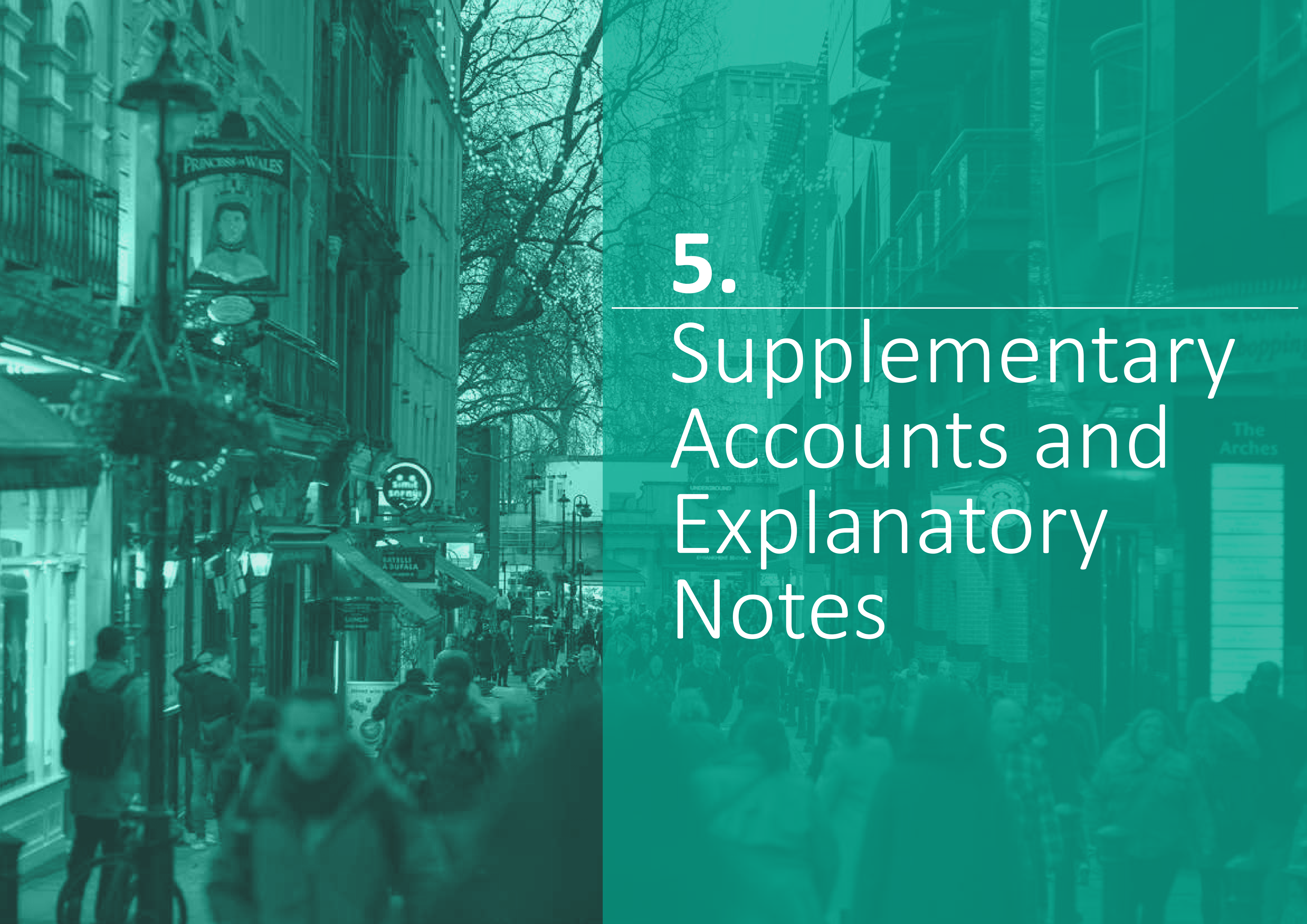
Note 34b Transfers between Levels 1 and 2

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

Note 34c Reconciliation of Fair Value Measurements within Level 3

2016/17	1 April 2016	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/(losses)	Realised gains/losses	31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Available for sale	15,521	-	-	-	-	(1,093)	-	14,428
Investment property	405,269	-	-	23,703	-	25,868	-	454,840
Assets held for sale	2,250	-	-	-	-	-	-	2,250
	423,040	**-**	**-**	**23,703**	**-**	**24,775**	**-**	**471,518**

2015/16	1 April 2015	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/(losses)	Realised gains/losses	31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Available for sale	15,664	-	-	-	-	(143)	-	15,521
Investment property	402,880	919	(6,917)	657	(8,786)	16,516	-	405,269
Assets held for sale	1,950	-	-	-	-	300	-	2,250
	420,494	**919**	**(6,917)**	**657**	**(8,786)**	**16,673**	**-**	**423,040**



5.

Supplementary Accounts and Explanatory Notes

Housing Revenue Account (HRA) Statements and Explanatory Notes

HRA INCOME AND EXPENDITURE ACCOUNT AND MOVEMENT ON HRA BALANCE

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

For 2016/17 the Council has changed its accounting policy in respect of Major Works Lessee Income. This change has led to the Council recognising income within its accounts in respect of major works to communal areas of shared housing blocks which have not yet been recharged. The impact of this is £13.145m of additional income recognised in 2016/17 what would otherwise have been the case.

2015/16 Restated		2016/17
£'000		**£'000**
	Expenditure	
18,493	Repairs and Maintenance	20,267
47,262	Supervision and Management	50,374
637	Rents, Rates, Taxes and Other Charges	404
(1,847)	Increase/(decrease) in Provision for Bad or Doubtful Debts	850
27,286	Depreciation, Impairment and Revaluation losses in relation to Non-current Assets	42,063
128	Debt Management Cost	113
91,958	Total HRA Expenditure	114,071
	HRA Income	
(76,612)	Dwellings Rents	(76,046)
(1,133)	Non-dwellings Rents	(1,199)
(7,998)	Charges for Services and Facilities	(7,856)
(13,251)	Contributions towards Expenditure	(27,742)
(98,993)	Total HRA Income	(112,843)
(7,035)	**Net Cost of HRA services as included in the whole-authority Income and Expenditure Account**	**1,228**

Housing Revenue Account (HRA) Statements and Explanatory Notes (continued)

2015/16		2016/17
£'000		**£'000**
45	HRA services share of Corporate and Democratic Core	45
(6,990)	**Net Cost of HRA services including HRA share of costs not allocated to specific services**	**1,272**
(26,039)	(Gain) or loss on sale of HRA non-current assets	(17,728)
12,554	Interest payable and similar charges	12,474
(6,288)	HRA Investment Property income	(7,898)
(657)	HRA Investment Income	(660)
(27,419)	**(Surplus) or deficit for the year on HRA services**	**(12,540)**

2015/16		2016/17
£'000		**£'000**
	Movement on the Housing Revenue Account Statement	
(49,950)	Balance on the HRA at the end of the previous reporting period	(31,606)
	Adjustments between the accounting basis and funding basis:	
(27,419)	(Surplus) or deficit for the year on the HRA Services	(12,540)
23,369	Transfer to Major Repairs Reserve	23,225
26,039	(Gain) or loss on sale of HRA non-current assets	17,728
17,535	Capital expenditure funded by the HRA	4,409
101	Financial Instrument Adjustment	93
(22,712)	Transfer (to) the Capital Adjustment Account (CAA)	(42,063)
16,912	**Net (increase) or decrease before transfers to or from reserves**	**(9,149)**
1,432	Transfers (to) or from earmarked reserves	(831)
18,344	**Increase or (decrease) in year on the HRA**	**(9,980)**
(31,606)	Balance on the HRA at the end of the current reporting period	(41,586)
(13,162)	Earmarked Reserves	(12,331)
(44,768)	**Total HRA Reserves**	**(53,917)**

HRA 1 Housing Stock

31 March 2016		31 March 2017
735	Rented Houses	735
11,106	Rented Flats	11,098
60	Shared Ownership	57
9,098	Leasehold Properties	9,134
20,999	**Total stock**	**21,024**

HRA 2 Housing Asset Valuation

a) The vacant possession value of HRA tenanted dwellings is £5,239m.

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.

Collection Fund Accounts and Explanatory Notes

The Collection Fund shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government of Council Tax and Business Rates. There is no requirement for a separate Collection Fund Balance Sheet since the assets and liabilities arising from collecting Business Rates and Council Tax belong to the bodies (i.e. major preceptors, the billing authority and the Government).

			2015/16					2016/17
Business Rates	**Business Rates Supplement**	**Council Tax**	**Total**	**Collection Fund**	**Business Rates**	**Business Rates Supplement**	**Council Tax**	**Total**
£'000	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
				INCOME				
-	-	(86,804)	**(86,804)**	Council Tax	-	-	(86,978)	**(86,978)**
(1,747,539)	-	-	**(1,747,539)**	Business Rates	(1,778,936)	-	-	**(1,778,936)**
-	(61,891)	-	**(61,891)**	Income collectable in respect of Business Rates Supplements	-	(62,842)	-	**(62,842)**
				Contributions towards previous year's Collection Fund deficit:				
(266)	-	-	**(266)**	Central Government	(148,468)	-	-	**(148,468)**
(159)	-	-	**(159)**	City of Westminster Council	(89,081)	-	-	**(89,081)**
(106)	-	-	**(106)**	Greater London Assembly	(59,387)	-	-	**(59,387)**
(1,748,070)	**(61,891)**	**(86,804)**	**(1,896,765)**	**Total amounts to be credited**	**(2,075,872)**	**(62,842)**	**(86,978)**	**(2,225,692)**

Collection Fund Accounts and Explanatory Notes (continued)

			2015/16					2016/17
Business Rates	**Business Rates Supplement**	**Council Tax**	**Total**	**Collection Fund**	**Business Rates**	**Business Rates Supplement**	**Council Tax**	**Total**
£'000	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
				EXPENDITURE				
39,324	-	-	**39,324**	Transitional protection payments - non-domestic rates	18,719	-	-	**18,719**
				Precepts, demands and shares				
903,242	-	-	**903,242**	Central Government	877,820	-	-	**877,820**
541,945	-	46,216	**588,161**	City of Westminster Council	526,692	-	49,350	**576,042**
361,297	-	35,958	**397,255**	Greater London Assembly	351,128	-	34,550	**385,678**
				Business Rate Supplement:				
-	61,344	-	**61,344**	Payment to levying authority's Business Rate Supplement Revenue Account	-	62,360	-	**62,360**
-	140	-	**140**	Administrative Costs	-	111	-	**111**
				Charges to Collection Fund				
12,171	407	2,673	**15,251**	Write-offs of uncollectable amounts	11,334	371	1,361	**13,066**
(200)	-	500	**300**	Increase/(decrease) in allowance for impairment	(4,100)	-	500	**(3,600)**
96,000	-	-	**96,000**	Increase/(decrease) in allowance for appeals	(145,000)	-	-	**(145,000)**
3,129	-	-	**3,129**	Charge to General Fund for allowable collection costs for non-domestic rates	3,097	-	-	**3,097**

Collection Fund Accounts and Explanatory Notes (continued)

			2015/16					2016/17
Business Rates	**Business Rates Supplement**	**Council Tax**	**Total**	**Collection Fund**	**Business Rates**	**Business Rates Supplement**	**Council Tax**	**Total**
£'000	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
				Apportionment of previous year's estimated Collection Fund surplus:				
-	-	-	-	Central Government	-	-	-	-
-	-	440	440	City of Westminster Council	-	-	703	703
-	-	348	348	Greater London Assembly	-	-	550	550
1,956,908	61,891	86,135	2,104,934	Total amounts to be debited	1,639,690	62,842	87,014	1,789,546
				Movements on the Collection Fund				
208,838	-	(669)	208,169	(Surplus) /deficit arising during the year	(436,182)	-	36	(436,146)
209,651	-	(484)	209,167	(Surplus)/deficit b/f at 1 April	418,489	-	(1,153)	417,336
418,489	**-**	**(1,153)**	**417,336**	**(Surplus)/deficit c/f at 31 March**	**(17,693)**	**-**	**(1,117)**	**(18,810)**

COLL 1 General

The Council, as a billing authority, is statutorily required to maintain a separate agency Collection Fund account, into which all transactions relating to collection of business rate and council tax income from taxpayers and distribution to local government bodies and central government are made. The Collection Fund account is accounted for separately from the General Fund.

Surpluses or deficits on the council tax income and distributions are apportioned to the relevant precepting body in the following financial year in proportion to each body's Band D Council Tax amount.

Business rate surpluses or deficits are distributed in accordance with the relevant proportions set out in the localised business rate regulations. For 2016/17, the proportions were as follows:

	Council Tax	Business Rates
Department of Communities and Local Government	-	50.0%
Greater London Authority	41.3%	20.0%
Westminster City Council (General Fund)	58.7%	30.0%

COLL 2 Council Tax

Council Tax is charged on residential properties based upon valuation bandings established when the system was introduced in 1993. The number of properties in each band and calculation of the tax base (adjusted to reflect relevant discounts and exemptions) was approved by Full Council in January 2016, and is summarised in the table below:

Band	Range of property values (£)		Number of chargeable dwellings	2015/16 Band D equivalent dwellings	Multiplier	Number of chargeable dwellings	2016/17 Band D equivalent dwellings
	£	**£**					
A		40,000	1,725	958	6/9	1,717	962
B	40,001	52,000	6,807	4,171	7/9	6,813	4,251
C	52,001	68,000	15,906	11,907	8/9	15,915	12,119
D	68,001	88,000	22,600	19,543	9/9	22,647	19,778
E	88,001	120,000	22,451	23,858	11/9	22,617	24,299
F	120,001	160,000	17,061	21,663	13/9	17,221	22,101
G	160,001	320,000	21,999	32,780	15/9	22,173	33,384
H	320,001		14,764	27,577	18/9	14,963	28,081
			123,313	**142,457**		**124,066**	**144,975**
Adjustment for Council Tax Reduction Scheme				(15,762)			(15,025)
Ministry of Defence Adjustment				275			447
Total				**126,970**			**130,397**
Westminster Council Share (96%)				**121,891**			**125,181**

COLL 3 Business Rates

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

Standard Multiplier	49.7p / £ Rateable Value (49.3p in 2015/16)
Small Business Multiplier	48.4p / £ Rateable Value (48.0p in 2015/16) (RV less than £25,500)

The total income to be received in the year was estimated and notified to related bodies in January in accordance with Regulations. Those estimates were as follows:

The total rateable value for business premises as at 31 March 2017 was £4.133bn (£4.141bn as at 31 March 2016).

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 (£465m in 2016/17 - £462m in 2015/16) is subsequently top-sliced and returned to DCLG for redistribution across local government.

A further Safety Net or Levy system acts to ensure that any local authority is protected from a net localised business rate yield of less than 92.5% of its Baseline Funding. In these circumstances a local authority will receive a Safety Net grant. This grant is paid for by imposing a 50% levy on localised business rate receipts in excess of their Baseline Funding level. In 2016/17, the Council estimated it would be due a Safety Net payment of £14m before the start of the year, but due to the settlement of a significant number of historic appeals and underlying growth in the taxbase, it has ended the year £22m above Baseline Funding levels. The operation realisation of the Collection Fund Adjustment Account defers the benefits of this upturn being realised in the General Fund until 2018/19.

2015/16		2016/17
£'000		£'000
903,242	Central Government	877,820
541,945	Westminster City Council	526,692
361,297	Greater London Assembly	351,128
1,806,484		**1,755,640**

COLL 4 Business Rates Supplements – Crossrail

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

The aggregate rateable value of properties liable for BRS at 31st March 2017 was £3.720bn (the equivalent figure at 31st March 2016 being £3.717bn). The multiplier has remained at 2.0p / £ since the BRS was introduced.

Pension Fund Accounts and Explanatory Notes

FUND ACCOUNT

2015/16		Notes	2016/17
£'000			**£'000**
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
(27,244)	From Employers	Note 6	(27,200)
(8,700)	From Members	Note 6	(8,706)
(2,157)	Individual Transfers in from Other Pension Funds		(2,809)
(38,101)			(38,715)
	Benefits		
41,141	Pensions	Note 7	41,315
7,274	Commutation, Lump Sum Retirement and Death Benefits	Note 7	7,894
	Payments to and on Account of Leavers		
2,962	Individual Transfers Out to Other Pension Funds		2,385
96	Refunds to Members Leaving Service		38
51,473			51,632

Pension Fund Accounts and Explanatory Notes (continued)

2015/16		Notes	2016/17
£'000			**£'000**
13,372	Net (Additions)/Withdrawals from Dealings with Members		12,917
7,791	Management Expenses	Note 8	5,052
21,163	Net (Additions)/Withdrawals including Fund Management Expenses		17,969
	Returns on Investments		
(8,558)	Investment Income	Note 9	(9,891)
(8,558)			(9,891)
20,024	(Profit) and loss on disposal of investments and changes in the market value of investments	Note 11	(209,434)
11,466	Net return on investments		(219,325)
32,629	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(201,356)
(1,098,972)	Opening Net Assets of the Scheme		(1,066,343)
(1,066,343)	Closing Net Assets of the Scheme		(1,267,699)

Net Assets Statement for the year ended 31 March 2017*

2015/16		Notes	2016/17
£'000			**£'000**
	Investment assets		
157,123	Bonds	Note 15	173,673
896,184	Pooled Investment Vehicles	Note 15	1,085,498
	Derivative Contracts:		
101	Futures	Note 15	286
148	Forward Foreign Exchange	Note 15	98
	Other Investment Balances:		
2,440	Income Due	Note 15	2,499
3	Debtors	Note 15	-
2,598	Cash Deposits	Note 15	1,726
1,058,597			**1,263,780**
	Investment Liabilities		
	Derivative Contracts:		
(81)	Futures	Note 15	(43)
(252)	Forward Foreign Exchange	Note 15	(134)
-	Other investment balances	Note 15	-
(333)			**(177)**

Net Assets Statement
for the year ended 31 March 2017

2015/16		Notes	2016/17
£'000			**£'000**
(329)	Amounts payable for purchases of investments	Note 11	(1,710)
1,057,935	Net Value of Investment Assets	Note 10	1,261,893
9,677	Current Assets	Note 19	7,010
(1,269)	Current Liabilities	Note 20	(1,204)
1,066,343	**Net Assets of the Fund Available to Fund Benefits at the Period End**		**1,267,699**

* 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 1 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 2017. Employers also pay contributions into the Fund based on triennial funding valuations. The last such valuation was as at 31 March 2013. Currently employer contribution rates range from 8.1% to 27.5% of pensionable pay.

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

c) Benefits

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

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

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

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

The City of Westminster Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from the pension fund. The Fund has used Aegon as its appointed AVC provider since 2001 and Equitable Life before. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

d) Governance

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

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

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

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

e) Investment Principles
In accordance with the LGPS (Management and Investment of Funds) Regulations 2009 the Committee approved a Statement of Investment Principles in 2015 (available on the Council's website at the link below). The Statement shows the Authority's compliance with the Myners principles of investment management.

https://www.westminster.gov.uk/council-pension-fund

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

The LGPS (Management and Investment of Funds) Regulations 2016 effective from 1 December 2016 required local authorities to prepare and publish by 31 March 2017 an Investment Strategy Statement (ISS) superceding the Statement of Investment Principles. The Committee approved the ISS on 21 March 2017 and it can be obtained at the above web address.

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 2016		31 March 2017
30	Number of employers with active members	30
4,252	Active members	4,129
5,563	Pensioners receiving benefits	5,706
6,306	Deferred Pensioners	6,281
16,121	**Total**	**16,116**

Note 2 Basis of Preparation of Financial Statements

The Statement of Accounts summarise the Fund's transactions for 2016/17 and its position at year end as at 31st March 2017. The accounts been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (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 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

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate.

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

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

b) Transfers to and from other schemes

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

c) Investment Income

Dividends from quoted securities are accounted for when the security is declared ex-dividend.

Investment income is reported gross of withholding taxes which are accrued in line with the associated investment income. Investment income arising from the underlying investments of the pooled investment vehicles is 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 cashflow 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.

Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset. Where the amount of an income distribution has not been received from an investment manager by the Balance Sheet date, an estimate based upon the market value of their mandate at the end of the year is used.

FUND ACCOUNT – EXPENSE ITEMS

d) Benefits Payable

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

e) Taxation

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

Note 3 Summary of Significant Accounting Policies (continued)

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

Administrative Expenses

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

Oversight and Governance Costs

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

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

Investment Management Expenses

All investment management expenses are accounted for on an accruals basis.

The Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage and/or a fee based on performance. Where an investment manager's fee note has not been received by the Balance Sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.

NET ASSETS STATEMENT

g) Financial Assets
Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets 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 fair value of asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 14).

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

Note 3 Summary of Significant Accounting Policies (continued)

i) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Cash and Cash Equivalents

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

k) Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the financial statements include a note disclosing the actuarial present value of retirement benefits (see Note 18).

m) Additional Voluntary Contributions

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

n) Recharges from the General Fund

The LGPS (Management and Investment of Funds) Regulations 2016 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund on the basis of actual time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the Fund are set out separately in Note 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 the intervening years follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Note 17. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

POOLED PROPERTY FUND PRICING

Assets invested in the Hermes Pooled Property Unit Trust have been reclassified from Level 2 to Level 3 in 2016/17 as a result of more detailed information becoming available during the year on the pricing methodology. Units in the fund are priced infrequently on a monthly basis, adjusted for the estimated costs of disposal of assets (which is an unobservable input). In addition the terms of the agreement mean that redemptions can only be undertaken on four set Notice Dates, redemption is not automatic and there is a time-lag of p to six weeks after the Notice date. The key sensitivities in the pricing of the units are the estimates of the cost of disposal and the degree of movement in the property market between Notice Dates and settlement dates.

Note 5 Assumptions made about the future and other major sources of uncertainty

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However the nature of estimation means that the actual results could differ from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £182m. A 0.2% increase in assumed earnings would increase the value of liabilities by approximately £8m, a 0.2% increase in pension increases would increase the liability by about £70m and a one year increase in life expectancy would increase the liability by about £62m.

Note 6 Contributions receivable

Employee's 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

2015/16		2016/17
£'000		**£'000**
26,372	Administering Authority	25,928
5,707	Scheduled bodies	5,856
3,865	Admitted bodies	4,122
35,944	**Total**	**35,906**

BY TYPE

2015/16		2016/17
£'000		**£'000**
8,700	Employees' normal contributions	8,706
	Employer's contributions:	
16,811	Normal contributions	15,680
8,040	Deficit recovery contributions	9,957
2,393	Augmentation contributions	1,563
35,944	**Total**	**35,906**

Note 7 Benefits Payable

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

BY TYPE

2015/16		2016/17
£'000		**£'000**
41,141	Pensions	41,315
6,888	Commutation and lump sum retirement benefits	7,292
386	Lump sum death benefits	602
48,415	**Total**	**49,209**

BY AUTHORITY

2015/16		2016/17
£'000		**£'000**
40,003	Administering Authority	39,469
1,582	Scheduled Bodies	1,885
6,830	Admitted Bodies	7,855
48,415	**Total**	**49,209**

Note 8 Management Expenses

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

2015/16		2016/17
£'000		**£'000**
441	Administration Expenses	571
282	Oversight and Governance	330
7,068	Investment Management Expenses	4,151
7,791	**Total**	**5,052**

External audit fee payable for 2016/17 is £21,000 (2015/16 £21,000).

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

2015/16		2016/17
£'000		**£'000**
3,260	Management fees	2,790
2,550	Performance fees	380
76	Custody fees	70
1,182	Transaction costs	911
7,068	**Total**	**4,151**

Note 9 Investment Income

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

2015/16		2016/17
£'000		**£'000**
6,510	Income from bonds	6,522
2	Equity dividends	2
2,000	Pooled investments - unit trust and other managed funds	2,276
29	Pooled property investments	1,095
17	Interest and cash deposits	(4)
8,558	**Total**	**9,891**

Note 10 Investment Management Arrangements

As at 31 March 2017, the investment portfolio was managed by seven external managers:

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

All managers have discretion to buy and sell investments within the constraints set by the Committee and their respective Investment Management Agreements. Each manager has been appointed with clear strategic benchmarks which place maximum accountability for performance against that benchmark on the investment manager.

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

Northern Trust is the global custodian for the Fund. They are responsible for safe custody and settlement of all investment transactions and collection of income. The bank account for the Fund is held with Lloyds Bank.

The market value and proportion of investments managed by each fund manager at 31 March 2017 was as follows:

31 March 2016 Market Value	%	Fund Manager	Mandate	31 March 2017 Market Value	%
£'000				**£'000**	
241,521	22.8%	Majedie	UK Equity (Active)	303,639	24.1%
150	0.0%	London CIV	UK Equity (Passive)	150	0.0%
241,671	**22.8%**	**UK Equity**	**Sub-Total**	**303,789**	**24.1%**
178,427	17.0%	London LGPS CIV Ltd - Baillie Gifford	Global Equity (Active)	233,835	18.5%
239,635	22.7%	LGIM	World Equity (Passive)	282,705	22.4%
113,894	10.8%	Longview	Global Equity (Active)	140,970	11.2%
531,956	**50.5%**	**Global Equity**	**Sub-Total**	**657,510**	**52.1%**
18,356	1.7%	Insight	Bonds	18,867	1.5%
158,105	14.9%	Insight	Sterling non-Gilts	170,313	13.5%
176,461	**16.6%**	**Bonds**	**Sub-Total**	**189,180**	**15.0%**

Note 10 Investment Management Arrangements (continued)

31 March 2016 Market Value	%	Fund Manager	Mandate	31 March 2017 Market Value	%
£'000				**£'000**	
56,511	5.3%	Hermes	Property	56,572	4.5%
51,150	4.8%	Standard Life	Long Lease Property	54,773	4.3%
107,661	10.1%	Property	Sub-Total	111,345	8.8%
1,057,749	100.0%		Total (exc. cash)	1,261,824	100.0%
186		Other (cash deposits)		69	
1,057,935			**Total**	**1,261,893**	

Note 11 Reconciliation in Movement in Investments

2015/16	Market value 1 April 2015	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 2016
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Bonds	145,426	56,492	(41,585)	(3,210)	157,123
Equities	-	-	-	-	-
Pooled equity investments	855,659	34,208	(75,801)	(23,693)	790,373
Pooled property investments	93,015	5,817	(531)	7,510	105,811
Derivatives:					
Futures	231	4	(174)	(41)	20
Forward foreign exchange	(67)	1,656	(805)	(888)	(104)
Cash Instruments	-				-
Total	**1,094,264**	**98,177**	**(118,896)**	**(20,322)**	**1,053,223**
Cash deposits	1,071			163	2,598
Amounts receivable for sales of investments	216			2	-
Investment income due	2,473			1	2,440
Spot FX contracts	(1)			132	3
Amounts payable for purchases of investments	(1,107)			-	(329)
Net investment assets	**1,096,916**			**(20,024)**	**1,057,935**

Note 11 Reconciliation in Movement in Investments (continued)

2016/17	Market value 1 April 2016	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2017
	£'000	£'000	£'000	£'000	£'000
Bonds	157,123	65,146	(55,646)	7,050	173,673
Equities	-	-	-	-	-
Pooled equity investments	790,373	231,435	(244,880)	197,831	974,759
Pooled property investments	105,811	-	(260)	5,188	110,739
Derivatives:					
Futures	20	2,044	(2,971)	1,150	243
Forward foreign exchange	(104)	3,200	(1,440)	(1,692)	(36)
Cash Instruments	-				-
Total	**1,053,223**	**301,825**	**(305,197)**	**209,527**	**1,259,378**
Cash deposits	2,598			(99)	1,726
Amounts receivable for sales of investments	-			-	-
Investment income due	2,440			-	2,498
Spot FX contracts	3			6	-
Amounts payable for purchases of investments	(329)			-	(1,710)
Net investment assets	**1,057,935**			**209,434**	**1,261,892**

Purchases and sales of derivatives are recognised in Note 11 above as follows:

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

Note 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 2016			31 March 2017	
Market Value	**Holding**		**Market Value**	**Holding**
£'000	**%**		**£'000**	**%**
241,518	22.8%	Majedie - Institutional Trust Class B Shares	303,636	24.1%
239,628	22.7%	L&G - World Equity Index - GBP Hedged	-	-
-	-	L&G - World Equity Index - GBP Hedged OFC	282,705	22.4%
-	-	London LGPS CIV Ltd - Baillie Gifford Life Global Alpha Sub Fund	233,313	18.5%
113,894	10.8%	Longview - Conventum Asset Management	140,969	11.2%
54,660	5.2%	Hermes Property UT	55,967	4.4%
178,427	16.9%	Baillie Gifford - Life Global Alpha Pension Fund	-	-
828,127	78.3%	Total Top Holdings	1,016,590	80.6%
1,057,935		**Total Value of Investments**	**1,261,893**	

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).

FUTURES

Outstanding exchange traded futures contracts are as follows.

Economic Exposure	Market Value 31 March 2016	Type	Expires	Economic Exposure	Market Value 31 March 2017
£'000	**£'000**			**£'000**	**£'000**
		Assets			
17,577	92	UK Fixed Income	less than 1 year	18,882	282
(5,870)	9	Overseas fixed income	less than 1 year	(1,353)	4
	101	Total Assets			286
		Liabilities			
(15,976)	(81)	Overseas Fixed Income	less than 1 year	(11,199)	(43)
	(81)	Total Liabilities			(43)
	20	**Net futures**			**243**

Note 13 Analysis of Derivatives (continued)

FORWARD CURRENCY CONTRACTS

Outstanding exchange traded futures contracts are as follows:

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value	Liability Value
		000		000	£'000	£'000
One to six months	GBP	8,351	EUR	(9,764)	29	(37)
Up to one month	GBP	7,519	USD	(9,367)	53	(21)
One to six months	EUR	2,151	GBP	(1,865)	2	(26)
Up to one month	USD	3,328	GBP	(2,711)	-	(50)
One to six months	GBP	2,371	USD	(2,951)	14	-
Open forward currency contracts at 31 March 2017					98	(134)
Net forward currency contracts at 31 March 2017						(36)
Prior year comparative						
Open forward currency contracts at 31 March 2016					148	(252)
Net forward currency contracts at 31 March 2016						**(104)**

Note 14 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 which represent the highest and best price available at the reporting date.

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

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 2017.

Description of asset	Assessed Valuation Range (+/-)	Value at 31 March 2017	Value on increase	Value on decrease
		£'000	**£'000**	**£'000**
Pooled investments - Property funds	3%	56,572	58,269	54,875
Total		**56,572**	**58,269**	**54,875**

Note 14a 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 2016				31 March 2017
Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3		Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3
£'000	£'000	£'000		£'000	£'000	£'000
			Financial Assets			
949,789	106,210	-	Fair value through profit and loss	961,379	243,953	56,722
12,275	-	-	Loans and receivables	8,704	-	-
962,064	106,210	-	Total financial assets	970,083	243,953	56,722
			Financial Liabilities			
-	(333)	-	Fair value through profit and loss	-	(177)	-
(1,061)	-	-	Financial liabilities at amortised cost	(2,323)	-	-
(1,061)	(333)	-	Total financial liabilities	(2,323)	(177)	-
961,003	105,877	-		967,760	243,776	56,722
	1,066,880		**Grand Total**		**1,268,258**	

Note 14b Transfers between Levels 1 and 2

£189.180m of Bonds and Sterling non-Gilts were transferred from level 1 to level 2 during the year as a result of additional pricing information becoming available. The updated PRAG guidance for 2016 advises that bonds valued using an average of broker prices or evaluated mid-prices will fall into Level 2. The valuation by the fund manager, Insight, sets out the pricing for bonds and non-gilts on this basis.

Note 14c Reconciliation of Fair Value Measurements within Level 3

Asset	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**
Pooled investments - property funds	-	56,511	-	2,194	(3,440)	1,307	-	56,572
Total	**-**	**56,511**	**-**	**2,194**	**(3,440)**	**1,307**	**-**	**56,572**

Transferred from level 2 to level 3 due to reappraisal of property valuation techniques. The critical judgement for the transfer is set out in Note 4.

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 March 2016				31 March 2017		
Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£'000	£'000	£'000		£'000	£'000	£'000
			Financial Assets			
			Bonds			
			Quoted:			
25,954	-	-	UK Public sector	26,553	-	-
64,917	-	-	UK Corporate	82,913	-	-
779	-	-	Overseas Public sector	782	-	-
65,473	-	-	Overseas Corporate	61,463	-	-
-	-	-	Overseas Index Linked	1,962		
			Pooled funds - investment vehicles			
659,722	-	-	UK Managed Funds Other	819,804	-	-
105,811	-	-	UK Unit Trusts Property	110,739	-	-
130,651	-	-	Overseas Managed	154,955	-	-

Note 15a Classification of Financial Instruments (continued)

31 March 2016				31 March 2017		
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**
			Derivative Contracts			
101	-	-	Futures	286	-	-
148	-	-	Forward Foreign Exchange	98	-	-
			Cash Instruments			
-	-	-	UK	-	-	-
-	-	-	Overseas	-	-	-
-	8,658	-	Cash Balances (held directly by Fund)	-	5,544	-
2,440	-	-	Other Investment Balances	2,499	-	-
-	2,598	-	Cash Deposits	-	1,726	-
3	1,019	-	Debtors	-	1,434	-
1,055,999	**12,275**	**-**		**1,262,054**	**8,704**	**-**

Note 15a Classification of Financial Instruments (continued)

		31 March 2016				31 March 2017
Fair value through profit and loss	**Loans and receivables**	**Financial liabilities at amortised cost**		**Fair value through profit and loss**	**Loans and receivables**	**Financial liabilities at amortised cost**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Financial Liabilities			
			Derivative Contracts			
(81)	-	-	Futures	(43)	-	-
(252)	-	-	Forward Foreign Exchange	(134)	-	-
-	-	-	Other Investment Balances	-	-	-
-	-	(1,061)	Creditors	-	-	(2,323)
(333)	-	(1,061)		(177	-	(2,323)
1,055,666	12,275	(1,061)	Total	1,261,877	8,704	(2,323)
	1,066,880		**Grand Total**		**1,268,258**	

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 2016		31 March 2017
£'000		**£'000**
	Financial Assets	
(20,322)	Designated at fair value through profit and loss	209,527
163	Loans and receivables	(99)
(20,159)		209,428
	Financial Liabilities	
135	Designated at fair value through profit and loss	6
-	Financial liabilities at amortised cost	-
135		6
(20,024)	**Total**	**209,434**

The Council 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 2016	1,053,408	1,158,749	948,067
As at 31 March 2017	**1,259,457**	**1,385,403**	**1,133,511**

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	Value	Value on 1% price increase	Value on 1% price decrease
	£'000	£'000	£'000
As at 31 March 2016	168,379	170,063	166,695
As at 31 March 2017	**180,943**	**182,752**	**179,134**

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 2016	666,743	733,417	600,069
As at 31 March 2017	**811,085**	**892,194**	**729,977**

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 2017, liquid assets were £1,158m representing 91% of total fund assets (£961m at 31 March 2016 representing 90% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days.

The Fund also has an overdraft facility of £1m for short-term cash needs (up to 90 days). This facility is only for meeting timing differences on pension payments; however it was not used in the year.

Note 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 2013 in accordance with the Funding Strategy Statement of the Fund and Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008. The results were published in the triennial valuation report dated 28 March 2014. The report and Funding Strategy Statement are both available on the Council's website at:

https://www.westminster.gov.uk/council-pension-fund

The actuary's smoothed market value of the scheme's assets at 31 March 2013 was £866.9m and the Actuary assessed the present value of the funded obligation at £1,164m. This indicates a net liability of £297.3m, which equates to a funding position of 74% (2010: £238.1m and 74%).

The actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions, the main ones being:

Future assumed returns at 2013	Assumed returns %	Risk adjusted assumed returns %
Gilts	3.3	6
Cash	3.1	4
Bonds	3.9	13
Equities	6.9	74
Property	6.0	4

Financial assumptions	2013 %	2010 %
Discount rate - scheduled bodies	5.9	7.5
Discount rate - admitted bodies	4.9	6.3
RPI	3.5	3.8
CPI	2.7	3.3
Pension increases	2.7	3.3
Short-term pay increases	1.0	n/a
Long-term pay increases	4.5	5.3

The 2013 valuation certified an aggregate employer contribution rate of 29.8% of pensionable pay (2010: 20.4%). The contribution rate is set on the basis of the cost of future benefit accrual, increased to bring the funding level back to 100% over a period of 25 years, as set out in the Funding Strategy Statement (2010: 30 years). The common future service contribution rate for the Fund was set at 13.3% of pensionable pay (2010: 12.4%).

The triennial valuation also sets out the individual contribution rate to be paid by each employer from 1 April 2014 depending on the demographic and actuarial factors particular to each employer. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

The next actuarial revaluation of the Fund was calculated as at 31 March 2016 and the results were published before 31 March 2017. This revaluation will impact on the 2017/18 financial statements.

Note 18 Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2017. 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 2016		31 March 2017
£'000		**£'000**
(1,562,637)	Present Value of Promised Retirement Benefits	(2,052,314)
1,061,424	Fair Value of Scheme Assets (bid value)	1,274,628
(501,213)	**Net Liability**	**(777,686)**

Present Value of Promised Retirement Benefits comprise of £1,998.1m (2015/16: £1,520.8m) and £54.174m (2015/16: £41.817m) in respect of vested benefits and non-vested benefits respectively as at 31 March 2017.

ASSUMPTIONS

To assess the value of the Fund's liabilities at 31 March 2017, the value of Fund's liabilities calculated for the funding valuation as at 31 March 2013 have been rolled forward, using financial assumptions that comply with IAS19.

DEMOGRAPHIC ASSUMPTIONS

The demographic assumptions used are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016, hence they are different from those used for the 2015/16 statement of accounts. The post retirement mortality tables adopted are the S2PA 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 2016	31 March 2017
Retiring today	Males	22.1	24.4
	Females	25.3	26.0
Retiring in 20 years	Males	24.4	26.6
	Females	27.7	28.3

FINANCIAL ASSUMPTIONS

The main financial assumptions are:

	31 March 2016	31 March 2017
	%	%
RPI increases	3.2	3.6
CPI increases	2.3	2.7
Salary increases	4.1	4.2
Pension increases	2.3	2.7
Discount rate	3.5	2.7

Note 19 Current Assets

31 March 2016		31 March 2017
£'000		£'000
	Debtors:	
635	Contributions due - employers	719
200	Contributions due - employees	179
184	Sundry debtors	568
8,658	Cash balances	5,544
9,677	**Total**	**7,010**

ANALYSIS OF DEBTORS

31 March 2016		31 March 2017
£'000		£'000
-	Central Government Bodies	32
1,019	Other entities and individuals	1,434
1,019	**Total**	**1,466**

Note 20 Current Liabilities

31 March 2016		31 March 2017
£'000		£'000
(1,269)	Sundry creditors	(1,204)
(1,269)	**Total**	**(1,204)**

ANALYSIS OF CREDITORS

31 March 2016		31 March 2017
£'000		£'000
(537)	Central government bodies	(591)
(732)	Other entities and individuals	(613)
(1,269)	**Total**	**(1,204)**

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 2016		Market Value 31 March 2017
£'000		**£'000**
1,356	Aegon	1,318
474	Equitable Life	409
1,830	**Total**	**1,727**

Additional voluntary contributions of £0.1m were paid directly to Aegon during the year (2015/16: £0.2m).

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 £0.37m in the period 2016/17 (2015/16: £0.34m) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Fund uses the same Banking and Control Service provider as WCC and no charge is made in respect of this.

KEY MANAGEMENT PERSONNEL REMUNERATION

The key management personnel of the Fund are the Members of the Pension Fund Committee, the City Treasurer, the Tri-Borough Director of Pensions and Treasury Management and the Director of People Services. Total remuneration payable to key management personnel is set out below:

31 March 2016		31 March 2017
£'000		**£'000**
43	Short-term benefits	55
131	Post-employment benefits	91
-	Termination benefits	7
174	**Total**	**153**

6.

Glossary and Contacts

Glossary of Terms

ACCOUNTING POLICIES

The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

ACCRUALS

Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

ACTUARIAL GAINS AND LOSSES

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

AMORTISATION

A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

ANNUAL GOVERNANCE STATEMENT

The annual governance statement is a statutory document that explains the processes and procedures in place to enable the council to carry out its functions effectively.

BALANCES (OR RESERVES)

These represent accumulated funds available to the Council. Some balances (reserves) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities. There are a number of unusable reserves, which are set out for technical purposes. It is not possible to utilise these to provide services.

BUSINESS RATES (NNDR/NDR)

Rates are payable on business premises based on their rateable value (last assessed in the 2010 Rating List by the Valuation Office Agency) and a national rate poundage multiplier (49.7p/£ in 2016/17). Westminster acts as the "billing authority" for its area and under the Localised Business Rates regime retains 30% of the net yield from business rates with the Greater London Authority receiving 20% and central government the other 50%. A system of Tariffs and Top-ups as well as a Safety Net scheme operate within the Council's General Fund to further adjust the amount the Council ultimately retains.

CAPITAL EXPENDITURE

Payments for the acquisition, construction, enhancement or replacement of assets such as land, buildings, roads, and computer equipment.

CAPITAL ADJUSTMENT ACCOUNT

A reserve set aside from revenue resources or capital receipts to fund capital expenditure or the repayment of external loans and certain other capital financing transactions.

CAPITAL RECEIPTS

Income received from the sale of land, buildings or equipment.

CENTRAL SUPPORT SERVICES

Support provided to front line services by the administrative and professional officers, including financial, legal, personnel, computer, property and general administrative support.

CIPFA (CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTING)

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code.

COLLECTION FUND

An account that shows the income due from NNDR and Council Tax payers and the sums paid to the national NNDR pool and to the precepting authorities.

COMMUNITY ASSETS

The class of Fixed Assets held by an authority in perpetuity that have no determinable useful life and may have restriction on their disposal, such as parks and open spaces, historical buildings, works of art, etc.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

A statement which details the total income received and expenditure incurred by the Council during a year in line with IFRS reporting as required by the Code.

CONTINGENT ASSET

An asset arising from past events, whereby its existence can only be confirmed by one or more uncertain future events not wholly within the control of the Council.

CONTINGENT LIABILITY

A contingent liability is either:

- a possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Council; or
- a present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.

CORPORATE AND DEMOCRATIC CORE

This comprises all activities which local authorities engage in specifically because they are elected, multi-purpose organisations. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. It includes costs relating to the corporate management and democratic representation.

COUNCIL TAX

A local tax on properties within the City Council, set by the charging (Westminster) and precepting (GLA) authorities. The level is determined by the revenue expenditure requirements for each authority divided by the council tax base for the year.

COUNCIL TAX BASE

The amount calculated for each billing authority from which the grant entitlement of its share is derived. The number of properties in each band is multiplied by the relevant band proportion in order to calculate the number of Band D equivalent properties in the area. The calculation allows for exemptions, discounts, appeals and a provision for non-collection.

CREDITORS

Amounts owed by the Council for goods and services received but not paid for as at 31 March.

CURRENT SERVICE COST

An estimate of the true economic cost of employing people in a financial year. It measures the full liability estimated to have been generated in the year.

DEBTORS

Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31 March.

DEFERRED CAPITAL INCOME

Deferred Capital Income comprises amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses, which form the main part of mortgages under loans for purchase and improvement of property.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employee pays regular fixed contributions as an amount or as a percentage of pay, and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to the employee service in the current and prior periods.

DEPRECIATION

A measure of the cost of the economic benefits of the tangible fixed asset consumed during the period.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Council, which need to be disclosed separately by virtue of their size or incidence to give a fair representation in the accounts.

EXPECTED RETURN ON ASSETS

For a defined benefit scheme, this is a measure of the return on the investment assets held by the plan for the year. It is not intended to reflect the actual realised return by the plan, but a longer term measure based on the value of assets at the start of the year taking into account movements in assets during the year and an expected return factor.

FINANCE LEASE

A lease that substantially transfers the risks and rewards of a fixed asset to the lessee. With a Finance Lease, the present value of the lease payments would equate to the fair value of the leased asset.

FIXED ASSETS

Assets that yield benefit to the Council and the services it provides for a period of more than one year.

GENERAL FUND

The account to which the cost of providing the Council Services is charged that are paid for from Council Tax and Government Grants (excluding the Housing Revenue Account).

HOUSING REVENUE ACCOUNT (HRA)

A statutory account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

IMPAIRMENT

A reduction in the carrying value of a fixed asset below its carrying value (due to obsolescence, damage or an adverse change in the statutory environment).

INTEREST COST

For a defined benefit pension scheme, is the amount needed to unwind the discount applied in calculating the defined benefit obligations (liability). As members of the plan are one year closer to receiving their pension, the provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to keep pace with current values.

INFRASTRUCTURE ASSETS

A class of assets whose life is of indefinite length and which are not usually capable of being sold, such as highways and footpaths.

INTANGIBLE FIXED ASSETS

'Non-financial' fixed assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights. Purchased intangibles, such as software licences, are capitalised at cost whilst internally developed intangibles are only capitalised where there is a readily ascertainable market value for them.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB)

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

LEVIES

Payments made to the London Pensions Fund Authority, the Environment Agency and the Lee Valley Regional Park Authority.

LONG TERM DEBTORS

These debtors represent the capital income still to be received, for example, from the sale of an asset or the granting of a mortgage or a loan.

MINIMUM REVENUE PROVISION

The minimum amount that the Council must charge to the income and expenditure account to provide for the repayment of debt.

MOVEMENT IN RESERVES STATEMENT

This financial statement presents the movement in usable and unusable reserves (the Council's total reserve balances).

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value, less the cumulative amount provided for depreciation.

NET REALISABLE VALUE

The amount at which an asset could be sold after the deduction of any direct selling costs.

NON-DISTRIBUTED COSTS

Non-distributed costs are defined as comprising:

- retirement benefit costs including past service costs, settlements and curtailments. To note, current service pension costs are included in the total costs of services;
- the costs associated with unused shares of IT facilities; and
- the costs of shares of other long-term unused but unrealisable assets.

NON-OPERATIONAL ASSETS

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASE

A lease other than a finance lease. This is a method of financing assets which allows the Council to use, but not own the asset and therefore is not capital expenditure. A third party purchases the asset on behalf of the Council, who then pays the lessor an annual rental charge for the use of the asset.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the local authority, in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST

A cost arising from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years.

POST BALANCE SHEET EVENTS

These events, both favourable and unfavourable, occur between the Balance Sheet date (31 March) and the date on which the statement of accounts are signed.

PRECEPTS

These are demands made upon the Collection Fund, by the Greater London Authority for monies, which it requires to finance the services it provides.

PRIOR YEAR ADJUSTMENT

A material adjustment applicable to prior years arising from changes in accounting policies or correction of fundamental errors.

PROJECTED UNIT METHOD – PENSION FUND VALUATION

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

PROVISIONS

A liability that is of uncertain timing or amount which is to be settled by transfer of economic benefits.

PRUDENTIAL CODE

Since 1 April 2004, local authorities have been subject to a self-regulatory “prudential system” of capital controls. This gives authorities the freedom to determine how much of their capital investment they can afford to fund by borrowing. The objectives of the code are to ensure that the local authority’s capital investment plans are affordable, prudent and sustainable, with Councils being required to set specific Prudential indicators.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or

- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the Council and its pension fund.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services; and
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

RESERVES

An amount set aside for a specific purpose in one year and carried forward to meet future obligations.

REVENUE EXPENDITURE

Day to day payments on the running of Council services including salaries, wages, contract payments, supplies and capital financing costs.

REVENUE SUPPORT GRANT

The main Government grant paid to local authorities. It is intended to adjust for differences in needs between areas so that, if all local authorities were to spend at the level which the Government assess that they need to spend, the Council Tax would be the same across the whole country.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.

SERVICE CONCESSIONS

A Government initiative that enables authorities to carry out capital projects, through partnership with the private sector.

SOCIETY OF LOCAL AUTHORITY CHIEF EXECUTIVES (SOLACE)

Solace (Society of Local Authority Chief Executives and Senior Managers) is the representative body for senior strategic managers working in the public sector.

THE CODE

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they ‘present fairly’ the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

NOTE: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

UK GAAP

UK GAAP is the Generally Accepted Accounting Practice in the UK (UK GAAP) is the body of accounting standards and other guidance published by the UK's Financial Reporting Council (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*.

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