City of Westminster

2011/12

Draft
Annual Accounts

EXPLANATORY FORWARD

The Statement of Accounts for the year ended 31 March 2012 has been prepared and published in accordance with the Accounts and Audit Regulations 2003 and the Code of Practice issued by the Chartered Institute of Public Finance and Accountancy in 2010. The new code is based on a consolidation of accounting standards including International Financial Reporting Standards, International Public Sector Accounting Standards and Generally Accepted Accounting Practice (UK). The Statement was approved by the Audit & Performance Committee of the Council on 22 September 2012.

The purpose of this foreword is to offer an easily understandable guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of the authority's financial position, and assists in the interpretation of the accounting statements, including the Group Accounts.

It also contains a commentary on the major influences affecting the authority's income and expenditure and cash flow, and information on the financial needs and resources of the authority. It is not the purpose of the foreword to comment on the policies of the authority, rather to explain the financial facts.

THE ACCOUNTING STATEMENTS **Page**

The Council's accounts for the year 2011/12 consist of:

REVIEW BY THE CHIEF OPERATING OFFICER

BACKGROUND TO THE PREPARATION OF THE ACCOUNTS

The Council's financial affairs have to be reviewed by an independent organisation which is appointed to express an opinion of the accuracy of the Council's financial accounts. This review or audit is undertaken by a Government appointed body, the Audit Commission. The annual audit is in progress and the District Auditor's report on progress is to be presented as a separate item to the Audit and Performance Committee of the Council on 27th June 2012.

The Council's Accounts have been prepared in accordance with current accounting requirements and practice. For the purposes of this summary some modifications have been made to provide simplified information.

Although a copy of the final accounts will be made available on the Council's website, this draft copy will *not* be formally published.

COUNCIL'S FINANCIAL STRATEGY

Against the background of severe financial pressures within the public sector, the Council's financial strategy is based on:

- Making effective use of resources through efficiency, careful prioritisation of service plans and rigorous financial management;
- Seeking new ways of service delivery, for example through sharing services with our Tri-Borough partners.

We anticipate that the pressures on public expenditure will continue to be severe. This will combine with rising service demand and economic pressures, requiring continuing focus on the best means to deliver cost effective services.

Recognising the realities of the current and prospective economic climate, the Council carried out a series of service reviews in 2010. From this, a range of service changes and efficiencies were identified for implementation through 2011-2013. The savings across two years total £84 million and, at the end of the first year, the majority of savings (£64 million) have been delivered and the remaining stages of the programme are on track for delivery through 2012/13.

As a consequence of this proactive focus on medium term financial planning, costs (including redundancy and change costs) have been contained, risks managed and Reserves are higher than projected. It is anticipated that Reserves will continue to strengthen over the next two financial years.

THE COUNCIL'S PERFORMANCE AND SPENDING IN 2011/12

The 2011/12 Budget aimed to meet the unavoidable change and redundancy costs arising from its efficiency programme by achieving savings in service area and corporate spend base budgets.

This was achieved. A £16.3 million surplus derived from cost containment within services and corporate spend has been sufficient to fund redundancy/change costs and make transfers to further strengthen both General Fund and Earmarked Reserves.

In 2011/12, Council expenditure fell into two categories:

- Revenue Expenditure - the day-to-day costs of operating Council services.
- Capital Expenditure - the cost of investing in Council's assets such as equipment, buildings and infrastructure.

Revenue Expenditure

In 2011/12 the Council has been able to add £6.5 million to General Fund Reserves as well as strengthening Earmarked Reserves. The main elements of Revenue expenditure were:

- Effective budget management and realisation of savings which generated a surplus of £16.3 million;
- Generation of an additional Corporate Income of £7 million;
- Recognition of redundancy and other change costs of £10.7 million.

The Income and Expenditure account on page 30 provides an analysis of the net cost of providing all of Council's services.

Capital Expenditure

The Council's asset base consists of public buildings, highways, council houses and larger items of equipment and plant which reflect the long-term nature of the Capital Programme. This programme is set over a five year period to 2010/2015. The Capital Programme (including HRA) for 2011/12 approved by Cabinet in March 2011 was set at £69 million.

The actual full year net Capital expenditure for 2011/12 is £60 million. This is an under spend of £10 million against Budget. The under spend is primarily due to slippage on schemes into future financial years.

<u>The Financing of the Council's Revenue Expenditure</u>

Local authorities receive funding from Government grants and from households in the form of the Council Tax, in addition to revenue from fees and charges. Annually, the Government determines the amount of local government spending it can support through grant funding. This expenditure is paid for by a combination of government grants and Council Tax and Business Rate payments:

The main source of funding which the Council receives to support its budget requirement is formula grant which comprises redistributed business rates income and revenue support grant. In determining formula grant allocations, the government takes into account the relative needs of different authorities, including population, the number of commuters, visitors to an area, and relative deprivation levels. In 2011/12 the City Council received £186.6 million in formula funding.

In 2011/12, at £687.62, the Band D Council Tax charged by the Council remained the second lowest in the Country. The Council's element (£377.80) generated £49.1 million of income to fund the Council's activities. The element of Council Tax payable to the Greater London Authority (the 'GLA precept'), equivalent to £309.82 per band D equivalent property and generating £40.1 million, was paid over to fund the activities of the Metropolitan Police Authority, the London Fire and Emergency Planning Authority, Transport for London and the corporate costs of running the Mayor's Office.

The following table identifies the sources of funding for 2011/12.

	2011/12 Actual £M
Net Expenditure	**228.5**
Funded by:	
Formula Grant / RSG	186.6
Council Tax	49.1
Collection Fund Adjustment	(0.7)
Total Funding	**235**
Change of reserves - use / (addition)	(6.5)
Total Funding and Reserves	**228.5**

The Council's Reserves

The Council’s closing General Fund Reserves for 2011/12 are £22.1 million which represents a £6.5 million increase in the year. Reserves for specific activities – Earmarked Reserves – total £36.1M an in year increase of £10.6 million. The movements and closing position are shown below.

	General Fund £M	Earmarked Revenue Reserves £M	Total £M
Balance 1st April 2011	**15.6**	**25.5**	**41.1**
Surplus / (Deficit)	6.5	10.6	17.1
Balance 31st March 2012	**22.1**	**36.1**	**58.2**

The Reserves are kept under review and are considered necessary in light of future pressure on the Council. Historically, this level of Reserves is very low reflecting the need to respond to reductions in government funding. This brings with it a number of risks and challenges which are detailed in the Budget and Council Tax Report 2012/13, 2013/14 and summarised in the 'Risks and Challenges for 2012/13' section below.

Subject to the level of funding reductions and the impact of Busines Rate reform, it is the Council's intention to increase Reserves in future years from the £15.6 million closing position in 2010/11. A strengthening of £6.5 million has been achieved in 2011/12.

Schools Reserves

In addition to General Fund and Earmarked Reserves under delegated budget responsibilities, Westminster schools hold reserves of £8.5 million as at 31st March 2012.

Housing Revenue Account

The Housing Revenue Account (HRA) is a ring fenced account to which expenditure incurred and income received in relation to its housing stock is charged. City West Homes (set up in April 2002) has been responsible for managing the Housing service as agent during 2011/12. It is a company owned by the Council and it prepares its own accounts. These accounts are available from the Company Secretary at 21 Grosvenor Place, London, SW1X 7EA.

Routine day to day expenditure is charged to this Account as is income received from tenants as rent. During 2011/12 the HRA reported a deficit of £4.3 million with £115.3 million of income (including £65.7 million in rents from dwellings) being offset by £119.5 million of expenditure (including £52.5 million on repairs, maintenance and management costs). There are £92 million of ring fenced balances are held in the HRA to support investment in the Council's social housing stock. The HRA accounts are shown on page 77.

RISKS AND CHALLENGES FOR 2012/13

The Council faces significant budgetary risks and challenges over the coming years and these are detailed in the Budget and Council Tax Report 2012/13, 2013/14 presented to Council in February 2011. These are summarised in the paragraphs below.

- Cost or income risks or pressures which may arise from: increased demand, operational / legislative changes, shifts in service patterns and policy initiatives from central government;
- Cost inflation, where the level of inflationary increases on external spend is a major risk

No allowance has been made in the 2012/13 Budget for any increases in employee costs.

STRENGTHENING FINANCIAL MANAGEMENT

In 2011/12 we successfully delivered “Finance Foundations” as part of our Finance Transformation Programme. This project involved two main elements: the separation of transactional from value-added activities and building the capability of Finance staff.

Using the basis of “Finance Foundations” we were able to make progress in a number of key areas including:

- Trading Accounts;
- Debt management;
- Capital expenditure process management.

The 2011/12 year end process was delivered under the new “Finance Foundations” operating model. Overall the process has worked much better than in previous years.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) TRANSITION

The adoption of IFRS by the Financial Reporting Advisory Board and the development of a code for local authorities have been developed by CIPFA. This is part of a wider public sector move to international accounting standards. The code applies to accounting periods commencing on or after 1 April 2010 with the 2010/11 Statement of Account for City of Westminster prepared under IFRS based on the Code of Practice on Local Authority Accounting and supersedes the Statement of Recommended Practice (the SORP 2009). To enable the comparison of accounts and the translation of balances prepared under SORP to IFRS, the City of Westminster was required to restate balances as at 31 March 2009 and 31 March 2010, representing opening and closing balances.

As the final phase of transition towards full compliance with IFRS, the Council has now included within the Annual Accounts the disclosure requirements relating to heritage assets and exit packages.

IFRS compliance has become part of the standard agenda for the Council. IFRS is a regulatory requirement which acts as an enabler for the Council to fully understand all of its activities and the costs of those activities. Improved information and data capture will inevitably lead to improved decision making and financial standing of the authority.

Barbara Moorhouse
Chief Operating Officer
Westminster City Council
Westminster City Hall
64 Victoria Street
London SW1E 6QP

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Operating Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

Chief Operating Officer's Responsibilities

The Chief Operating Officer is responsible for the preparation of the authority's statement of accounts and of its Pension Fund Statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), are required respectively to present fairly the financial position of the authority 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 Chief Operating Officer has:

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

The Chief Operating Officer has also:

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

Barbara Moorhouse
Chief Operating Officer

APPROVAL OF STATEMENT OF ACCOUNTS

The Statement of Accounts was approved by the Audit and Performance Committee

Councillor Tim Mitchell
Chairman of the Audit and Performance Committee

ANNUAL GOVERNANCE STATEMENT 2011/12

1. SCOPE OF RESPONSIBILITY

Westminster City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code can be obtained from the Council, Cabinet and Committee Scrutiny Secretariat. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts an Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achieving the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2012 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are:

- A comprehensive suite of business plans for each Cabinet Member detailing the key priorities and major planned activity under their portfolio of responsibility.
- An annual programme of priorities, key deliverables and service improvements to support delivery of the Council's key outcomes, and a transformation programme aimed at reducing costs and improving services and customer satisfaction;
- A medium term financial plan, which is reviewed and updated annually to support the achievement of the Council's corporate priorities;
- An annual strategic business planning process to define how the organisation will deliver the strategy underpinning the budget, its "Living City" priorities and track the critical indicators of service quality and associated risks to delivery through the performance management framework;
- A Strategic Executive Board (SEB), which is responsible for the overall management of the Council. SEB also has responsibility for reviewing and challenging Council performance and business plan delivery at the strategic level;
- A Senior Leadership Team (SLT), which is responsible reviewing council-wide operational performance and risk issues;
- A performance management framework to track and report on business plan delivery. The framework will involve monitoring and reporting of performance and risk at both operational and strategic levels. This includes quarterly summary reports to SEB and SLT on delivery milestones and critical service measures supplemented by a quarterly strategic review that will focus on delivery and exceptions in more detail;
- Full engagement on performance with elected Members through Cabinet, Audit & Performance Committee and Policy and Scrutiny Committees;
- Business Continuity plans, which ensure that the Council can maintain delivery of its business critical services, regularly tested emergency planning arrangement, a corporate health and safety policy and insurance policies to cover the Council's key financial risks;
- A local Code of Corporate Governance incorporating Members and Employee Codes of Conduct, which stipulates the regulations and standards required to be followed by officers and elected Members, as well as a protocol on officer/Member relations;
- A schedule of delegations setting out the functions that Senior Managers may discharge on behalf of the Council;
- A Westminster Scrutiny Commission that oversees the work of the Council's Policy and Scrutiny Committees which conduct an annual programme of scrutiny

reviews, establish Task Groups to scrutinize critical Service Areas, and have powers to call in and challenge decisions prior to implementation;

- An Audit & Performance Committee, which is independent of both the Executive and the Policy and Scrutiny function, and whose role includes maintaining an overview of the Council's governance framework and the financial and service performance of key Council functions;
- A Standards Committee which is responsible for promoting high standards of conduct by councillors, monitoring the operation of the Members Code of Conduct and maintaining an overview of ethical standards across the Council;
- A Head of Legal and Democratic Services (Monitoring Officer) whose functions include maintaining the Constitution and Code of Corporate Governance, overseeing compliance with the law and supporting the Standards Committee;
- A Section 151 Officer, who is responsible for the proper administration of the Council's financial affairs and for ensuring the lawfulness and financial prudence of financial transactions;
- A Statutory and Corporate Governance Group (comprising the Chief Executive, Chief Operating Officer and Head of Legal and Democratic Services) which oversees the Council's governance arrangements and promote best practice through the Governance Working Group;
- A set of Financial Regulations and a Procurement Code which stipulate how the financial management of the Council and the letting of contracts are to be conducted;
- A Budget & Performance Task Group which considers on behalf of the Policy & Scrutiny Committees, Budget Options and Draft Business Plans and Estimates at the appropriate stages in the business planning cycle and to submit recommendations/comments to the Cabinet and/or Cabinet Members;
- A Gate Review Process which oversees the letting and performance of the Council's key contracts;
- An internal audit service whose role includes reviewing the effectiveness of the Council's control systems in accordance with the standards set out in the Code of Practice for Internal Audit in Local Government;
- An anti-fraud and corruption strategy which outlines the Council's commitment to preventing and detecting fraud and corruption, a dedicated fraud investigation team, and a freephone hotline for members of the public to report suspicions;
- A whistleblowing policy which encourages staff to raise concerns about potential malpractice in the Council and provides protection to them when they do so;
- A new two stage corporate complaints handling procedure to replace the previous three stage procedure, which sets out how complaints will be investigated, recorded and monitored, and a separate procedure for social services complaints to ensure compliance with statutory requirements;

- A Human Resources framework which sets out the Council's approach to managing people and its policies and procedures for doing so including recruitment and release, remuneration, performance management, employee relations and the required standards of employee conduct.
- Officer training and development programmes to support high standards of conduct and promote effective performance of roles;
- Good governance arrangements in respect of partnerships and other group working have been put in place. For example:
    - The Council delivers a significant proportion of its services through its strategic partnership contract with Vertex. The direction and performance of the partnership is governed through regular meetings of the Partnership Management Board and Commercials Board;
    - The Council has established an arm's length management organisation (CityWest Homes), a wholly owned subsidiary limited by guarantee, to manage its housing stock and deliver some of its housing responsibilities. CityWest Homes has adopted a formal governance structure, and manages its internal affairs and delegated budgets through the Company's Board and four board committees: Finance and Audit Committee; Customer Services Committee; Development & Building Services Committee; and Remuneration, Employment & Diversity Committee. Performance is also monitored through a regular review process with senior Council officers and members. The Company operates its own risk management strategy and is subject to internal and external inspection and audit in compliance with the Companies Acts;
    - The Council has established WestCo Trading Limited to take advantage of trading powers introduced by the Local Government Act 2003. The company is wholly owned by the Council and is governed by a board of directors comprising senior Council officers, an elected member and an independent director. Accounts are independently prepared and lodged annually with Companies House;
    - The Council has also established Westminster Community Homes, a registered Industrial and Provident society to develop its Community Build Programme and Temporary to Settled Homes Scheme. It is governed by a board of directors comprising representatives from the Council, CityWest Homes and residents and is chaired by an independent nominee;
    - The Council continued to communicate with all sectors of the community and stakeholders exemplified by a consultation exercise on Community Governance to determine the options for establishing either a Community or Parish Council in certain neighbourhoods.
    - The Council formalised ambitious plans to bring together services, look at new ways of working, achieve economies of scale and minimise support costs by bringing activities together through aligning work with the Royal

Borough of Kensington and Chelsea and the London Borough of Hammersmith and Fulham. This has been done through a set of Tri-borough Proposals.

4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

In practice the Council has a continuous process in place for maintaining and reviewing the effectiveness of its governance framework including the following mechanisms:

- Monthly monitoring of financial expenditure by senior managers and Cabinet Members;
- Quarterly activity, performance and risk monitoring by senior managers and Cabinet Members;
- Quarterly review of performance, risks, and audit and inspection results by the Audit and Performance Committee, supplemented by more detailed consideration of a range of issues by the Committee's working groups;
- Regular meetings of the Council's Policy and Scrutiny Committees, Task Groups and the Westminster Scrutiny Commission;
- Meetings of the Standards Committee on a range of matters including the Audit Commission's ethical governance audit, annual overview report on ethical standards, review of protocols for dealing with local complaints and guidance on Members' interests. The Council's procedure for dealing with breaches of the Members' Code of Conduct, and the City Council's Members' Code of Conduct itself (incorporating guidance on Members' interests) were reviewed in light of the implications of the Localism Act 2011. The proposed new procedure and Code were approved by the Standards Committee and the General Purposes Committee in April/May 2012, and will be recommended for adoption by the Council in June 2012;
- An in-depth review and scrutiny of the Council's Constitution and Code of Governance undertaken at least every four years, in addition to regular revisions to update and amend the content of these documents as necessary;
- A Schedule of Delegation is in place and will be reviewed shortly with updates being reported to the Leader, for executive functions and the Council in respect of non executive functions;

- A programme of compliance checks across all departments to ensure income and expenditure transactions are processed in accordance with approved regulations and procedures;
- Monthly review of internal audit results and a 94% implementation rate for priority 1 and 2 recommendations;
- Regular meetings of the Governance Working Group, which has overseen a number of improvements including expansion of governance training, updating of regulatory codes to reflect changes in organisational structure, a review of the Council's Anti-Fraud and Corruption Strategy and management of a governance risk register;
- The Human Resources Group meets on a monthly basis, and consists of members of SLT or their nominated representative, with at least one member from each strategic area, to review all human resources policies of the Council, the strategy of HR going forward, oversee the development and implementation of agreed compensation programs, the establishment of staff and manager development programs, and the councils succession planning process.

The Council also draws assurance on its governance arrangements from independent sources, in particular:

- Internal Audit

  The internal audit service undertook a risk-based programme of audits during the year to provide the Council with assurance on the adequacy of its systems of internal control. Based on its work during 2011/12, Internal Audit concluded that the Council's control systems were adequate, that its internal control framework was improving and that it was effective in implementing recommendations where problems were found. However, there were a number of important areas where the auditor considered that improvements were required to strengthen the Council's control framework. A number of recommendations have been made to address these weaknesses particularly where important controls were not embedded into systems and where non compliance with Council procedures had been identified.

  The Council has a range of mechanisms in place at member and officer level that provide a continuous review of the internal audit function. These include monthly review of performance against targets, quality control checks on audit files and formal annual assessment of compliance with the standards set down in the CIPFA Code of Practice for Internal Audit. The 2011/12 results confirm compliance with professional standards and good performance against targets. The service is also subject to regular review by the Council's external auditors which has confirmed that internal audit is an effective and CIPFA compliant function.

- External Audit

  The Council is subject to an annual programme of independent external audits and statutory inspections which report on the Council's governance, performance and accounting arrangements. The auditor's 2010/11 Annual Audit Letter summarises the results of that year's audit, and concludes that:

- The Audit Commission issued an unqualified opinion on the Council's 2010/11 financial statements.
- The Audit Commission issued an annual Value for Money conclusion. The review concluded that there were proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources during 2010/11.
- Areas identified where actions are required by the Council included improving the arrangements for the preparation of the financial statements, monitoring the delivery of agreed actions in the Annual Governance Report, maintaining focus on delivering the 2011/12 forecast outturn, prioritising the development of robust plans to secure and deliver the 2012/13 budget and developing financial plans for medium to longer term to restore reserves.

The auditor's recommended improvements are being implemented, and the 2011/12 financial year programme of external audit coverage is in progress.

5. SIGNIFICANT GOVERNANCE ISSUES

The Council has undertaken a transformation of its finance structure during the past year and as part of it, established a Shared Service Centre (SSC). This resulted from Internal Audit previously identifying control weaknesses. As part of this transformation, new process controls were identified, agreed and documented. Since the change, a follow up was undertaken to ensure that expected improvements were being delivered. Internal Audit identified that compliance with these new processes and associated controls needs to be improved and a number of recommendations have been made to address the issues of non-compliance. The main areas of concern were in respect of compliance with the processes within the accounts payable (P2P) area of the SSC. An agreed action plan has been put in place to remedy the weaknesses.

The Council's policies and procedures have been reviewed to identify where improvements should be made to address the requirements of the Bribery Act 2010. This identified that a number of existing policies and procedures needed to be updated to demonstrate that the Council is aware of its responsibilities and could demonstrate that it has taken all reasonable actions to prevent bribes occurring. Recommendations have also been made on communicating the requirements of the Bribery Act to Members and officers and how this could be achieved. The findings of this review have been discussed with the Council's Governance Working Group and actions are being taken to address the weaknesses identified.

The Council's insurance policy required updating to ensure all cash held within City Hall Cashiers' Office is fully insured. Furthermore, there was a lack of robust audit trail retained to support the reconciliations of all bank accounts and petty cash floats to bank records. An action is now in place to demonstrate clearer audit trails for greater transparency and assurance that controls are operating effectively.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

………..................……………………………………………………………………

Leading Member (or equivalent) & Chief Executive (or equivalent) on behalf of [the authority]

STATEMENT OF ACCOUNTING POLICIES

1. Introduction and Code of Practice

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those Regulations require 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 2011/12 and the CIPFA Service Reporting Code of Practice (SeRCOP) for Local Authorities 2011/12, 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.

2. Accruals of Income and Expenditure

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

Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

For example, the insurance reserve sets aside amounts in order to meet potential claims that may be required to 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.

Contingent Liabilities

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

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

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

4. Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies. The Council has the following reserves:-

Usable Reserves	Unusable Reserves
General Fund Balance	Capital Adjustment Account
Earmarked Reserves	Revaluation Reserves
Housing Revenue Account	Collection Fund Adjustment Account
Earmarked HRA Reserves	Financial Instrument Adjustment Account
DSO Surpluses Account	Accumulated Absences Account
Schools Reserves	Pensions Reserve
Capital Receipts Reserve	Deferred Capital Receipts
Capital Grants Unapplied	

5. Government Grants and Contributions

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

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

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

(iii) Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

(iv) When capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

(v) Where a revenue grant meets the recognition criteria set out in paragraph 5(i) above, it should be recognised in the Comprehensive Income and Expenditure Statement immediately unless there is a condition (as opposed to a restriction) that the authority has not satisfied. A condition arises where the grant must be returned to the grantor if not used as set out in the terms of the grant. Where the terms of the grant set out how it must be used but do not require the grant to be returned to the grantor where the terms are not complied with, this is a restriction and the grant should be recognised in the Comprehensive Income and Expenditure Statement immediately.

6. Employee Benefits

(a) Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

(b) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement 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.

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

(c) Post Employment Benefits

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

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

The Local Government Pensions Scheme, administered by Westminster City Council and the London Pension Fund Authority.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

(d) The Local Government Pension Scheme

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

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

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

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

- quoted securities - current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price •
property - market value.

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

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

Past Service Cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

Interest Cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

Expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

Gains or losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve

Contributions paid to the Westminster City Council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

(e) Discretionary Benefits

The Council provides discretionary post employment benefits which arise from additional service awarded on a discretionary basis. These benefits are unfunded with costs met directly from the Council's revenue account.

7. VAT

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.

8. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP) for Local Authorities 2011/12. The total absorption costing principle is used - the
full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

9. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- 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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

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

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

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

10. Leases

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

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

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

(a) The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

(b) The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

11. Private Finance Initiative (PFI/PPP) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI 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 recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI & Similar Contractual operator is analysed into two elements:

- finance cost - an interest charge of the effective rate of interest on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- payment towards liability - applied to write down the Balance Sheet liability to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

12. Investment Property

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

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

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

13. Intangible Assets

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

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

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

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

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

14. Revenue Expenditure Funded from Capital under Statute

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

15. 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 any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

16. Borrowing Costs

Other than the transaction loan fee, the Council does not capitalise borrowing costs.

17. Depreciation

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

Depreciation is calculated on the following bases:

- Buildings - straight-line allocation over the useful life of the property as estimated by the valuer.
- Council Dwellings are depreciated on a straight line basis. However, in line with the Major Repairs Allowance (MRA) - when using MRA as a proxy for depreciation, authorities should take care to ensure that the debit is the MRA calculated in relation to the particular financial year, rather than cash paid (i.e. any advances of future years
- 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.

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

Each major item of capital expenditure will be considered against the asset value if a separate component is identified before a decision is taken to adopt a differing useful life for depreciation purposes.

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.

18. Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

19. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and 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. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Financial Assets

Financial assets are classified into two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments - the Council does not currently hold any Financial Assets in this category.

The fair value of fixed term cash deposits is valued at carrying value because these assets cannot be sold and hence there is no market valuation.

Loans and Receivables

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

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

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

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

20. Cash and Cash Equivalents

Cash and cash equivalents is represented by cash in hand and deposits with financial institutions repayable on demand without penalty.

In the Cash Flow Statement, 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.

21. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate, (based on the mid-point of the buying and selling rates), at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

22. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

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

23. Minimum Revenue Provision (MRP)

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance.

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

24. Events After the Balance Sheet Date

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

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

25. Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

26. Collection Fund (England)

The Collection Fund Statement is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund in accordance with section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992).The Collection Fund shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates. There is no requirement for a Collection Fund Balance Sheet since the assets and liabilities arising from collecting non-domestic rates and council tax belong to the bodies (i.e. major preceptors, the billing authority and the Government).

27. Tax Income

Council Tax Income

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

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

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

28. National Non-Domestic Rates (NNDR)

Billing authorities in England, Scotland and Wales collect NNDR under what is in substance an agency arrangement with each jurisdiction's Government. It therefore follows that:-

- NNDR income is not the income of the authority and shall not be included in its Comprehensive Income and Expenditure Statement. The cost of collection allowance is income of the authority and shall be included in this statement.
- NNDR Debtor and Creditors balances for impairments and doubtful debts shall not be recognised in the billing authority's Balance Sheet as they are not Assets or Liabilities of the Authority.
- Cash collected from NNDR payers by the Authority belongs to the government and amounts not yet paid to the Government at the balance sheet date shall be included as a Creditor in the Authority's Balance Sheet or alternatively a Debtor if cash is owed by the Government to the Local Authority.
- The only items to be included in the Cashflow are the Cost of Collection Allowance as a cash inflow and the difference between cash collected from NNDR taxpayers and the amount paid into the NNDR pool shall be included within financing activities in the Cash Flow Statement
- Other costs such as the cost of recovery for unpaid NNDR debts are income of the billing authority.

29. Business Improvement Districts (BIDS)

A Business Improvement District (BID) scheme applies across the whole of the Council. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

30. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

31. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula. Work in progress is subject to an interim valuation of the year-end balance recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

32. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

For 2011/12 the only accounting policy change that needs to be reported relates to FRS 30 Heritage Assets. See Note BS_33 for further disclosures on this change.

STATEMENT OF ACCOUNTING POLICIES

Statement of Accounting Polices for Group Accounts

1. Basis of Consolidation

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council, CityWest Homes Ltd, Westminster Community Homes and WestCo Trading Ltd. All companies have been incorporated as wholly owned subsidiaries. Consequently any gains and losses arising from these companies are fully reflected in the Group Comprehensive Income and Expenditure Statement and the Group Statement of Total Recognised Gains and Losses.

2. Accounting Policies

Group Accounts are prepared using consistent accounting policies, aligning the Council's Financial Statements more closely with UK GAAP (where material) by requiring the figures for subsidiaries, associates and joint ventures to include valuations for fixed assets (and depreciation based on these valuations).

3. Retirement Benefits

The employees of CityWest Homes Ltd are members of a company occupational pension scheme, which is a defined benefits scheme. Accounting policies consistent with those of the council have been adopted. In addition, there are no transactions between the Group Income and Expenditure Account and the Pensions Reserve in relation to movements in the net pensions liability for CityWest Homes Ltd, such that the amounts debited and credited to the Account are reflected in the Group Comprehensive Income and Expenditure Statement.

4. Value Added Tax

VAT paid by other group entities is accounted for in the Group Income and Expenditure Account to the extent that it is irrecoverable from HM Revenue & Customs.

5. Charges Against the Group Income and Expenditure Reserve

There are no transactions between the Group Income and Expenditure Account and the Capital Adjustment Account in relation to charges for fixed assets held by CityWest Homes or WestCo, such that the amounts debited and credited to the Account are initially reflected in the Group Income and Expenditure Reserve.

However, a transfer is made from the Revaluation Reserve to the Group Income and Expenditure Reserve for the difference between depreciation charged on the current value of fixed assets held by CityWest Homes or WestCo and what would have been the historical cost depreciation for the year.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2010-11					***Note***	2011-12		
Gross Expenditure (£'000)	Gross Income (£'000)	Net Expenditure (£'000)				Gross Expenditure (£'000)	Gross Income (£'000)	Net Expenditure (£'000)
50,698	(30,720)	19,978		Central Services to the public		88,729	(62,444)	26,285
27,935	(8,719)	19,216		Cultural and related services		21,114	(9,779)	11,335
76,332	(13,240)	63,092		Environmental and regulatory services		57,695	(14,850)	42,845
20,508	(7,676)	12,832		Planning services		15,501	(8,609)	6,892
245,948	(184,804)	61,144		Education and children services		196,346	(144,347)	51,999
107,259	(91,454)	15,805		Highways and transport services		117,280	(85,927)	31,352
435,023	(100,544)	334,479	*	Local authority housing (HRA)		141,803	(100,467)	41,336
365,820	(331,214)	34,606		Other housing services		357,393	(324,722)	32,671
143,513	(53,981)	89,532		Adult social care		134,053	(43,419)	90,634
9,986	0	9,986		Corporate and democratic core		18,084	(28)	18,056
(113,163)		(113,163)	**	Non distributed costs	*CIES_2*	(1,581)	0	(1,581)
		0		Exceptional Costs	*CIES_3*	0	0	0
1,369,858	(822,352)	547,506		Cost of Services		1,146,417	(794,593)	351,824
		(25,396)		Other Operating Expenditure	*CIES_4*			31,539
		(61,523)		Financing & Investment Income & Expenditu	*CIES_5*			(53,219)
		0		Surplus or Deficit of Discontinued Operations	*CIES_6*			0
		(317,392)		Taxation and Non -Specific Grant Income	*CIES_7*			(300,914)
1,369,858	(822,352)	143,195		Surplus/Deficit on Provision of Services		1,146,417	(794,593)	29,230
		0		Surplus/deficit on revaluation of financial assets (Available for sale)				0
		317,517		Surplus/deficit on revaluation of fixed assets				68,279
		(16,830)		Actuarial gains/losses on pension assets and liabilities				100,301
		0		Other comprehensive income and expenditure				0
1,369,858	(822,352)	443,882		Comprehensive Income & Expenditure Total		1,146,417	(794,593)	197,810

Notes referenced above

* The next expenditure total for HRA includes a £346m impairment charge due to changes in revaluation methodology on HRA dwellings for 2010-11.

** A past service gain of £113m in 2010-11 is attributible to Pensions is included within non-distributed costs (see CIES_2)

BALANCE SHEET

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

	Note	31 March 2012 £'000	31 March 2011 £'000
ASSETS			
Non-current			
Property, plant and equipment	*BS_1*	1,573,247	1,552,665
Investment property	*BS_3*	274,201	284,657
Intangible Assets	*BS_4*	3,696	1,351
Long -term investments	*BS_5*	40,305	94,749
Other capitalised expenditure	*BS_16*	3,616	2,083
Long -term debtors	*BS_6*	27,743	39,199
Total long term assets		1,922,809	1,974,704
Current			
Short-term investments	*BS_5*	98,002	21,932
Inventories	*BS_7*	242	1,781
Short-term debtors	*BS_6*	111,446	63,366
Cash and other cash equivalents	*BS_8*	220,861	98,794
Assets held for sale	*BS_9*	87,449	122,837
Current assets		518,000	308,710
LIABILITIES			
Short-term borrowing	*BS_5*	3,862	3,757
Short-term creditors	*BS_10 & BS_11*	325,171	185,306
Current Liabilities		329,032	189,063
Long-term creditors	*BS_10*	23,102	13,250
Provisions	*BS_12*	26,227	15,943
Long-term borrowing	*BS_5*	336,599	268,387
Other long-term liabilities	*BS_22*	489,865	382,150
Donated Assets Account		0	0
Capital Grants - Receipts in Advance	*BS_20*	86,235	84,267
Long-term liabilities		962,028	763,997
Net assets		1,149,749	1,330,355
Total Usable Reserves		205,949	149,919
Total Unusable Reserves	*BS_13*	943,800	1,180,435
Total Reserves		1,149,749	1,330,355

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

CIES 2 - NON-DISTRIBUTED COSTS

This represents pension costs which are not attributable to specific service areas and depreciation charged against surplus assets.

	2011/12 £'000	2010/11 £'000
Payment of General Fund Pensions	(2,801)	314
Depreciation charged on Surplus Assets	40	453
Past Service Gain (-) / Cost (+)	1,180	(113,930)
	(1,581)	(113,163)

CIES 3 - EXCEPTIONAL ITEMS

There are no items to disclose separately for 2011-12

CIES 4 - OTHER OPERATING EXPENDITURE

Other operating Expenditure reported includes all levies payable (see note CIES_14 for further detail), 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.

	2011/12 £'000	2010/11 £'000
Levies	2,540	2,646
Payments to the Government Housing Capital Receipts Pool	0	2,304
Gains/losses on the disposal of non-current assets	28,999	(30,346)
Total	31,539	(25,396)

CIES 5 - FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2011/12 £'000	2010/11 £'000
Interest payable and similar charges	6,541	16,231
Pensions interest cost and expected return on pensions assets	9,035	13,561
Interest receivable and similar income	(4,272)	(5,273)
Income and expenditure in relation to investment properties and changes in their fair value	(63,283)	(85,178)
Impairment of deposits with Icelandic Banks	(789)	80
Interest due not received from Icelandic Banks	(451)	(534)
Other investment income - PFI Income	(410)	(410)
Total	(53,629)	(61,523)

CIES 6 - ACQUIRED AND DISCONTINUED OPERATIONS

There have been no acquired operations in 2011-12. The Council has not discontinued any of it's existing operations within 2011-12.

CIES 7 - TAXATION AND NON SPECIFIC GRANT INCOME

This item 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 business/service activities.

	2011/12 £'000	2010/11 £'000
Council tax income	49,087	48,705
Non domestic rates	142,548	158,475
Non-ringfenced government grants		
-Revenue Support Grant	44,062	23,012
-Area Based Grant	0	30,614
-Local Authority Business Growth Incentive Scheme Grant	0	1,096
-Local Services Support Grant	9,225	0
-Council Tax Grant	1,252	0
-Distribution of London Residuary Body surpluses	33	31
Capital grants and contributions applied	52,604	54,690
Capital grants and contributions received without conditions	2,104	770
Total	300,914	317,392

CIES 8 - AGENCY SERVICES

	2011/12 £'000	2010/11 £'000
Expenditure incurred in providing services		
Partners In Parking	99	120
Transport for London	12,801	10,831
Inner West London Coroner's District	1,594	1,090
Net surplus arising on the agency arrangement	14,494	12,041

Transport for London

Transport for London - Contributions totalling £12.8m towards a number of different schemes that aim to maintain and enhance the highway, promote sustainable transport and improve the public realm. Allocations to major Schemes included Piccadilly 2 Way £4.8m, Leicester Sq £1.575m and Oxford Street East £1.5m.

Inner West London Coroner's District

The Inner West London Coroner's District was set up by statute following the abolition of the GLC. This arrangement will remain in place until there is any similar change in the law.

CIES 9 - MEMBERS' ALLOWANCES

The Authority paid the following amounts to members of the council during the year.

	2011/12 £'000	2010/11 £'000
Salaries	0	0
Allowances	917	960
Expenses	0	0
Total	917	960

CIES 10 - OFFICERS' RENUMERATION

Remuneration disclosures for Senior Officers whose salary is £150,000 or more per year.

		Salary, Fees and Allowances £	Private Health Insurance £	Bonuses £	Expenses Allowances £	Compen-sation for Loss of Office £	Pension Contrib-utions £	Total £
Chief Executive - Mike More	2011/12	200,379	0	0	164	0	33,864	234,407
	2010/11	200,379	0	0	164	0	32,061	232,604
Chief Operating Officer - Barbara	2011/12	185,000	2,253		857	0	28,371	216,481
	2010/11	185,000	1,918	0	332	0	27,040	214,290

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

	2011/12 No of Employees	2010/11 No of Employees
£50,000 - £54,999	109	101
£55,000 - £59,999	45	56
£60,000 - £64,999	45	58
£65,000 - £69,999	34	44
£70,000 - £74,999	16	28
£75,000 - £79,999	8	14
£80,000 - £84,999	12	14
£85,000 - £89,999	11	19
£90,000 - £94,999	9	9
£95,000 - £99,999	5	0
£100,000 - £104,999	3	8
£105,000 - 109,999	5	1
£110,000 - £114,999	0	3
£115,000 - £119,999	1	1
£120,000 - £124,999	4	1
£125,000 - £129,999	1	0
£130,000 - £134,999	1	0
£135,000 - £139,999	4	1
£140,000 - £144,999	0	3
£145,000 - £179,999	0	0
£180,000 - £184,999	0	0
£185,000 - £189,999	1	0
£195,000 - £199,999	0	0
£200,000 - £204,999	1	0
	315	361

EXIT PACKAGES

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

(a) Exit package cost band (including special payments)	(b) Number of compulsory		(c) Number of other departures agreed		(d) Total number of exit packages by cost		(e) Total cost of exit packages in each	
	2011/12 No.	2010/11 No.	2011/12 No.	2010/11 No.	2011/12 No.	2010/11 No.	2011/12 £'s	2010/11 £'s
£0 - £20,000	163	107			163	107	1,036,977	650,788
£20,001 - £40,000	34	14			34	14	980,032	390,290
£40,001 - £60,000	6	2			6	2	312,952	101,609
£60,001 - £80,000	4	2			4	2	272,248	144,015
£80,001 - £100,000	0	1			0	1	0	95,778
£100,001 - £150,000	5	2			5	2	606,278	261,838
£150,001 - £200,000	1	3			1	3	195,518	541,384
£200,001 - £250,000	1	0			1	0	221,874	0
£250,001 - £300,000	1	1			1	1	255,054	280,278
Total	215	132	0	0	215	132	3,880,932	2,465,980

CIES 11 - EXTERNAL AUDIT FEES

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

	2011/12 £'000	2010/11 £'000
Fees payable to Audit Commission with regard to external audit services carried out by the appointed auditor for the year	408	460
Fees payable to Audit Commission in respect of statutory inspections	15	28
Fees payable to Audit Commission for the certification of grant claims and returns for the year	95	90
Fees payable in respect of other services provided by Audit Commission during the year	14	21
Total	532	599

CIES 12 - RELATED PARTIES

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 Authority 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 authority - it is responsible for providing the statutory framework within which the Authority operates. It provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note BS_20 on reporting for resources allocation decisions.

Members
Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note CIES_9. During 2011/12 works and services to the value of £319,955 were commissioned from companies in which 3 members had an interest. Contracts were entered into in full compliance with the council's standing orders. Further details are recorded in the Register of Members' Interest, open to public inspection at City Hall during office hours.

Officers
During 2011/12, the Tri Borough Executive Director (Adult Social Care) was in the partnership with Turning Point (company which supplies substance misuse services in partnership with Central North West London NHS Trust). Turning Point is funded directly by the Authority.The Director did not take part in any discussion, decision or the administration relating to the allocation of the funding.

Other Public bodies [subject to common control by central government]
The Authority has pooled budget arrangement with Central and North West NHS Trust for the provision of Mental Health Services and in conjunctions with NHS Westminster provide Adult Learning Disabilities services, Older People & Physically disabled Adults Services and Substance Misuse services. Transactions and balances are detailed in note CIES_17.

Entities Controlled or Significantly Influenced by the Authority
For the Fin Year 2011/12 Councillor Caplan is a Director and the Chairman of Westco Trading Limited. Officer A Gilchrist ceased to be Chief Executive and a Director in August 2011. Officers P Carpenter and J Corkey are Directors of the Company and Officer S Parfrey is the Company Secretary. M Hayman ceased to be an Independent Director in April 2011.

Officer M Youkee is the Chairman of Westminster Community Homes and also owns 33.33%, Westminster City Council owns 33.33% and the remaining 33.33% is owned by City West Homes. This is a registered charity which has received income from the Council and made payments to both the Council and CityWest Homes. The Company Secretary is Officer Jonathan Hunt and Officer Ben Denton is also a Board Member.

Three Members of the Council are Board Members at City West Homes - Councillor Adams, Councillor Hampson, Councillor Havery and Councillor Summers is a Director.

CIES 13 - TRADING OPERATIONS

Following the introduction of the Local Government (Best Value and Capping) Act in July 1999, on 2 January 2000, the provisions within the Local Government Acts relating to Compulsory Competitive Tendering and associated requirements were abolished. Although DSO accounts are no longer required by statute, the Council has continued to maintain DSO accounts where organisations within the Council have won contracts as a result of tendering. This applies to both former statutory and voluntary DSOs. Details of the turnover and surplus or deficit of each DSO, is shown below.

		2011/12		2010/11	
		£'000	£'000	£'000	£'000
Learning Disabilities	Turnover	1,996		2,154	
	Expenditure	(1,847)		(1,990)	
	Surplus		149		164
Older and Disabled People: Westminster Elderly Resources Centre DSO	Turnover	3,312		3,210	
	Expenditure	(3,222)		(3,232)	
	Surplus		90		(22)
Older and Disabled People: Sheltered Wardens DSO	Turnover	2,165		1,234	
	Expenditure	(2,015)		(1,121)	
	Surplus		150		113
Net surplus on trading operations:			390		255

	2011/12
	£'000
Net surplus on trading operations	390
Services to the public included in Expenditure of Continuing Operations	0
Support services recharged to Expenditure of Continuing Operations	0
Net surplus credited to Other Operating Expenditure	390

CIES 14 - LEVIES

All levies payable by the Authority. The costs below are classified within other operating expedniture within the council's Comprehensive Income and Expenditure Statement.

	2011/12 £'000	2010/11 £'000
Environment Agency	256	258
Lee Valley Regional Park Authority	384	395
London Pensions Fund Authority	1,900	1,993
	2,540	2,646

CIES 15 - DISTRIBUTION FROM NON-DOMESTIC RATE POOL

The non-domestic rate is redistributed by central Government to local authorities based on the share of formula grant received by each authority. For 2011/12, the amount received by Westminster is £142.5 million (2010/11 £158.5 million) which is equal to the England distributable amount of £19.0 billion multiplied by our share of formula grant of 0.753%.

CIES 16 - STATUTORY PROVISION FOR REPAYMENT OF DEBT

The council is required by statute to set aside a minimum revenue provision (MRP) for the provision to repay external debt. The calculation of the minimum revenue position is as per Local Authority (Capital Finance and Accounting Guidance) and the authority has to provide an amount which it consider 'prudent'. The broad aim of a prudent provision is to ensure that debt is repaid over a period that is either provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

	2011/12 £'000	2010/11 £'000
Principal Repayments (Minimum Revenue Provision)		
- General Fund - Borrowing to Fund Capital Expenditure	1,500	3,952
- Capital Acquisitions Acquired via Finance Leasing	892	0
- MRP adjustment for PFI and similar arrangements	173	163
	2,565	4,115

The 2011/12 contribution to MRP is lower than would otherwise have been the case as it is intended to use the substantial proportion of the receipt from the EX-North Westminster Community School Site

Under the Prudential Code, a HRA principal repayment is no longer mandatory.

CIES 17 - POOLED BUDGETS

Pooled Budget for Adult Mental Health Services

An agreement exists between Westminster City Council & Central and North West NHS Mental Health Trust. The agreement runs from 01/04/2010 to 31/03/2013.

Type of Arrangement - Agreement is made in accrodance with Section 75 of the National Health Service Act 2006.

Any surplus or deficit arising from the arrangement will be shared on a risk share basis. A surplus of 1% or more will be distributed to Partners in proportion to each partners contribution.

The pooled budget is hosted by CNWL as Lead Provider on behalf of the two partners privy to the agreement.

	2011/12		2010/11	
	£'000	£'000	£'000	£'000
Funding provided to the pooled budget:				
Westminster City Council	2,751		3,121	
Central and North West NHS Mental Health Trust	8,936		9,338	
		11,687		12,459
Expenditure met from the pooled budget:				
Westminster City Council	2,744		3,121	
Central and North West NHS Mental Health Trust	8,936		9,267	
		11,680		12,388
Net surplus/(deficit) arising on the pooled budget during the year		7		71
Westminster City Council share of the net surplus arising on the pooled budget		0		0

Surplus 0.6% is under the 1% threshold for reimbursement to WCC under the S75 Risk Share Agreement

Pooled Budget for Westminster Services for Adults Services - All Service Areas

An agreement exists between Westminster City Council & NHS Westminster. Budgets are agreed annually and this agreement runs for the year 01/04/2011 to 31/03/2012. The purpose of the agreement is to jointly commission adult social care services.

Type of Arrangement - Agreement is made in accrodance with Section 75 of the National Health Service Act 2006.

Any surplus or deficit arising from the arrangement will be the responsibility of the respective partner to whom the surplus or deficit is attributable. The pooled budget is hosted by Westminster City Council on behalf of the other two partners in line with the agreement.

	2011/12		2010/11	
	£'000	£'000	£'000	£'000
Funding provided to the pooled budget:				
Westminster City Council	28,280		30,933	
NHS Westminster	18,296		26,994	
Other funding (NTA, Home Office)	5,356		7,019	
		51,932		64,946
Expenditure met from the pooled budget:				
Westminster City Council	24,826		30,394	
NHS Westminster	17,806		25,702	
Other funding (NTA, Home Office)	6,076		6,467	
		48,708		62,563
Net surplus/(deficit) arising on the pooled budget during the year		3,224		2,383
Westminster City Council share of the net surplus arising on the pooled budget		3,454		539

CIES 18 - TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2011/12, incurring liabilities of £2,256,162 (£2,665,195 in 2010/11). Of this total £255,054 has been paid to the former Director of Adult Services and £221,874 to the former Director of Housing. The remaining £1,779,235 has been paid to 204 officers who were made redundant as part of the Authority's rationalisation of the Service.

CIES 19 - ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

Where an authority operates a road charging or workplace charging scheme, paragraph 3.4.4.1(4) of the Code requires a brief explanation of the nature of the scheme, its gross income and expenditure and the net proceeds. There are no schemes that require disclosure for Westminster Council in 2011-12.

CIES 20 - OPERATING LEASES

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

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

	31 March 2012 £'000	31 March 2011 £'000
Not later than one year	15,417	5,680
Later than one year and not later than five years	33,301	21,408
Later than five years	34,861	73,564
	83,579	100,653

The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2012 £'000	31 March 2011 £'000
Minimum lease payments	15,417	5,680
Contingent rents	534	534
Sublease payments receivable	(22,554)	(19,648)
	(6,604)	(13,434)

Authority as Lessor

Operating Leases

The Authority 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 2012 £'000	31 March 2011 £'000
Not later than one year	21,457	18,527
Later than one year and not later than five years	64,866	67,302
Later than five years	410,600	212,194
	496,924	298,023

As at 31 March 2011, the Council had entered into 25 year operational leases in respect of the majority of its car park portfolio.

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.

NOTES TO THE BALANCE SHEET

BS_1 - PROPERTY, PLANT AND EQUIPMENT - (Movement of balances in 2011/12)

	Council Dwellings	Freehold Interests (Other Operational)	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture & 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	£'000
Cost of Valuation											
At 1 April 2011	897,511	3,409	35,999	353,709	141,204	425,908	15,984	8,622	12,073	1,894,419	10,878
Additions	0	3	529	10,029	12,408	42,146	600	251	25,841	91,807	0
Donations	0	0	0	0	0					0	
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	36,066	57	3,690	16,751						56,564	3,651
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,207)	0	(141)	(6,035)						(12,382)	(1,819)
Derecognition - disposals	(3,392)	(845)	0	(23,498)			(310)	(1,485)		(29,531)	
Assets reclassified to/from Investment Properties	0	0	0	659			118			777	
Assets reclassified to/from Assets Held for Sale	0	0	0	(4,092)							
At 31 March 2012	**923,978**	**2,623**	**40,077**	**347,523**	**153,612**	**468,054**	**16,391**	**7,388**	**37,914**	**2,001,653**	**12,710**
Accumulated Depreciation and Impairment											
At 1 April 2011	0	0	(861)	(47,110)	(94,017)	(193,064)	0	(6,702)		(341,754)	(2,185)
Depreciation Charge	(15,596)	(59)	(927)	(12,276)	(25,389)	(32,475)		(40)		(86,762)	(724)
Depreciation written out to the Revaluation Reserve	31	2	141							174	
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0							0	
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	42,057	0	938							42,995	
Impairment Losses/(Reversal) recognised in the Surplus/Deficit on the Provision of Service	(42,416)	0	(938)							(43,355)	
Derecognition - Disposals	0	0	0							0	
Derecognition - Other	0	0	0							0	
Other Movements in Depreciation and Impairments	359	0	0							359	
At 31 March 2012	**(15,565)**	**(57)**	**(1,646)**	**(59,386)**	**(119,406)**	**(225,539)**	**0**	**(6,742)**	**0**	**(428,341)**	**(2,909)**
Net Book Value											
at 31 March 2012	**908,413**	**2,566**	**38,430**	**288,136**	**34,206**	**242,515**	**16,391**	**646**	**37,914**	**1,569,220**	**9,801**
at 31 March 2011	**897,511**	**3,409**	**35,138**	**306,599**	**47,187**	**232,844**	**15,984**	**1,920**	**12,073**	**1,552,665**	**8,693**

NOTES TO THE BALANCE SHEET

BS_1 - PROPERTY, PLANT AND EQUIPMENT - (Movement of balances in 2010/11)

	Council Dwellings	Freehold Interests (Other Operational)	Other Land and Buildings (HRA)	Other Land and Buildings (GF)	Vehicles, Plant, Furniture & 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	£'000
Cost of Valuation											
At 1 April 2010	1,540,843	5,364	39,558	376,581	128,896	376,454	14,430	12,373	10,244	2,504,743	10,878
Additions	0	0	26	17,974	12,308	49,454	1,554	0	1,829	83,145	0
Donations	0	0	0	0	0	0	0	0	0	0	0
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	38,686	(2,145)	(2,864)	0	0	0	0	0	0	33,678	0
Revaluation Increases/(Dreases) recognised in the Surplus/Deficit on the Provision of Services	(156,146)	(366)	0	0	0	0	0	0	0	(156,512)	0
Derecognition - disposals	(4,776)	(273)	0	(764)	0	0	0	0	0	(5,813)	0
Assets reclassified tofrom Surplus Assets	0	0	0	3,751	0	0	0	(3,751)	0	0	0
Assets Reclassified to/from Investment Properties	0	0	(1,511)	(44,727)	0	0	0	0	0	(46,238)	0
Assets reclassified to/from Assets Held for Sale	0	0	0	894	0	0	0	0	0	894	0
At 31 March 2011	**1,418,608**	**2,580**	**35,209**	**353,709**	**141,204**	**425,908**	**15,984**	**8,622**	**12,073**	**2,413,896**	**10,878**
Accumulated Depreciation and Impairment											
At 1 April 2010	0	0	(555)	(33,171)	(77,649)	(166,312)	0	(6,256)	0	(283,943)	(2,185)
Depreciation Charge	(16,574)	(43)	(644)	(10,411)	(16,368)	(26,752)	0	(232)	0	(71,024)	(241)
Depreciation written out to the Revaluation Reserve	(4,534)	(16)	(160)	(3,528)	0	0	0	0	0	(8,238)	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0	0	0
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(311,729)	(43)	0	0	0	0	0	0	0	(311,772)	0
Impairment Losses/(Reversal) recognised in the Surplus/Deficit on the Provision of Service	(188,004)	0	(1,179)	0	0	0	0	0	0	(189,183)	0
Derecognition - Disposals	0	0	0	0	0	0	0	0	0	0	0
Derecognition - Other	0	0	0	0	0	0	0	(214)	0	(214)	0
Other Movements in Depreciation and Impairments	(256)	931	2,468	0	0	0	0	0	0	3,143	0
At 31 March 2011	**(521,097)**	**829**	**(70)**	**(47,110)**	**(94,017)**	**(193,064)**	**0**	**(6,702)**	**0**	**(861,231)**	**(2,426)**
Net Book Value											
at 31 March 2011	**897,511**	**3,409**	**35,139**	**306,599**	**47,187**	**232,844**	**15,984**	**1,920**	**12,073**	**1,552,665**	**8,452**
at 31 March 2010	**1,540,843**	**5,364**	**39,003**	**343,410**	**51,247**	**210,142**	**14,430**	**6,117**	**10,244**	**2,220,800**	**8,693**

BS 2 - CAPITAL CONTRACTUAL COMMITMENTS

	31 March 2012 £'000	31 March 2011 £'000
Building Schools for the future	34,562	7,369
West One Various Public Realm Schemes	12,000	0
Veolia Waste transfer	9,880	0
Leicester Square SIAC	1,300	0
Distributed Streets Area E external works (HRA)	0	3,304
End User Computing transition	0	1,403
Hostels Funding - Passage House	0	1,014
	57,742	**13,090**

BS 3 - INVESTMENT PROPERTIES

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:

	2011/12			**2010/11**		
	HRA Commercial Properties	**General Fund Investment Properties**	**Total**	**HRA Commercial Properties**	**General Fund Investment Properties**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Rental income from investment property	8,654	14,388	23,042	7,573	16,139	23,712
Direct operating expenses arising from investment property	(1,511)	(5,367)	(6,878)	(1,440)	(12,187)	(13,627)
Net gain/(loss)	**7,142**	**9,021**	**16,164**	**6,133**	**3,952**	**10,085**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance and enhancements.

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

	2011/12			**2010/11**		
	HRA Commercial Properties	**General Fund Investment Properties**	**Total**	**HRA Commercial Properties**	**General Fund Investment Properties**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at start of the year	107,262	177,395	284,657	96,119	146,981	243,100
Additions:						
Purchases	0	343	343	0	0	0
Construction	0	0	0	0	0	0
Subsequent expenditure	0		0	302	2,518	2,820
Disposals	0	(263)	(263)	0	(425)	(425)
Net gains/losses from fair value adjustments	7,062	(16,201)	(9,139)	9,330	65,763	75,093
Transfers:						
to/from Assets Held for Sale	0		0	0	(82,171)	(82,171)
to/from Property, Plant and Equipment		(1,396)	(1,396)	1,511	44,728	46,239
to/from surplus properties		0	0		0	0
Other changes	0	0	0	0	0	0
Balance at end of the year	**114,324**	**159,877**	**274,201**	**107,262**	**177,395**	**284,657**

BS_4 - INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and general software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are:

	Internally Generated Assets	Other Assets
3 Years		CASH RECEIPTING DESKTOP REFRESH ELECTRONIC SOCIAL CARE RECORDS TECH REFRESH CORPORATE WEB EDITOR WEB INTEGRATION SOFTWARE UPGRADE MS97 TO XP WEB DEVELOPMENT WIMS ENHANCEMENTS REAL ASSET MGT SOFTWARE FIREWALL UPGRADE EMS SYSTEM EXTENSION MGRTIN TO BUS OBJECTS XI SUITE FLOW ROAD MGT ONLINE APPLIC & REPOR CONFIRM UPGRADE CLIENT ACCOUNT & CASE MNGT SYS

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance and enhancements.

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

	2011/12 Internally Generated Assets	2011/12 Other Assets	2011/12 Total	2010/11 Internally Generated Assets	2010/11 Other Assets	2010/11 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at start of the Year:						
Gross carrying amounts	0	1,770	1,770	0	772	772
Accumulated amortisation	0	(419)	(419)	0	(206)	(206)
Net carrying amount at start of year	0	1,351	1,351	0	566	566
Additions:						
Internal development	0	0	0	0	0	0
Purchases	0	3,302	3,302	0	998	998
Acquired through business combinations	0	0	0	0	0	0
Assets reclassified as held for sale	0	0	0	0	0	0
Other disposals	0	0	0	0	0	0
Revaluations increases or decreases	0	0	0	0	0	0
Impairment losses recognised or reversed directly in the Revaluation Reserve	0	0	0	0	0	0
Impairment losses recognised in the Surplus/Deficit on the Provisions of Service	0	0	0	0	0	0
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Amortisation for the period	0	(957)	(957)	0	(213)	(213)
Other Changes	0	0	0	0	0	0
Net carrying amount at end of year	**0**	**3,696**	**3,696**	**0**	**1,351**	**1,351**
Comprising:						
Gross carrying amounts	0	5,072	5,072	0	1,770	1,770
Accumulated amortisation	0	(1,376)	(1,376)	0	(419)	(419)
	0	**3,696**	**3,696**	**0**	**1,351**	**1,351**

BS_5 - FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the Balance Sheet:	Long-Term 31 March 2012	Long-Term 31 March 2011	Current 31 March 2012	Current 31 March 2011
	£'000	£'000	£'000	£'000
Investments				
Loans and receivables	20,157	38,876	301,662	121,390
Available for sale financial assets	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
Financial assets at fair value through profit and loss	20,149	55,874	0	0
Total Investments	**40,306**	**94,750**	**301,662**	**121,390**

Debtors

Loans and receivables	0	1,458	0	8,777
Financial assets carried at contract amounts	0	0	0	0
Total Debtors	**0**	**1,458**	**0**	**8,777**
Borrowings				
Financial liabilities at amortised cost	336,599	268,397	3,862	3,757
Financial liabilities at fair value through profit and loss	0	0	0	0
Total Borrowing	**336,599**	**268,397**	**3,862**	**3,757**
Other Long Term Liabilities				
PFI and finance lease liabilities	0	6,646	0	260
Total other Long Term Liabilities	**0**	**6,646**	**0**	**260**
Creditors				
Financial liabilities at amortised cost	0	0	0	20,340
Financial liabilities carried at contract amount	0	0	0	0
Total Creditors	**0**	**0**	**0**	**20,340**

Reclassification of Financial Instruments

Income, Expense, Gains and Losses

	2011/12					**2010/11**				
	Financial Liabilities measured at amortised cost £'000	**Financial Assets: Loans & Receivables £'000**	**Financial Assets: Available for Sale £'000**	**Assets and Liabilities at Fair Value through Profit & Loss £'000**	**Total £'000**	**Financial Liabilities measured at amortised cost £'000**	**Financial Assets: Loans & Receivables £'000**	**Financial Assets: Available for Sale £'000**	**Assets and Liabilities at Fair Value through Profit & Loss £'000**	**Total £'000**
Interest Expense	15,529				**15,529**	14,823				**14,823**
Losses on derecognition					**-**					**-**
Reductions in Fair Value					**-**					**-**
Impairment Losses					**-**		80			**80**
Fee Expenses		696			**696**		374			**374**
Total Expense in Surplus or Deficit on the Provision of Service	**15,529**	**696**	**-**	**-**	**16,225**	**14,823**	**454**	**-**	**-**	**15,277**
Interest Income		2,409			**2,409**		3,870			**3,870**
Interest Income Accrued on Impaired Financial Assets					**-**					**-**
Increases in Fair Value				795	**795**				776	**776**
Gains on derecognition					**-**					**-**
Fee Income					**-**					**-**
Total income in Surplus or Deficit on the Provision of Services	**-**	**2,409**	**-**	**795**	**3,204**	**-**	**3,870**	**-**	**776**	**4,646**
Gains on Revaluations					**-**					**-**
Losses on Revaluation					**-**					**-**
Amounts recycled to the Surplus or Deficit on the Provision of Services after Impairment					**-**					**-**
Surplus/Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income And Expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net Gain/(Loss) for the Year	**- 15,529**	**1,713**	**-**	**795**	**- 13,021**	**- 14,823**	**3,416**	**-**	**776**	**- 10,631**

The Fair Values Calculated are as follows:

	31 March 2012 Carrying Amount £'000	31 March 2012 Prepay-ment Value £'000	31 March 2012 Fair Value £'000	31 March 2011 Carrying Amount £'000	31 March 2011 Prepay-ment Value £'000	31 March 2011 Fair Value £'000
Financial Liabilities	340,461	288,833	0	272,154	187,200	0
Long-term creditors	0	0	0	0	0	0
Loans and Receivables	341,968	0	341,968	216,140	0	216,140
Long-term Debtors	0	0	0	1,458	0	1,458

Note the Prepayment value relates to PWLB debt only.

BS_6 - DEBTORS

	Long-Term 31 March 2012 £'000	Long-Term 31 March 2011 £'000	Short-Term 31 March 2012 £'000	Short-Term 31 March 2011 £'000	Total 31 March 2012 £'000	Total 31 March 2011 £'000
Central government bodies						
- Customs and Excise - VAT reimbu	0		8,497	8,537	8,497	8,537
- Housing Benefits Grant	0		0	4,952	0	4,952
- Council Tax payers costs	0		58,563	2,911	58,563	2,911
- Council Tax payers	0		0	7,740	0	7,740
- Business Rates Supplement	0		259	1,119	259	1,119
- Less GLA Share Council Tax	0		0	(3,553)	0	(3,553)
- Other	0		472	856	472	856
Other local authorities	0		0	531	0	531
NHS bodies	0		0	1,421	0	1,421
Public corporations and trading funds						
- Housing and other rents	0		5,084	6,302	5,084	6,302
- Lessees	0		262	475	262	475
- Investment Property Rent	0		0	4,217	0	4,217
- Other	8,299	13,404	8,229	7,918	16,528	21,322
					0	0
Other entities and individuals						
- Capital debtors:	0		15,402	14,424	15,402	14,424
- Parking Fines	0		51,953	44,128	51,953	44,128
- Business Improvement District (BI	0		0	603	0	603
- Housing Benefits overpayments	0		16,239	14,944	16,239	14,944
- Employee loans	0		0		0	0
- Other	19,443	25,795	34,365	23,185	53,809	48,980
					0	0
Pre-payments - Payments made in advance			1,859	1,960	1,859	1,960
					0	0
Less: Provision for irrecoverable debts (**note a**)			(89,738)	(79,305)	(89,738)	(79,305)
Total	**27,742**	**39,199**	**111,446**	**63,366**	**139,189**	**102,565**

a) Provision for irrecoverable debts	**31 March 2012 £'000**	**31 March 2011 £'000**
Council Tax Payers - WCC	(2,679)	4,800
Less Council Tax Payers - GLA share	0	(2,203)
Council Tax Payers - costs	(2,762)	2,528
Parking Fines	(50,586)	42,418
Housing General Fund (incl. Benefits overpayments)	(22,168)	19,737
Housing Revenue Account	(5,674)	6,689
Other Provisions	(5,870)	5,336
	(89,738)	**79,305**

BS_7 - INVENTORIES

The amount of unused or unconsumed stocks held in expectation of future use. Balances are carried forward as use will not arise until a future period, amounts will be matched against consumption at this time. Work in progress balances reflect work which has been completed and certified at the balance sheet date.

	A102010 Pre Paid Stock - Bags/Tape 2011/12	A102010 Pre Paid Stock - Bags/Tape 2010/11	A102105 Sundry Stock - Salt 2011/12	A102105 Sundry Stock - Salt 2010/11	A607000 Schools Bus Passes 2011/12	A607000 Schools Bus Passes 2010/11	A402022 Vistitors Gift Stock 2011/12	A402022 Vistitors Gift Stock 2010/11	Total 2011/12	Total 2010/11
Balance outstanding at start of year	22	19	77	18	3	0	6	5	108	42
Purchases	401	373	143	110	39	0	0	5	583	488
In-year Expense	(378)	(371)	(34)	(52)	(30)	0	(6)	(3)	(449)	(425)
Written off balances	0	0	0	0	0	0	0	0	0	0
Reversals of write-offs in previous years	0	0	0	0	0	0	0	0	0	0
Balance outstanding at year end	**44.50**	**21.60**	**184.99**	**76.69**	**12.12**	**0.00**	**0.00**	**6.04**	**241.61**	**104.33**

BS_8 - CASH AND CASH EQUIVALENTS

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

		31 March 2012 £'000	31 March 2011 £'000
	Cash held by the Authority		
	Petty Cash Holdings	410	352
	Trust Funds Cash in Hand	22	(165)
Cash	Bank current accounts		
	Council General Account	11,544	(6,074)
	Paddington LTVA Account	1,380	1,380
	City London Real Property Company Account	3,843	3,843
	Pension Fund Cash		
Cash Equivalents	Short-term liquid deposits	203,661	99,458
Total Cash and Cash Equivalents		**220,861**	**98,794**

The main bank statement balance (including the Council's Euro Account) at 31 March 2012 held a balance of £19.4m. After allowing for unpresented cheques, non-general fund balances and other cash equivalents the Council's balance sheet presents a cash position of £146.1m. The cash equivalents figure is represented by liquid short term cash investments which can be redeemed within a 24 hour call-back period.

The short term liquid deposits consist of £83m held in three call accounts and £16m in a money market fund.

The council has set-up a separate bank account for Pension Fund in 2010-11.

The Paddington LTVA Account represents contributions from participants that have not yet been used to fund expenditure on the project at balance sheet date.

The City of London Real Property Company Account balance totalled £3.8m at 31 March 2012; the balance represents contributions received.

BS_9 - ASSETS HELD FOR SALE

	Current 2011/12 £'000	Current 2010/11 £'000	Non Current 2011/12 £'000	Non Current 2010/11 £'000
Balance outstanding at start of year	122,837	40,714	0	0
Assets newly classified as held for sale:				
Property, Plant and Equipment	4,374		0	0
Intangible Assets	0	0	0	0
Other assets/liabilities in disposal groups		82,171	0	0
Revaluation Losses	0	0	0	0
Revaluations Gains	0	0	0	0
Impairment Losses	0	0	0	0
Asset declassified as held for sale:				
Property, Plant and Equipment		(894)	0	0
Intangible Assets	0	0	0	0
Other assets/liabilities in disposal groups	0	0	0	0
Assets Sold	(39,847)	0	0	0
Transfers from non-current to current	0	0	0	0
Other movements	86	846	0	0
Balance outstanding at year-end	**87,450**	**122,837**	0	0

BS_10 - CREDITORS

	Long-Term 31 March 2012 £'000	Long-Term 31 March 2011 £'000	Short-Term 31 March 2012 £'000	Short-Term 31 March 2011 £'000	Total 31 March 2012 £'000	Total 31 March 2011 £'000
Central government bodies						
NNDR Agency Creditor (net position)			168,042	38,159	168,042	38,159
Education inter-authority charges			0	6,875	0	6,875
Inland Revenue - Tax & National Insurance contributions			0	3,416	0	3,416
					0	0
Other local authorities		0	0	6,884	0	6,884
NHS bodies		0	0	537	0	537
Public corporations and trading funds					0	0
Amounts owed for supplies and services			86,763	69,975	86,763	69,975
PFI & Similar Arrangements - Lease Creditor / Deferred Income	8,851	9,024	321	173	9,171	9,197
Finance Lease Liability	14,104	4,226	0		14,104	4,226
Other entities and individuals						
Capital creditors			29,163	30,191	29,163	30,191
Employee Schemes			0	335	0	335
Employee Benefits			0	3,037	0	3,037
Other			702	196	702	196
Total	**22,955**	**13,250**	**284,991**	**159,777**	**307,946**	**173,027**

BS_11 - DEPOSITS AND RECEIPTS IN ADVANCE

	Long-Term		Short-Term		Total	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£'000	£'000	£'000	£'000	£'000	£'000
Central government bodies						
Council Tax Receipts in Advance			5,853	0	5,853	0
Other			18,957	1,903	18,957	1,903
Other local authorities			2,306	0	2,306	0
NHS bodies			5,886	1,713	5,886	1,713
Public corporations and trading funds			822	866	822	866
Other entities and individuals			7,328	21,046	7,328	21,046
Corporate Finance Adjustment			(825)		(825)	0
Total	0	0	**40,327**	**25,528**	**40,327**	**25,528**

BS_12 - PROVISIONS

	Insurance Claims	Repayment of Mental Health Charges	Repayment of NNDR and Council Tax	Other Compensation, Property and Contractual Claims (General Fund)	Special Education Needs	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2011	11,513	884	2,884	7,906	6,875	662	30,725
Additional provisions made in 2011/12	0	693	0	1,579	4,741	3,157	10,171
Amounts used in 2011/12	(198)	0	0	(131)	(5,819)	(506)	(6,654)
Unused amounts reversed in 2011/12	0	0	0	0	(212)	0	(212)
Balance at 31 March 2012	**11,315**	**1,578**	**2,884**	**9,354**	**5,585**	**3,313**	**34,029**

Insurance Claims.

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

Repayment of mental health charges

A provision of £1,578,000 has been made for potential repayment of mental health charges. In July 2002, the House of Lords had upheld the judgement of the Court of Appeal and the High Court that local authorities had no power to charge for residential accommodation under Section 117 of the Mental Health Act 1983. The Council made charges for such accommodation in previous years and thus backdated repayment of charges received may be required. Following a House of Lords decision and Ombudsman guidance, Counsel has been consulted on issues relating to the length of liability, type and rate of interest, as well as particular issues relating to self-funders.

Repayment of National Non-Domestic Rates (NNDR).

In July 2005, Counsel's opinion was received that in respect of unclaimed Council Tax and NNDR credit balances over six years old. The Council make a provision for the transfer of such sums to its General Fund. This is provided that appropriate accounting provision is made to enable the Council to meet all future claims made in respect of overpayments. A protocol has been put into place to ensure that repayments are made where possible by taking reasonable and appropriate steps to trace and contact relevant ratepayers. This included increasing general awareness as to the existence of the possibility of overpayments and the availability of repayments of Council Tax and NNDR. Appropriate notices are publicised on Council Tax and NNDR bills, on the Council's website and annually in two local newspapers. The protocol also includes issuing reminder notices distributed to the ratepayers at last known addresses and, in addition, to companies at their registered office.

BS_13 - UNUSABLE RESERVES (TO BE UPDATED)

BS_14 - ASSET REVALUATION MOVEMENTS (TO BE UPDATED)

BS_15 - IMPAIRMENT LOSSES

During 2011/12, the authority recognised an impairment loss of £6.2m in relation to HRA dwellings.

HRA dwellings are valued annually at open market value (vacant possession) which is then discounted to account for the cost of making the units available for only social housing. The CLG prescribed discount factor for London Local Authorities is 75%.

A similar valuation process applies to properties in which the HRA shares ownership. Full application of the discount factor to this element of the stock has resulted in an impairment of £6.2m in 2011/12.

This item is subsequently reversed out of the Income and Expenditure account and so has no impact on the availability of Council Resources.

BS 16 - 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 used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2011/12 £'000	2010/11 £'000
Opening Capital Financing Requirement	392,134	410,365
Capital investment		
Property, Plant and Equipment	78,353	114,691
HRA Self-Financing Settlement	67,945	0
Investment Properties	343	2,193
Intangible Assets	1,074	998
Statutory capital expenditure	2,228	2,083
Revenue Expenditure Funded from Capital under Statute	13,053	53,210
Corporate bonds - reinvested	0	(32,721)
Assets acquired under PFI and finance leases	10,771	6,906
Sources of finance		
Capital Receipts	(35,246)	(14,255)
Government grants and other contributions	(63,171)	(87,580)
Sums set aside from revenue		
Direct revenue contributions	(3,098)	(9,114)
Major Repairs Allowance	(12,958)	(12,392)
Leaseholders Contributions (HRA)	(12,859)	(5,940)
Affordable Housing Fund	(6,110)	(17,137)
Debt repayment		
Capital Receipts applied to reduce existing Capital Financing Requirement	(7,161)	(15,058)
Minimum Revenue Provision	(1,500)	(4,115)
Minimum Revenue Provision PFI & Finance Lease	(1,139)	
Closing Capital Financing Requirement	**422,660**	**392,134**
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)		0
Increase in underlying need to borrowing (unsupported by government financial assistance)	29,554	26,757
Assets acquired under finance leases	10,771	4,313
Assets acquired under PFI/PPP contracts	0	2,593
Reinvestment of corporate bonds	0	(32,721)
Capital Receipts applied to reduce existing Capital Financing Requirement	(7,161)	(15,058)
Statutory provision for repayment of debt (Minimum Revenue Provision)	(1,500)	(4,115)
Statutory provision for PFI & Finance Lease debt (Minimum Revenue Provision)	(1,139)	
Increase/(decrease) in Capital Financing Requirement	**30,526**	**(18,231)**

BS_17 - CAPITALISATION OF BORROWING COSTS

No Borrowing costs have been capitalised by the Authority in 2011-12.

BS_18 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority's activities expose it to a variety of financial risks:

credit risk- the possibility that other parties might fail to pay amounts due to the Authority

liquidity risk- the possibility that the Authority might not have funds available to meet its commitments to make payments

market risk- the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority'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 authority'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.

The exposure at 31st March 2012 by credit rating in respect of financial assets held by the authority (excluding Icelandic investments) are detailed below:

Counterparty	Country	Fitch	Moody	S&P	Lending Limit	Investment
		Long Term Rating	Long Term Rating	Long Term Rating	£m	£m
Barclays Group	UK	AA -	Aa3	AA-	75	22
Debt Management Office	UK	AAA	Aaa	AAA	Unlimited	78
HSBC	UK	AA	Aa2	AA-	75	50
HSBC Money Market Fund**	UK		Aaa	AAA	50	20
Lloyds TSB	UK	A	A1	A	75	50
RBS Group	UK	A	A2	A	75	30
Svenska Handelsbanken	Sweden	AA-	Aa2	AA-	25	24
Prime Rate Money Market Fund **	UK	AAA		AAA	50	20
Payden Sterling Reserve Fund **	UK			AAA	50	20
Scottish Widows Money Market Fund**	UK	AAA	Aaa	AAA	50	20
					525	**334**

** the investments in the four managed funds include indirect exposures to various counterparties, but the funds have their own AAA (optimum) rating and the investment

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

The Authority's maximum exposure to credit risk in relation to its investments in banks and money market funds of £334m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at	Historical experience of default	Historical experience adjusted for market conditions at	Estimated maximum exposure to default and uncollectability at	Estimated maximum exposure at
	31 March 2012		31 March 2012	31 March 2012	31 March 2011
	£'000	%	%	£'000	£'000
	A	B	C	(AxC)	
Deposits with banks and other financial	333,671	0.00%	0.00%	0	4,145
Bonds	0	0.00%	0.00%	0	0
Customers	14,858	0.00%		0	55
				0	**4,200**

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Authority does not generally allow credit for customers, such that £4m of the £10m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2012	31 March 2011
	£'000	£'000
Less than three months	11,714	6,129
Three to six months	928	2,016
Six months to one year	716	428
More than one year	1,500	193
	14,858	**8,766**

Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has 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. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that no more than 40% of loans are due to mature within twelve months through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	31 March 2012	31 March 2011
	£'000	£'000
Less than one year	493	636
Between one and two years	30,536	308
Between two and five years	33,508	63,672
Maturing in five to ten years	71,353	65,112
Maturing in more than ten years	200,845	139,305
	336,734	**269,033**

All trade and other payables are due to be paid in less than one year.

Market Risk
Interest Rate Risk

The Council is protected from adverse increases in interest rates in respect of its fixed rate borrowings, however in a low interest rate environment these rates could potentially be higher than equivalent floating rates. Where the Council has borrowings or investments at variable rates the interest expense or income charged to the Surplus

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. However in the event of adverse movements, mitigating action would be taken by the fund manager to manage

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 50% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	6
Increase in interest receivable on variable rate investments	(3,345)
Increase in government grant receivable for financing costs	
Impact on Surplus or Deficit on the Provision of Services	(3,339)
Share of overall impact debited to the HRA	824

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no direct exposure to loss arising from movements in exchange rates.

BS_19 - LANDFILL ALLOWANCES TRADING SCHEME

In 2011/12, as a Waste Disposal Authority, the Council was allocated 113,080 allowances (including 44,719 banked from previous year) under the Landfill Allowances Trading Scheme (LATS). From this total, 11,600 allowances were sold to Halton Borough Council and 15,100 allowances to Buckinghamshire County Council. It is estimated that the number of allowances required for the council's actual waste landfilled will be approximately 17,000 (based on actual usage of 17,250 allowances in 2010/11) and this will be verified by the Environment Agency and notified to the authority in approximately July 2012. The remaining allowances (approximately 74,000) have been valued at zero in the balance sheet because there are significantly more sellers than buyers in the market, this reflects the success of the scheme encouraging local authorities to meet

BS_20 - GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12

	2011/12	2010/11
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	186,610	181,487
Area Based Grant	0	30,614
LSSG Grant	9,225	0
Council Tax Grant	1,252	0
Sub Total	**197,088**	**212,101**
Credited to Services		
AIDS Support Grants	0	472
Council Tax Benefit Subsidy	13,332	13,352
DAT Grant	1,522	1,782
DSG Schools Grant	109,952	95,894
Early Intervention Grant	9,815	8,378
Health Reform Grant	7,465	0
Homelessness Grant	0	8,378
Housing & C Tax Admin	2,856	2,907
Housing Benefits Subsidy	286,321	276,402
LSC Grant	10,705	8,299
PPG Grant	0	7,901
Pupil Premium Grant	2,712	0
School Standards Grant	0	16,703
Social Care Reform	0	1,494
Standards Fund	0	0
Supporting People Grant	0	0
Young Persons Learning Grant	6,604	0
Other Grants	6,035	1,269
Sub Total	457,319	443,231
Grand Total	**654,407**	**655,332**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

Capital Grants Receipts in Advance	B/F 1 April 2011 £000's	Funding Received £000's	Funding Applied £000's	C/F 31st March 2012 £000's
S106 / S278 Contributions	(40,892)	(29,127)	26,187	(43,833)
Transportation and Infrastructure External Funding	(13,534)	(14,659)	18,544	(9,648)
Transport for London Grants	(757)	(15,265)	15,832	(190)
HRA Grant	0	(555)	180	(375)
Housing Grants	(6,175)	(1,072)	6	(7,241)
Building Schools for the Future	(8,244)	(11,880)	11,963	(8,161)
Childrens Standards Fund	(3,565)	(4,453)	1,377	(6,642)
Primary Capital Programme	(8,709)	0	4,284	(4,425)
PCT Funding	(740)	0	412	(328)
Other Government Grants	(1,651)	(6,809)	3,069	(5,392)
	(84,267)	(83,821)	81,853	(86,235)

BS_21 - PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

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

In 2011/12 the authority paid £5.4M to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £5.7M and 14.1%. There were no contributions remaining payable at the year-end. The authority is responsible for costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in in the note on Defined Benefit Pension Schemes.

BS_22 - DEFINED BENEFIT PENSION SCHEMES

Post-employment / Retirement Benefits

Westminster City Council is required to account for pension costs in accordance with the International Accounting Standard IAS 19.

Accounting policy for recognition of actuarial gains and losses

Under IAS 19 there are two main approaches for recognising gains and losses. The first is that only those actuarial gains and losses falling outside an agreed "corridor" are recognised in the Surplus or Deficit on the Provsion of Services. The second is that all actuarial gains and losses are recognised in Other Comprehensive Income and Expenditure. The Fund has adopted the requirements of the CIPFA guidance to recognise gains and losses in full immediately during the period in which they arise but outside of the Surplus or Deficit on the Provision of Services through Other Comprehensive Income and Expenditure.

Restriction of asset under paragraph 58 and IFRIC 14

IFRIC 14 is an interpretation of paragraph 58 of the IAS 19 accounting standard published by the IASB. It addresses the recognition of surpluses and allowance for minimum funding (contribution) requirements. IFRIC 14 could require Employers paying deficit contributions to recognise an additional liabilty on the balance sheet. It is CIPFA's view that this item will not apply to LGPS bodies. The Actuary agrees with the view that the Employer is expected to be a long term body, participating beyond the expiry of the current rates and adjustment certificate which runs until 2014. In view of this, Westminster will not recognise an additional liability on its balance sheet for its obligation to pay deficit contributions.

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. These schemes are: The Local Government Pension Scheme (LGPS) adminstered locally by Westminster City Council (WCC) - this is a funded defined benefit final salary scheme meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets, and; the London Pensions Fund Authority (LPFA) Pension Fund adminstered by the London Pension Fund Authority.

As at 1 October 2011 the Employer agreed to convert its unfunded CAY pensions into funded pensions paid from the Fund. Other unfunded pensions such as injury and teachers' pensions continue to be paid as they have been previously. There has therefore been a significant reduction in the unfunded liability from the previous year's figures, and a corresponding increase in funded liability.

Brief introduction to the LGPS

The benefits of the LGPS are set out in regulations the principal regulations currently being the Local Government Pension Scheme (Benefits, Membership and Contributions)

Regulations 2007 as subsequently amended. Readers should refer to the regulations for further details.

Normal retirement age	65
Member contributions	Rate of between 5.5% and 7.5% of pay dependent on contribution band which applies to member.
Final pay	Generally Pensionable Pay over 12 months prior to retirement or earlier exit subject to various provisions.
Normal retirement pension	1/60th of Final Pay for each year of Pensionable Service on or after 1 April 2008 1/80 of Final Pay plus a lump sum of 3/80 of final pay for each year of Pensionable Service before 1 April 2008
Early retirement pension	Reduced pension payable on retirement after age 60, or after age 55 with Employer consent. Pension calculated as for normal retirement but based on Pensionable Service to early retirement date. Other provisions apply for various categories of member.
Incapacity & ill health pensions	Tiered provision apply refer to regulations for full detail
Death benefits in service	Lump sum of 3 times Pay at exit. Other provisions apply refer to regulations for full details
State pension scheme	The scheme is contracted out of the State Second Pension Scheme.

Financial effect of changes in the plan to 31 March 2010

1. Actuarial valuation of the Plan at 31 March 2010

The latest actuarial valuation of Westminster City Council's liabilities took place as at 31 March 2010. Subsequent revisions to Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method.

The financial position of the Fund was assessed against the funding target at 31 March 2010. There is a shortfall of £238.1M relative to the funding target, which is the level of assets agreed by the Authority and Actuary as being consistent with the Funding Strategy Statement appropriate to meet member benefits, assuming the Fund continues as a going concern. This corresponds to a funding ratio of 74% (2007: 79%).

The aggregate Employer contribution rate required to restore the funding ratio to 100%, using a recovery period of 30 years from 1 April 2011 is calculated to be 20.4% of Pensionable Pay assuming membership numbers remain broadly stable and Pensionable Pay increases in line with our assumptions. The comparable figure at the previous valuation was 17.6% of Pensionable Pay.

The Actuary and the Authority have agreed that the shortfall relative to the funding target at this valuation will be removed through payment of additional contributions by Employers over a range of different recovery periods of up to 30 years, shown below.

Employer	**Recovery Period from 1 April 2011 (years)**
Westminster City Council	30
Age Concern	10
Independent Housing Ombudsman	30
Housing 21 (original contract)	30
City West Homes Limited	**7**
Paddington Academy	n/a
Westminster Academy	n/a
King Solomon Academy	n/a
Pimlico Academy	n/a
Homes and Communities Agency	30
Tenants Services Authority	30
Housing 21 (Day Care Service)	n/a
Ramesys	n/a

Changes since the previous valuation

1 The financial assumptions have been updated to reflect movements in gilt yields.

2 An assumption for CPI price inflaton has been made.

3 The discount rate used for Scheduled Bodies has increased relative to gilt yields. This is to meet the principle set out in the Funding Strategy Statement of maintaining as nearly constant an overall contribution rate as possible.

4 The in service discount rate used for Admission Bodies has increased relative to gilt yields, whilst the left service discount rate has reduced slightly. This is to reflect better the anticipated returns resulting from the anticipated move to a low risk investment portfolio on cessation.rate

5 The mortality assumptions have changed to allow for research that suggests people are living longer and reflects a review of the Fund's pensioner mortality experience over the period since the previous valuation.

6 The assumption determining how much of their pension members choose to convert to cash at retirement has been increased. This reflects a review of the Fund's actual experience since the previous valuation.

7 The allowance for future retirements in ill -health has been reduced following a review of the experience since the previous valuation. We have also increased the proportion of retirements assumed to fall under Tier 1, in light of the level experienced since this was introduced in

Overall these changes result in a lower overall funding target i.e. they decrease the value placed on the Fund's liabiliites compared with the previous valuation. However some Employer specific fundng targets may be higher.

2. Reconciliation of funded status to Balance Sheet

Westminster Funded Plan	**Value as at 31/03/2012 £'M's**	**Value as at 31/03/2011 £'M's**	**Value as at 31/03/2010 £'M's**
Fair value of assets	544	541	544
Present value of funded defined benefit obligation	1,028	885	993
Pension asset/(liability) before consideration of para. 58	(484)	(344)	(449)
Adjustment in repect of para. 58	0	0	0
Pension asset/(liability) recognised on the Balance Sheet	(484)	(344)	(449)
Westminster Unfunded Plan			
Present value of funded defined benefit obligation	3	37	42
Pension liability recognised on the Balance Sheet	(3)	(37)	(42)
LPFA Funded Plan			
Fair value of assets	19	19	17
Present value of funded defined benefit obligation	22	20	28
Pension asset/(liability) before consideration of para. 58	(3)	(1)	(11)
Adjustment in repect of para. 58	0	0	0
Pension asset/(liability) recognised on the Balance Sheet	(3)	(1)	(11)

Sensitivity of the results to key assumptions

The effects on the net pensions liability for funded LGPS benefits of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumptions would result in a decrease in the pension liability of £77.89M. However, the assumptions interact in complex ways. During 2011/2012, the Authority's actuaries advised that the net pensions liability for funded LGPS benefits had increased by £7.80M as a result of estimates being corrected as a result of experience and increased by £62.84M attributable to updating of the assumptions.

The Authority 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 we are 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. The following transactions have been made in the Comprehensive Income and Expenditure Statement and General Fund Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme		**Discretionary Benefits Arrangements**		**Local Government Pension Scheme**	
	31/03/2012 £'000	**31/03/2011 £'000**	**31/03/2012 £'000**	**31/03/2011 £'000**	**31/03/2012 £'000**	**31/03/2011 £'000**
Income and Expenditure Account						
Cost of Services						
Current service cost	12,690	15,450	0	0	65	81
Past service cost*	1,180	(109,130)	0	(3,210)	0	(1,590)
Settlements and curtailments	0	0	0	0	0	0
Finance and investment income and expenditure						
Interest cost	47,550	49,920	1,050	2,100	1,081	1,223
Expected return on scheme assets	(39,710)	(38,740)			(936)	(942)
Losses (gains) on curtailments and settlements					7	
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	21,710	(82,500)	1,050	(1,110)	217	(1,228)
Other Post employment benefits charged to the Comprehensive Income and Expenditure Statement						
Actuarial gains and losses	97,950	(7,030)	270	(1,290)	1,504	(8,510)
Total Post Employment Benefits Charged to other Comprehensive Income and Expenditure	97,950	(7,030)	270	(1,290)	1,504	(8,510)

* In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions will be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing Fund liabilities by £109.1M and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. there is no impact upon the General Fund (or Housing Revenue Account).

	Local Government Pension Scheme		**Discretionary Benefits Arrangements**		**Local Government Pension Scheme**	
	31/03/2012 £'000	**31/03/2011 £'000**	**31/03/2012 £'000**	**31/03/2011 £'000**	**31/03/2012 £'000**	**31/03/2011 £'000**
Movement in Reserves Statement						
reversal of charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	119,660	82,500	1,320	1,110	1,721	1,228
Actual amount charged against the General Fund Balance for pensions in the year:						
employers contributions payable to scheme	13,790	15,578			166	217
Retirement benefits payable to pensioners			1,600	2,902		

Explanatory notes

1 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.

2 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.

3 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 retirment costs need to be uplifted by a year's discount to keep pace with current values.

4 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 movments in assets during the year and an expected return factor.

5 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.

Cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure

Actuarial Gains / Losses	**2011/12 £'M's**
Westminster LGPS Plan	(98)
LPFA LGPS Plan	(2)
Discretionary benefit plan	(0)
2012 Actuarial Gains and Losses	(100)
Cumulative Actuarial Gains & Losses	65

The cumulative amount of actuarial gains prior year charges to the Statement of Recognised Gains and Losses.

The principle assumptions used by the authority's actuary are:

1 Liabilities or obligations refer to post employment / retirement benefits that have been promised under the formal terms of the pension plan (plus any constructive obligation for further benefits where the authority has given employees valid expectations that such benefits will be granted. Liabilities are measured on an actuarial basis, estimating future cash flows that will arise from liabilities (based on factors such as mortalilty rates, employee turnover rates, salary growth) discounted to present value using the projected unit credit method.

2 The discount rate to be used is determined by reference to market yields at balance sheet date of high quality corporate bonds.

3 **Mortality Assumptions**
The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. The year of birth table used is Standard SAPS Normal Health All Amounts. Improvements to base table rates are modelled on CMI_2009 with a long term rate of improvement of 1.25% p.a.

4 **Commutation**
Each member is assumed to exchange 25% of the maximum amount permitted of their past service pension rights on retirement, for additional lump sum. Each member assumed to exchange 75% of the maximum amount permitted of their future servie pension rights on retirement, for additional lump sum.

WESTMINSTER				**LPFA**	
LGPS Liabiliites		**Discretionary Liabilities**		**LGPS Liabiliites**	
31 March 2012	**31 March 2011**	**31 March 2012**	**31 March 2011**	**31 March 2012**	**31 March 2011**

	%	%	%	%	%	%
Discount rate for scheme liabilities	4.7%	5.4%	4.6%	5.5%	4.6%	5.5%
Rate of general long-term increase in salaries	5.0%	5.2%	-	-	4.2%	4.5%
Rate of increase in pensions in payment	2.5%	2.8%	2.4%	2.7%	2.5%	2.7%
Rate of increase in deferred pensions	2.5%	2.8%	-	-	-	-
RPI inflation	3.5%	3.7%	3.4%	3.6%	3.3%	3.5%
CPI inflation	2.5%	2.8%	2.4%	2.7%	2.5%	2.7%
Mortality assumptions:						
Longevity at 65 for current pensioners						
Men	22.4%	22.2%	22.4%	22.2%	19.7%	19.6%
Women	24.5%	24.4%	24.5%	24.4%	22.9%	22.7%
Longevity at 65 for future pensioners						
Men	24.2%	24.1%	0.0%	0.0%	21.7%	21.6%
Women	26.5%	26.4%	0.0%	0.0%	24.8%	24.7%

Expected rate of return for plan assets for the year ended 31 March 2011

DEFINED BENEFIT PENSION SCHEMES.....Continued

The assumed rates of return adopted by the Employer for the purposes of IAS 19 are set out below.

	WESTMINSTER		LPFA	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Long term expected rate of return on assets	%	%	%	%
Equities	8.1%	8.4%	6.3%	7.2%
Property	7.6%	7.9%	-	-
Government bonds	3.1%	4.4%	-	-
Corporate bonds	3.7%	5.1%	-	-
Cash	1.8%	1.5%	3.0%	3.0%
Other	8.1%	8.4%		
Cashflow matching	-	-	3.3%	4.4%
Target return portfolio	-	-	4.5%	5.0%
Expected Return on Assets	**6.9%**	**7.5%**	**4.3%**	**5.1%**

The overall expected rate of return on fund assets is shown in the bottom row of the table.

Westminster City Council	31 March 2012	Assets	31 March 2011	Assets
	£'M's	%	£'M's	%
Equities	13	71.1%	424	78.3%
Property	1	4.7%	-	0.0%
Government Bonds	1	5.9%	-	0.0%
Corporate Bonds	2	13.8%	90	16.6%
Cash	1	4.5%	28	5.1%
Other	-	0.0%	-	0.0%
Total	**544**	**100.0%**	**541**	**100.0%**

London Pension Fund Authority	31 March 2012	Assets	31 March 2011	Assets
	£'M's	%	£'M's	%
Cash flow Matching	6	32.0%	7	35.0%
Equities	2	13%	2	12%
Cash	0	2.0%	0	-1.0%
Target Return Portfolio	10	53.0%	10	54.0%
Total	**19**	**100.0%**	**19**	**100.0%**

Westminster City Council employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2012.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of the present value of the defined benefit obligation

a. Amount arising from plans that are wholly funded

Reconciliation of present value of the defined benefit obligation	WESTMINSTER 2011/12	2010/11	LPFA 2011/12	2010/11
	£'000	£'000	£'000	£'000
Opening funded defined benefit obligation	885,420	992,870	20,182	28,016
Current service cost	12,690	15,450	65	81
Interest cost	47,550	49,920	1,081	1,223
Contributions by Scheme Participants	5,250	6,370	17	19
Actuarial gains and losses on liabilities*	70,640	(46,210)	1,502	(6,231)
Net Benefits paid out *	(28,930)	(23,850)	(1,159)	(1,336)
Past service costs	1,180	(109,130)	0	(1,590)
Business combinations	33,970	0		
Curtailments	0	0	7	
Settlements	0	0		
Closing defined benefit obligation	**1,027,770**	**885,420**	**21,695**	**20,182**

Consists of net cash-flow out of the fund in respect of employer excluding contributions and any death in service lump sums paid and including an approximate allowance for the expected cost of death in service lump sums.

b. Amount arising from plans that are wholly unfunded

Reconciliation of present value of the defined benefit obligation	WESTMINSTER 2011/12	2010/11	LPFA 2011/12	2010/11
	£'000	£'000	£'000	£'000

Opening unfunded defined benefit obligation	36,750	42,050	0	7
Current service cost	0	0	0	0
Interest cost	1,050	2,100	0	0
Contributions by Scheme Participants	0	0	0	0
Actuarial gains and losses on liabilities*	270	(1,290)	0	0
Net Benefits paid out *	(1,600)	(2,900)	0	(1)
Past service costs	0	(3,210)	0	0
Business combinations	(33,400)	0	0	0
Curtailments	0	0	0	0
Settlements	0	0	0	0
Closing unfunded defined benefit obligation	**3,070**	**36,750**	**-**	**6**

*Includes changes in actuarial assumptions

DEFINED BENEFIT PENSION SCHEMES.....Continued

Reconciliation of fair value of plan assets

Reconciliation of fair value of scheme assets	**WESTMINSTER**		**LPFA**			
	2011/12 £'000	**2010/11 £'000**	**2011/12 £'000**	**2010/11 £'000**		
Opening fair value of assets	541,280	543,620	18,929	16,808		
Expected rate of return on scheme assets	39,710	38,740	936	942		
Actuarial gains and losses	(27,310)	(39,180)	(1)	2,280		
Employer contributions	13,790	15,580	166	217		
Contributions by scheme participants	5,250	6,370	17	19		
Net Benefits paid out *	(28,930)	(23,850)	(1,160)	(1,337)		
Business combinations	0	0				
Settlements	0	0				
Closing fair value of assets	**543,790**	**541,280**	**18,887**	**18,929**	**-**	**2,808**

Consists of net cash-flow out of the Fund in respect of the employer excluding contributions and any death in service lump sums paid and including an approximate allowance for the expected cost of death in service lump sums. The overall Fund return over the accounting period has been calculated as 2.4%.

Scheme History

History of fair value of plan assets, present value of defined benefit obligation and surplus/deficit in the plan

History of asset values, present value of liabilities	**31-Mar 2011/12 £'000**	**31-Mar 2010/11 £'000**	**31-Mar 2009/10 £'000**	**31-Mar 2008/09 £'000**	**31-Mar 2007/08 £'000**
Present value of defined benefit obligation					
Local Government Pension Scheme WCC	(1,027,770)	(885,420)	(992,870)	(710,750)	(673,660)
Discretionary Benefits WCC	(3,070)	(36,750)	(42,050)	(38,760)	(41,620)
LPFA Scheme	(21,695)	(20,189)	(28,023)	(19,573)	(20,557)
Fair value of assets:					
Fair value of assets in LGPS	543,790	541,280	543,620	378,830	515,650
Fair value of assets in LPFA Plan	18,887	18,929	16,808	15,915	18,642
Surplus/(deficit) in the plan					
LGPS	(483,980)	(344,140)	(449,250)	(331,920)	(158,010)
Discretionary Benefits	(3,070)	(36,750)	(42,050)	(38,760)	(41,620)
LPFA Scheme	(2,808)	(1,260)	(11,215)	(3,658)	(1,915)
Total	(489,858)	(382,150)	(502,515)	(374,338)	(201,545)

The liabilities show the underlying commitments that the authority has in the long run to pay post employment benefits. The total liability of £1,052M has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £490M. However statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

1. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
2. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.
3. Westminster's regular contributions for the accounting period ending 31 March 2013 are estimated to be £14.34M (£13.79M 2010/11). In addition Strain on Fund contributions may be required. In the accounting period to 31 March 2013, the Employer expects to pay £0.22M directly to beneficiaries in the form of discretionary benefits. As at 31 March, the Council contributed £0.2M (£0.2M 2010/11) to the LPFA scheme.

History of experience gains and losses

The actuarial gains identified as movements on the Pension Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

History of experience gains and losses		**31-Mar 2011/12 %**	**31-Mar 2010/11 %**	**31-Mar 2009/10 %**	**31-Mar 2008/09 %**	**31-Mar 2007/08 %**
Westminster City Council LGPS Plan						
Experience gains/(losses) on assets		0.5%	-7.2%	25.8%	-45.7%	-11.1%
Experience gains/(losses) on liabilities	*	16.1%	2.8%	0.8%	-0.4%	1.7%
		31-Mar 2011/12 %	**31-Mar 2010/11 %**	**31-Mar 2009/10 %**	**31-Mar 2008/09 %**	**31-Mar 2007/08 %**
Discretionary Benefits Plan						
Experience gains/(losses) on liabilities	*	-91.6%	0.8%	3.0%	7.6%	-8.0%
		31-Mar 2011/12 %	**31-Mar 2010/11 %**	**31-Mar 2009/10 %**	**31-Mar 2008/09 %**	**31-Mar 2007/08 %**
LPFA Plan						
Experience gains/(losses) on assets		-0.2%	12.0%	6.9%	-16.7%	4.2%
Experience gains/(losses) on liabilities		7.5%	16.4%	0.0%	0.0%	7.5%

This item consists of gains/(losses) in respect of liability experience only - and excludes any change in liabilities in respect of changes to the actuarial assumptions used.
* The movement in these areas can be attributed to a significant reduction in the unfunded liability from the previous year's figures, and a corresponding increase in the

BS_23 - TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

Balance at **Balance at**

	Balance at 1 April 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	31 March 2011 £'000	Transfers Out 2011/12 £'000	Transfers In 2011/12 £'000	31 March 2012 £'000
Earmarked Reserves							
Adults PCT Reserve	(704)	728	(697)	(672)	102	0	(570)
Adults Support to Voluntary Organisations	(500)	489	0	(11)	0	0	(11)
Athena Business Case Reserve	0	0	0	0	0	(3,724)	(3,724)
Building Schools for the Future	(86)	0		(86)	0	(305)	(391)
CCTV & Parking Consultation	0	0	0	0	0	(670)	(670)
City Management Streetworks Reserves	0	0	0	0	0	(1,400)	(1,400)
Economic Development Strategy & Enterprise	(8,650)	1,093	0	(7,557)	3,246	(1,603)	(5,915)
Elections Reserve	0	0	0	0	0	(100)	(100)
Environmental Services Reserves	(789)	310	(380)	(859)	302	(221)	(779)
Great Western Studio	(1,500)	0	0	(1,500)	0	0	(1,500)
Planning Fees in Advance Reserve	0	162	(438)	(276)	907	(1,174)	(543)
Repayment of Debt Reserve	0	0	0	0	0	(2,240)	(2,240)
Sensors & Olympics	0	0	0	0	0	(1,485)	(1,485)
Volunteering Reserve	(373)	74	0	(299)	67	0	(232)
Wards Reserves	0	0	(553)	(553)	553	(627)	(627)
WCC Redundancy & Re-Organisation	0	0	0	0	0	(2,000)	(2,000)
Other Council Reserves	(5,671)	2,324	(733)	(4,081)	630	(755)	(4,206)
Total Earmarked Reserves	**(18,273)**	**5,180**	**(2,801)**	**(15,894)**	**5,806**	**(16,305)**	**(26,393)**
RingFenced Revenue Schemes							
Adult Education Services - Scheme of Delegation (LSC)	(3,295)	0	(488)	(3,783)	3,783	(3,824)	(3,824)
Earmarked LMS Balance (DSG)	(1,887)	489	(931)	(2,330)	832	(307)	(1,805)
Quinton Kyanaston Endowment Fund	(2,000)	72	(72)	(2,000)	0	(23)	(2,023)
Total RingFenced Reserves	**(7,182)**	**561**	**(1,491)**	**(8,113)**	**4,615**	**(4,154)**	**(7,652)**
Total Earmarked and Ringfenced Revenue Reserves	**(25,455)**	**5,741**	**(4,292)**	**(24,007)**	**10,421**	**(20,459)**	**(34,045)**
Revenue Grants Reserves (without conditions)							
Adults Grants Reserve	(138)	0	(687)	(825)	0	0	(825)
Childrens Grants Reserve	(74)	0	(58)	(133)	133	(702)	(702)
Housing Grants Reserve	(572)	0	0	(572)	0	0	(572)
Revenue Receipts in Advance without conditions	0	0	0	0	0	(2,216)	(2,216)
Total Grants Reserves (without conditions)	**(784)**	**0**	**(745)**	**(1,530)**	**133**	**(2,918)**	**(4,315)**
Grand Total Earmarked Reserves	**(26,239)**	**5,741**	**(5,037)**	**(25,537)**	**10,554**	**(23,377)**	**(38,360)**

Notes
LSC - Learning Skills Council Funding
DSG - Dedicated Schools Grant

BS_24 - CONTINGENT ASSET

(a) Marshall Street
Following an extensive redevelopment project under the framework of a legal agreement with a development partner, the Council took receipt of a new leisure centre and a new waste cleansing depot in Dufours Place in July and October 2010. Works to the Soho car park have also taken place and the developer achieved Practical Completion early in 2011. Both parties had been engaged in a long standing property and financial dispute which affected the final settlement and future re-configuration of the car park entrance. A proposed settlement was agreed through our respective legal advisors that concluded this dispute, resolved conflicts in the site lease by mutual agreement and retained a fixed overage payment of £1m (capital funding) from the developer as a capped overage payment from the project. (detail from Cabinet Member Report August 2011 re Marshall Street Development Financial and Legal Settlement)

(b) VAT on Car Parking charges
Following the decision of the London VAT and Duties Tribunal on the claim of the Isle of Wight Council and others, the Council has reviewed the detail behind the decision

BS_25 - CONTINGENT LIABILITY

a) The Council has entered into an agreement with Veolia Environmental Services Plc (formerly known as Onyx UK Plc), through a special purpose vehicle Onyx Westminster Vehicles Ltd, to ensure that the Council retains the use of the refuse collection vehicle fleet in the event of the premature termination of the Onyx waste collection contract. If the contract is terminated, the Council will resume responsibility for the lease payments due to the lessor in respect of the fleet. The payments under the leases, which initially runs for seven years from September 2011, total £27.2 million. The possible liability is estimated at around £2.97 million.

b) The balance on the Paddington LTVA account as at 31st March 2012 is £1.3m. The main construction contract and scheme is now completed but there are a number of issues which have arisen resulting in a delay in closing the Paddington LTVA bank account. 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 investigated by the Council and its external advisors.

BS_26 - DEDICATED SCHOOLS GRANT

In 2006/07, the arrangements for government support for the funding of schools changed from funds previously being provided as part of the council's overall Revenue Support Grant to a specific grant - the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included within the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over- and under spends on the two elements are required to be accounted for separately.
Details of the schools budget funded by DSG receivable for 2011/12 are as follows:

	Central Expenditure £'000	ISB £'000	Total 2011/12 £'000	Total 20110/11 £'000
Original DSG allocation to Schools in the Council's budget	12,893	102,587	115,480	97,045
Adjustment to finalised grant allocation	(4)	24	20	-
Adjustment re in-year academy conversions	123	(6,005)	(5,882)	0
Final DSG for 2011/12	13,012	96,606	109,618	97,045
(Over)/underspend from prior year	416	652	1,068	322
transfer CEL underspend to ISB reserve	(199)	199	0	0
Actual expenditure for the year	(13,229)	(96,779)	(110,008)	(96,297)
(Over)/underspend for the year	0	678	678	1,070
Planned top-up funding of ISB from Council resources	0	0	0	
(Over)/underspend carried forward	**0**	**678**	**678**	**1,070**

BS_27 - BUSINESS IMPROVEMENT DISTRICTS (BIDS)

Five Business Improvement Districts (i.e. the Heart of London Business Alliance, the New West End Company, the Victoria, Paddington and Bayswater BID), have been set up in Westminster for the purpose of providing additional services or improvements to a specified area. These are funded in whole or in part by a levy additional to the non-domestic rates on such ratepayers. Westminster City Council acts as agent for the Five BID companies, and bills, collects and pays over the BID levy.

	New West End Company	Heart of London	Victoria	Paddington	Bayswater	Total 2011/12	Total 2010/11
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance 1 April	(453)	(74)	(96)	(34)	(130)	(789)	(162)
Adjustment to bfwd balance*	(19)	(3)	(48)	27	98	55	0
Levy for 2011/12	2,872	833	1,379	686	464	6,233	5,438
Less: Allowances and write offs	(135)	(91)	(36)	(18)	7	(274)	(188)
Amounts Receivable	2,264	665	1,198	660	439	5,225	5,088
Cash Received (net of refunds)	(2,873)	(747)	(1,311)	(782)	(485)	(6,198)	(5,876)
Net Amounts Received in Advance	(609)	(82)	(113)	(122)	(47)	(973)	(789)
BID Revenue Accounts were as follows:							
Balance b/f - amounts owing to BID	(277)	(59)	57	47	(142)	(373)	(255)
BID revenues from levy	2,730	737	1,343	660	454	5,924	5,250
	2,453	678	1,400	708	312	5,551	4,995
less							
BID cost of collection							
Net payments to BID	(2,715)	(644)	(1,434)	(787)	(414)	(5,993)	(5,368)
Provision for Irrecoverable Debts							
	(2,715)	(644)	(1,434)	(787)	(414)	(5,993)	(5,368)
Balance 31 March - amounts owing to/from (-) BID	**(261)**	**35**	**(33)**	**(80)**	**(102)**	**(442)**	**(373)**

Heart Of London Business Alliance.

This BID became operational on 14 February 2005 and is a scheme to enhance the area surrounding Piccadilly Circus and Leicester Square by operating services to help keep the area clean, safe and welcoming. Services include additional street cleansing services and street safety services. The BID finished its first term on 31 March 2006 but had a successful ballot to continue into a second term to March 2012.

New West End Company.

The BID became operational on 4 April 2005 and covers the Bond Street, Oxford Street and Regent Street areas. The BID's aims are to enhance the area's commercial potential and achieve a safer, cleaner, friendlier and more accessible environment with a reduced level of retail crime. All the projects are additional to those provided by existing public services. The BID has been extended to 2013 following a successful renewal ballot after the end of its first term on 31 March 2008.

Victoria BID.

The BID became operational on the 1st April 2010 (5 year term) working with the residents to ensure Victoria becomes a premier destination within London and achieves its full potential. The BID aims to achieve a safe and secure, clean and gree, visitors destination, a prosperous economy and Showcase Victoria.
The Victoria BID works to ensure that corporate businesses, retailers and hospitality/leisure operators all benefit from the projects and services undertaken.

Paddington BID.

The BID became operational on 1 April 2005, and covers the Paddington area of the City. The BID levy is used to market and promote Paddington, make Paddington safer through a Community Safety team and CCTV and make Paddington more attractive. The first term will end 31 March 2010.

Bayswater BID.

This BID commenced on 1 January 2010 for a 5 year term. The principle aim of the Bayswater BID Company is to improve the trading environment in a unique quarter of one of the greatest capital cities in the world. The BID aims to enhance the area by ensuring it is clean, safe and easily accessable. The Bayswater BID works to improve businesses and help in their promotion and marketability.

Piccadilly & St James BID.

This BID commenced on 1st April 2012 and bills were sent out in March 2012 so some payments have been received early. There was a prepayment balance of£127K as at 31st March 2012

BS 28 - PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

Forrestor Court

Under the Haven PFI scheme, the operator has provided CoW with a new nursing home at Forrestor Court. The Council occupies the majority of the beds (max 90 and min 78) and a small element (approx 20 beds) is sold to the market place by the operator. Westminster City Council are Freeholders of the land. The operator valued the building at £4.2 million at bid and contract stage.

There is no fixed unitary charge but the Council is charged per bed and they must use the max 90 bed allocation (78 guaranteed) otherwise adjustments to charges are made. The Council however retains control of the building and title passes to the Council at the end of the lease term.

The financial position is shown net in the Councils accounts.

	Obligations under PFI Contracts			Payments under PFI Contracts			
Leases expiring in	Vehicles, Plant & Equipment	Land & Buildings	Total PFI Commitments	Services excluding inflation	ment of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
in one year 2012/13	0	310	310	1,146	(310)	127	(184)
2013/14 to 2016/2017	0	1,241	1,241	4,586	(1,241)	390	(851)
2017 Onwards	0	1,551	1,551	5,732	(1,551)	166	(1,385)
Total	**0**	**3,102**	**3,102**	**11,464**	**(3,102)**	**682**	**(2,420)**

Date	Gross Value	Accumu-lated Depreciation	Net Book Value	PFI Liability
	£'000	£'000	£'000	£'000
01/04/08	4,202	1,849	2,353	3,056
31/03/09	4,202	2,018	2,185	2,911
31/03/10	4,202	2,185	2,017	2,756
31/03/11	4,202	2,353	1,849	2,593
31/03/12	4,202	2,521	1,681	2,420

	2011/12	2010/11
	£'000	£'000
Balance Outstanding at start of the year	2,593	2,756
Payments during the year		
Capital Expenditure incurred in the year	(310)	(310)
Other movements	137	147
Balance outstanding at year-end	**2,420**	**2,593**

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

Date	MRP Adjustment
	£'000
01/04/08	1,147
31/03/09	145
31/03/10	154
31/03/11	163
31/03/12	173

BS_29 - CONSTRUCTION CONTRACTS

	2011/12	2010/11
	£'000	£'000
Balance B/Fwd	658	1,438
Additional Works During 2011-12	20,669	288

Costs incurred to date	21,327	1726
Revenue recognised:		
before 1 April 2011	0	0
during 2011/12 (Statutory Fees Recognised)	0	0
Statutory Fees Transferred to Revenue as a Surplus	0	0
Advances received	(658)	(49)
Statutory Fees Released	0	0
Gross Amount due	**20,669**	**1677**
Comprising:		
amounts not billed	0	658
retentions	0	0

BS_30 - LEASES

Authority as Lessee

Finance Leases

The Council has acquired two properties under finance leases. The assets acquired under these leases are carried as Property, Plant & Equipment in the Balance Sheet at the following net amounts:

	31 March 2012 £'000	31 March 2011 £'000
Other Land and Buildings	2,717	2,763
Vehicles, Plant, Furniture and Equipment	10,771	0
	13,489	**2,763**

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

	31 March 2012 £'000	31 March 2011 £'000
Finance lease liabilities (net present value of minimum lease payments):		
current	593	593
Finance costs payable in future years	34,373	34,966
Minimum lease payments	**34,966**	**35,558**

The minimum lease payments will be payable over the following periods:	**Minimum lease Payments**		**Finance lease Payments**	
	31March 2012 £'000	**31March 2011 £'000**	**31March 2012 £'000**	**31March 2011 £'000**
Not later than one year	593	593	591	593
Later than one year and not later than five years	2,371	2,371	2,364	2,371
Later than five years	32,002	32,595	27,432	32,595
	34,966	**35,558**	**30,387**	**35,559**

The Council has granted operating leases in respect of two Investment Properties being commercial premises and offices which are treated as finance leases. Rental income receivable in respect of these operating leases for the year ending 31 March 2012 totalled £1.3 million (£0.9 million at 31 March 2011).

The Council has granted leases in respect of a number of Investment Properties principally commercial premises and business units which are treated as operational leases. Rental income receivable in respect of these operating leases for the year ending 31 March 2012 totalled £21.2 million (£18.7 million at 31 March 2011).

Operating Leases

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

The future minimum lease payments due under non-cancellable leases in future years are:	**31 March 2012 £'000**	**31 March 2011 £'000**
Not later than one year	15,417	5,680
Later than one year and not later than five years	33,301	21,408
Later than five years	34,861	73,564
	83,579	**100,653**

The expenditure charged to the Cultural, Environmental, Housing, Regulatory and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2011/12 £'000	**2010/11 £'000**
Minimum lease payments	15,417	5,680
Contingent rents	534	534
Sublease payments receivable	(22,554)	(19,648)
	(6,604)	**(13,434)**

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

	2011/12 £'000	**2010/11 £'000**
Minimum lease payments	11,985	15,405

	11,985	**15,405**

Authority as Lessor

Operating Leases

The Authority 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 2012 £'000**	**31 March 2011 £'000**
Not later than one year	21,457	18,565
Later than one year and not later than five years	64,866	67,452
Later than five years	410,600	213,244
	496,924	**299,262**

As at 31 March 2011, the Council had entered into 25 year operational leases in respect of the majority of its car park portfolio.

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.

BS_31 - EVENTS AFTER THE BALANCE SHEET DATE

The council has reviewed the accounts and no events which may impact on the council's financial posiiton following authorisation date have been identified through this process.

BS_32 - TRUST FUNDS

The Council acts as trustee for other funds shown below, which are	**31 March 2011 £'000**	**Expenditure £'000**	**Income £'000**	**31 March 2012 £'000**
City of Westminster Charitable Trust (note 1)	(30)	17	(10)	(24)
Sir John Hunt's Gift (note 2)	(28)	0	(1)	(29)
Newton & Bagshaw Foundation (note 3)	(12)	0	0	(12)
Harvist Fund (note 4)	(83)	41	(77)	(119)
Arundel Street Trust (note 4)	(13)	0	0	(13)
Education Trust Funds (note 5)	(70)	0	(3)	(73)
Other Funds	(13)	0	0	(13)
Total (note 6)	**(249)**	**58**	**(91)**	**(282)**

Notes:

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

2. This fund was set for making grants to reduce hardship of former employees of the City of Westminster. No awards fro grants were made in 2011-12.

3. This Trust, originally formed during the 1930s, has been dormant for many years as its original purpose became inapplicable.In 2007 the fund was wound up and closed. The small balance remaining on the account will be transferred to Soho Parish School.

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

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

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

BS_33 - HERITAGE ASSETS

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 has introduced a change in accounting policy in relation to the treatment of Heritage Assets held by the Authority. A comprehensive exercise was undertaken to establish the assets that fall within this category and Insurance valuations have been used to recognise £3.6m in terms of Statues, Monuments and Works of Art and £0.5m pertaining to Civic Regalia, with a corresponding increase in the Revaluation Reserve. Due to the overall immateriality of this adjustments in relation to the Council's net worth a restatement of the opening position as at 1st April 2010 has not been deemed

The movement on Heritage Assets balances during the year is as follows:

		2011/12			**2010/11**	
	Internally Generated Assets £'000	**Other Assets £'000**	**Total £'000**	**Internally Generated Assets £'000**	**Other Assets £'000**	**Total £'000**
Balance at start of the Year:						
Gross carrying amounts	0	0	0	0	0	0
Accumulated amortisation	0	0	0	0	0	0
Net carrying amount at start of year	0	0	0	0	0	0
Additions:						
Internal development	0	0	0	0	0	0
Recognition - adoption of FRS 30	0	0	0			
Purchases	0	0	0	0	0	0
Acquired through business combinations	0	0	0	0	0	0
Assets reclassified as held for sale	0	0	0	0	0	0
Other disposals	0	0	0	0	0	0
Revaluations increases or decreases - adoption of FRS 30	0	4,100	4,100	0	0	0
Impairment losses recognised or reversed directly in the Revaluation Reserve	0	0	0	0	0	0
Impairment losses recognised in the Surplus/Deficit on the Provisions of Service	0	0	0	0	0	0
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Amortisation for the period	0		0	0	0	0
Other Changes	0	0	0	0	0	0
Net carrying amount at end of year	0	4,100	4,100	0	0	0

Comprising:

Gross carrying amounts	0	4,100	4,100	0	0	0
Accumulated amortisation	0	-	0	0	0	0
	0	**4,100**	**4,100**	**0**	**0**	**0**

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE ACCOUNT

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 of £11,807,290 has been allocated across the various activities within the Housing Revenue Account.

		2011/12 £'000	2010/11 £'000
HRA Income			
Dwellings Rents(gross)	General needs housing, Temporary accommodation	-65,723	-61,326
Non-dwellings Rents (gross)	Commercial property, sheds and garages	-9,462	-8,684
Tenants' Charges for Services and Facilities	Service charges and Heating charges	-8,543	-8,356
Leaseholders' Charges for Services and Facilities		-9,817	-10,108
Other Charges for Services and Facilities	Community Centres and Public Houses	-44	-311
Contributions Towards Expenditure	Collection Allowances and Other Income	-7,866	-16,346
HRA Subsidy Receivable	Includes Major Repairs Allowance	0	-1,327
Sums directed by the Secretary of State that are income in accordance with The CODE		-37,148	0
Total HRA Income		(138,603)	(106,458)
HRA Expenditure			
Repairs and Maintenance	Responsive and Planned	17,926	18,699
Supervision and Management	Policy and Management, Right - to - buy administration and managing tenancies	34,587	34,490
Special Services	Communal heating and lighting, Lifts, Caretaking and cleaning and Other special	8,836	8,589
Rents, Rates, Taxes and Other Charges	Rates, taxes and insurance cost	1,666	1,636
Subsidy limitation Transfer to the GF		0	0
Transfer of HRA Surplus to the General Ledger		0	0
HRA Subsidy Payable		2,998	0
Increase/(decrease) in Provision for Bad or Doubtful Debts		1,214	253
Depreciation and Impairment of Fixed Assets		22,615	367,698
Amortisation of Deferred Charges and Intangible Assets		0	660
Debt Management Cost		155	136
Sums directed by the Secretary of State that are expenditure in accordance with The CODE		68,086	0
Total HRA Expenditure		158,083	432,161
Net Cost of HRA services as included in the whole-authority Income and Expenditure Account		**19,480**	**325,703**
HRA services share of Corporate and Democratic Core	Regulatory audit, committee support and bank charges	0	0
HRA share of other amounts included in the whole-authority Net Cost of Serviced but not allocated to specific services		0	0
Net Cost of HRA services including HRA share of costs not allocated to specific services		**19,480**	**325,703**
Gain or loss on sale of HRA non-current assets	Capital receipts less value of assets sold	-3,275	-2,416
HRA share of interest payable and similar charges including amortisation of premiums and discounts		10,359	9,408
HRA share of pensions interest cost and expected return on pensions assets		0	0
HRA Investment Income	Interest on HRA and MRR balances and mortgage interest	-1,019	-1,276
Surplus or deficit for the year on HRA Income and Expenditure Account		**25,545**	**331,419**

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

Increase/(decrease) in the Housing Revenue Account Balance comprising:

	2011/12 £'000	2010/11 £'000
Surplus or deficit for the year on the HRA Income and Expenditure Account	25,545	331,419
Difference between interest payable and similar charges including amortisation of premuims and discounts determined in accordance with The CODE and those determined in accordance with statute	0	0
Difference between any other item of income and expenditure determined in accordance with The CODE and those determined in accordance with statutory HRA requirements (if any)	126	131
Gain or loss on sale of HRA non-current assets	3,275	2,416
HRA share of contributions to/from the pensions Reserve	0	0
Capital expenditure funded by the Housing Revene Account	15,768	15,055
HRA share of the Minimum Revenue Provision	0	0
Sums directed by the Secretary of State to be debited or credited to the HRA that are not income or expenditure in accordance with The CODE	0	0
Net Increase/decrease before transfers to/from reserves	44,714	349,021
Transfer to/from Housing Major Repairs Reserve	(3,298)	(9,612)
Transfer to/from the Capital Adjustment Account	(37,144)	(343,204)
Transfer to/from Housing Repairs Account	0	0
Transfer to/from Other Earmarked Reserves	0	284
Increase/(decrease) in the HRA Balance for the year	4,272	(3,511)
HRA Balance Brought Forward	(96,304)	(92,793)
HRA Balance Carried Forward	**(92,032)**	**(96,304)**

NOTES TO THE HOUSING REVENUE ACCOUNT

HRA1 - Housing Assets Valuation

	31 March 2012 £'000	1st April 2011 £'000
Council Dwellings		
Tenanted dwellings - vacant possession value	3,633,653	3,590,044
Less reduction for use as Social Housing (note 2b)	(2,725,239)	(2,692,533)
Tenanted dwellings - Social Housing value	908,413	897,511
Other Land and Buildings	40,994	38,547
Vehicles, plant, furniture and equipment	0	0
Infrastructure and Community assets	0	0
Assets under construction	1,243	0
Surplus assets not held for sale	0	0
Investment properties	114,325	107,263
Assets held for sale	0	0
Total Property Assets	**1,064,976**	**1,043,321**

HRA2 - Housing Stock

At 31st March 2012, the authority was responsible for the management of 21,219 dwellings. The compostion of the stock is as follows:

	31 March 2012 No.	1st April 2011 No.
Rented Houses	739	736
Rented Flats	11,422	11,438
Shared Ownership	56	55
Leasehold Properties	8,946	9,052
Temporary Accommodation	56	12
	21,219	**21,293**

HRA3 - Housing Assets Valuation Notes

The vacant possession value of HRA tenanted dwellings £3,634m (Note 1a))

The difference between the vacant possession value and the balance sheet value of dwellings within the HRA (Note 1b)) shows the economic cost to the Government of providing housing at below market rents. This cost is determined by applying the government prescribed discount rate (75% for London) to the vacant possession value.

Revenue Expenditure funded from Capital under Statute (Reffcus) relates to capital spend which do not result in the creation, enhancement (including extension of the useful economic life or purpose of use) or purchase of a capital asset. HRA deferred charges take the following form:

1. Grants given to HRA tenants (Assisted Purchase Grants) to relinquish their tenancy.
2. Capital works on non-HRA properties charged to the HRA capital programme.

In 2011/12, no Reffcus was incurred within the HRA.

HRA4 - Housing Subsidy

	2011/12 £'000	2010/11 £'000
Allowance for management	14,819	14,777
Allowance for maintenance	20,057	20,067
Allowance for major repairs	12,958	12,392
ALMO allowance	0	5,920
Charges for capital	12,554	7,887
Rental constraint allowance	0	0
Other items of reckonable expenditure	73	76
Adjustment for previous year	220	145
	60,681	**61,264**
Less guideline rent income	(63,835)	(59,923)
Less interest on receipts	(10)	(13)
Total Housing Subsidy	**(3,164)**	**1,328**

NOTES TO THE HOUSING REVENUE ACCOUNT

HRA5 - Analysis of Capital Funding

Analysis of Payments	2011/12 £000's	2010/11 £000's
HRA Works	27,204	30,132
Self-Financing Settlement	67,945	
Other: RECS		660
Other HRA Assets	1,711	
	96,860	**30,791**

Funding	2011/12 £000's	2010/11 £000's
Borrowing	67,945	0
Useable Capital Receipts	194	194
Capital Grants	152	
Revenue Contributions	15,611	15,055
Major Repairs Reserve	12,958	15,542
	96,860	**30,791**

A total of £4.3 million net of expenses (2010/11 - £5.3 million) was received from the sale of HRA properties, predominately through the Right to Buy/Rent to Mortgage schemes and through the sale of freehold interests. Of this sum, £2.5 million had to be paid into the Housing capital receipts pool.

HRA6 - IMPAIRMENT LOSSES

In 2011/12, the HRA was charged an impairment loss of £6.2m in respect of HRA dwellings (2010/11 - £345.7m).

The 2011/12 impairment results from full application of the Fair Value discount factor (75%) to Open Market Valuation of the Council's holding in Shared Ownership properties.

The impairment charge in 2010/11 followed the 1st April 2010 change in the Fair Value discount factor (63% to 75%) applied to the Open Market Valuation of the Council's fully owned stock holding.

HRA7 - Capital Asset Charges Accounting Adjustment

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

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

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

- the HRA's share of interest payable on the council's debt portfolio and;
- deferred charges plus impairment (Residual Capital Asset Charges) charged to the HRA

where HRA interest payable is greater than Residual Capital Asset Charges.

Where HRA interest payable is less than Residual Capital Asset Charges, the difference is credited to the HRA.

	2011/12 £,000's	2010/11 £,000's
HRA Interest Payable	10,359	9,539
Less:		
Impairment	6,207	345,694
Deferred Charges	0	660
Capital Asset Charges Adjustment Account	**4,152**	**(336,815)**

HRA8 - Depreciation charges

	2011/12 £'000	2010/11 £'000
Council Dwellings	15,565	21,108
Other land and buildings	843	862
Vehicles, plant, furniture and equipment	0	34
Infrastructure and community assets	0	0
Assets under construction	0	0
Surplus assets not held for sale	0	0
Investment properties	0	0
Assets held for sale	0	0
	16,408	**22,004**

COLLECTION FUND

Collection Fund Revenue Account	2011/12		2010/11	
	£'000	£'000	£'000	£'000
INCOME				
Council Tax Collectable	76,891		75,615	
Add: Council Tax Benefits	13,113		13,162	
		90,004		88,777
Business Rates Collectable	1,457,359		1,205,427	
Business Rate Supplement	69,767		69,845	
		1,527,126		1,275,272
Contributions to Fund Deficit	1,141		0	
		1,141		0
Total Income		1,618,270		1,364,049
EXPENDITURE				
Council Tax				
Precepts	40,254		39,774	
Montpellier Sq Precept	35		35	
Demand	49,087		48,501	
		89,376		88,310
B & D Debts:				
Written off	0		0	
Increase/(Reduction) in provision	300		100	
		300		100
		89,676		88,410
Business Rates				
Paid to National Pool	1,453,938		1,196,807	
BRS	69,436		68,518	
Cost of Collection	3,222		3,219	
BRS Cost of Collection	256		328	
		1,526,851		1,268,872
B & D Debts:				
Written off	0		0	
Increase/(Reduction) in provision	275		6,400	
		275		6,400
		1,527,126		1,275,272
Total Expenditure		1,616,802		1,363,682
Addition/(Reduction) to Fund Balance		1,468		367
Balance b/fwd (Deficit)		(1,754)		(2,121)
Surplus / (Deficit) for year		1,468		367
Balance c/fwd (Deficit)		(286)		(1,754)
Deficit Allocated				
Westminster		(157)	Note 1	(964)
GLA		(129)	Note 1	(790)
Total Deficit c/f		(286)		(1,754)

NOTES TO THE COLLECTION FUND

COL_1 Income from Business Rates

Under the arrangements for the National Non-Domestic Rates (NNDR), the Council collects non-domestic rates for its area based on rateable values multiplied by a uniform rate. The total amount less certain reliefs and deductions is paid into a central pool.

The amounts included in the accounts were calculated as follows:
Non-domestic rateable value
The Total approximately £4.3 billion in 2011/12 as per NNDR1 Return 2011/12
Multiplied by uniform business rate ***42.6p*** in 2011/12

COL_2 Council Tax Base

The Council Tax base was calculated as follows:

	2011/12		2010/11	
	Distribution of Properties by	**Equivalent Band D Properties**	**Distribution of Properties by**	**Equivalent Band D Properties**
Band A	1741	927.2	1,714	915
Band B	6835	4114.52	6,788	4,072
Band C	15892	11647.2	15,813	11,570
Band D	22439	18937.9	22,201	18,766
Band E	22098	22982.42	21,780	22,728
Band F	16715	20728.21	16,384	20,345
Band G	21672	31257	21,368	30,786
Band H	14341	25817	14,046	25,275
	121,733	136,411	120,094	134,457

The equivalent Band D properties calculation is after allowing for relevant discounts and applying the multiplier (see note 5 below).

The 2011/12 Council Tax base after allowing for adjustments for non collection and a contribution for Ministry of Defence dwellings, was £129,928 Band D equivalents (2010/11 - £129,928).

COL_3 Council Tax Requirements

The Council Tax requirements of Westminster and the Greater London Authority (GLA) are shown below. The GLA requirement includes the budgets of its four functional bodies i.e. the Metropolitan Police Authority, the London Fire and Emergency Planning Authority, and Transport for London. The GLA requirement also includes a £20 contribution from Council Tax payer towards the delivery of the 2012 Olympic and Paralympic games, which has been collected since 2006/07.

	2011/12 £'000	**2010/11 £'000**
City of Westminster	378	378
Greater London Authority	310	310
Total	688	688

COL_4 Council Tax Bands

The Council Tax at each valuation band, before any applicable discounts, was as follows:

Band	**Range of property values**	**Multiplier**	**2011/12 £'000**	**2010/11 £'000**
A	Up to £40,000	6/9	458	458
B	£40,001 to £52,000	7/9	535	535
C	£52,001 to £68,000	8/9	611	611
D	£68,001 to £88,000	1	688	688
E	£88,001 to £120,000	11/9	840	840
F	£120,001 to £160,000	13/9	993	993
G	£160,001 to £320,000	15/9	1,146	1,146
H	Over £320,000	18/9	1,375	1,375

For properties in Montpelier Square, the Band D Council Tax for 2011/12 was £1,075 (i.e. £688 plus £387 for their Garden Committee requirements) (2010/11(£1,082 i.e. £688 plus £394).

NOTES TO THE COLLECTION FUND

COL_5 2011/12 Deficit

The net deficit at 31 March 2012 is to be shared between Westminster and the Greater London Authority as follows:

	31 March 2012 £'000	31 March 2011 £'000	Movement £'000
Deficit Allocated			
Westminster	-157	-964	807
GLA	-129	-790	661
Total Deficit c/f	(286)	(1,754)	1,468

ALLOCATIONS	Total £'000	Westminster £'000	GLA £'000
Demand / Precepts for 2011/12	76,891	42,298	34,593
Allocations of 2010/11	-1,754	-963	-791

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Group Income and Expenditure Account shows the consolidated financial position of the authority and it's interest in City West Homes Ltd, Westminster Community Homes and Westco Ltd

2010-11 Gross Expenditure (£'000)	2010-11 Gross Income (£'000)	2010-11 Net Expenditure (£'000)		***Note***	2011-12 Gross Expenditure (£'000)	2011-12 Gross Income (£'000)	2011-12 Net Expenditure (£'000)
51,401	(31,536)	19,866	Central Services to the public		89,681	(63,606)	26,075
27,935	(8,719)	19,216	Cultural and related services		21,114	(9,779)	11,335
76,332	(13,240)	63,092	Environmental and regulatory services		57,695	(14,850)	42,845
20,508	(7,676)	12,832	Planning services		15,501	(8,609)	6,892
245,948	(184,804)	61,144	Education and children services		196,346	(144,347)	51,999
107,259	(91,454)	15,805	Highways and transport services		117,280	(85,927)	31,352
434,113	(104,385)	329,728	Local authority housing (HRA)		144,239	(102,506)	41,733
365,329	(331,744)	33,585	Other housing services		359,159	(327,880)	31,279
143,513	(53,981)	89,532	Adult social care		134,053	(43,419)	90,634
9,986	0	9,986	Corporate and democratic core		18,084	(28)	18,056
(113,163)		(113,163)	Non distributed costs	*CIES 2*	(1,581)	0	(1,581)
		0	Exceptional Costs	*CIES 3*	0	0	0
1,369,161	(827,539)	541,622	Cost of Services		1,151,571	(800,951)	350,620
		(25,396)	Other Operating Expenditure	*CIES 4*			31,539
		(61,135)	Financing & Investment Income & Expenditure	*CIES 5*			(53,066)
		0	Surplus or Deficit of Discontinued Operations	*CIES 6*			0
		(317,392)	Taxation and Non -Specific Grant Income	*CIES 7*			(300,914)
1,369,161	(827,539)	137,699	Surplus/Deficit on Provision of Services		1,151,571	(800,951)	28,179
		0	Surplus/deficit on revaluation of financial assets (Available for sale)				0
		317,517	Surplus/deficit on revaluation of fixed assets				68,279
		(16,830)	Actuarial gains/losses on pension assets and liabilities				100,301
		0	Other comprehensive income and expenditure				0
1,369,161	**(827,539)**	**438,386**	Comprehensive Income & Expenditure Total		**1,151,571**	**(800,951)**	**196,759**

Within 2011-12 Westminster Community Homes became a registered housing provider and have adopted the Statement of Recommended Practice (SORP) by registered social housing provider. As this is a change in accounting policy the 2010/11 figures have been updated to reflect this change and these have been included in the 2010/11 figures above.

GROUP BALANCE SHEET

The Balance Sheet shows the values of assets and liabilities held by authority. The net assets of the authority are matched by the reserves

	Note	31 March £'000	31 March £'000
ASSETS			
Non-current			
Property, plant and equipment	*BS 1*	1,579,289	1,562,816
Investment property	*BS 3*	274,201	284,657
Intangible Assets	*BS 4*	3,696	1,351
Long -term investments	*BS 5*	34,610	94,749
Other capitalised expenditure	*BS 16*	3,616	2,083
Long -term debtors	*BS 6*	30,793	37,616
Total long term assets		1,926,205	1,983,272
Current			
Short-term investments	*BS 5*	97,922	21,852
Inventories	*BS 7*	242	1,781
Short-term debtors	*BS 6*	108,797	59,136
Cash and other cash equivalents	*BS 8*	230,112	106,115
Assets held for sale	*BS 9*	87,449	122,837
Current assets		524,521	311,722
LIABILITIES			
Short-term borrowing	*BS 5*	3,862	3,757
Short-term creditors	*BS 10 & BS 11*	330,736	190,782
Current Liabilities		334,598	194,539
Long-term creditors	*BS 10*	23,102	16,683
Provisions	*BS 12*	26,436	16,069
Long-term borrowing	*BS 5*	336,599	268,387
Other long-term liabilities	*BS 22*	508,095	394,720
Donated Assets Account		0	0
Capital Grants - Receipts in Advance	*BS 20*	86,235	84,267
Long-term liabilities		980,467	780,126
Net assets		**1,135,662**	**1,320,328**
Total Usable Reserves		191,862	139,892
Total Unusable Reserves	*BS 13*	943,800	1,180,435
Total Reserves		**1,135,662**	**1,320,328**

Within 2011-12 Westminster Community Homes became a registered housing provider and have adopted the Statement of Recommended Practice (SORP) by registered social housing provider. As this is a change in accounting policy the 2010/11 figures have been updated to reflect this change and these have been included in the 2010/11 figures above.

City of Westminster

Superannuation Fund

Annual Accounts

2011/12

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City of Westminster Superannuation Fund - Fund Account

	Notes	2011/12 £000	2010/11 £000
Dealings with members, employers and others directly involved in the fund			
Contributions			
From Employers	7	90,177	23,786
From Members	7	7,643	8,577
Transfers in from other pension funds	8	2,536	5,367
Other income			337
		100,356	38,067
Benefits			
Pensions	9	- 32,749	- 28,748
Pension Increases and Lump sum Benefits	9	- 9,848	- 7,582
Payments to and on account of leavers	10		
Individual Transfers Out to other Pension Funds		- 6,691	- 8,917
Other Expenditure	9	- 600	- 1,036
Administration expenses	11	- 757	- 1,132
Net additions/(withdrawals) from dealings with members		**49,711**	**- 9,348**
Returns on investments			
Investment income	12	18,639	14,370
Other income		32	-
Taxes on income	13	- 875	- 702
Profit and loss on disposal of investments and changes in the market value of investments			
Realised		7,290	31,757
Unrealised		- 5,069	3,802
	15a	2,221	35,559
Investment in management expenses	14	- 2,983	- 3,055
Net return on investments		17,034	46,171
Net increase/(decrease) in the net assets available for benefits during the year		**66,745**	**36,823**
Opening Net Assets of the Scheme		**707,194**	**670,371**
Closing Net Assets of the Scheme		**773,939**	**707,194**

Net Assets Statement for the year ended 31 March 2012

	Notes		2011/12 £000		2010/11 £000
Investment assets	15a & b				
Fixed Interest Securities			128,353		117,901
Equities			278,241		289,827
Pooled investment vehicles			267,068		267,932
Derivative contracts			42		281
Cash			24,962		28,723
Other investment balances:					
- income due			3,805		3,490
- cash deposits			1,370		649
Derivative contracts:					
- Forwards	15b		756	-	1,459
			704,597		707,344
Investment liabilities					
Derivative contracts:					
- Futures	15b	-	61	-	3
Net value of investment assets			**704,536**		**707,341**
Borrowings			-		-
Current assets					
Contributions due - employers	20		1,609		1,658
Contributions due - employees	20		563		171
Transfer values receivables (joiners)			-		-
Sundry debtors	20		68,996		260
Prepayments			-		-
Cash balances			-		-
Current liabilities					
Sundry creditors	21	-	1,701	-	2,236
Bad debt provision		-	20		-
Cash balances		-	44		-
Net assets of the fund available to fund benefits at the period end			**773,939**		**707,194**

* 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 at Note 19

Note 1 - Description of the Westminster Superannuation Fund

The City of Westminster Superannuation Fund (the 'Fund') is an occupational public sector final salary pension scheme set up under the Superannuation Act 1972. Membership is comprised of employees from the City of Westminster Council (the 'Council'), other scheduled bodies as well as from employers admitted under an admission agreement.

The Fund's objectives are to provide a pool of assets sufficient to meet the long-term pension and other benefits liabilities (as prescribed by the Local Government Pension Scheme Regulations) for its members. Individual membership is voluntary with employees free to choose whether to join, remain or make their own personal arrangements. The Fund is financed by contributions from employees, the Council, the scheduled and admitted bodies (as employers) and from the income on its investments.

The following table summarises the membership numbers of the scheme:

	31st March 2012	31st March 2011
Active members	3,527	3,903
Pensioners receiving benefits	5,177	4,989
Deferred Pensioners	5,935	5,699
Total	**14,639**	**14,591**

Details of the scheduled and admitted bodies in the scheme are shown in Note 7 (contributions receivable) and Note 9 (benefits payable).

The Fund is administered by Westminster City Council as part of the Local Government Pension Scheme (LGPS). However, the Council has delegated to a Superannuation Committee various powers and duties in respect of its administration of the Fund. The Superannuation Committee is a non-executive body responsible for the prudent and effective stewardship of the Fund, including the administration of benefits and the strategic management of Fund assets.

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

Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1999 require administering authorities to prepare and review from time to time a written statement recording the investment policy of their Pension Fund.

The purpose of this document is to satisfy the requirements of the regulations and to further explain how the Fund is managed and the factors taken into account in doing so. The latest Statement of Investment Principles (SIP) was approved in 2011 by the Superannuation Committee and outlines the broad investment principles governing the investment policy of the City of Westminster Superannuation Fund and demonstrates compliance with the “10 Investment Principles” identified in the Myners Review of Institutional Investment in the UK as subsequently revised in 2008 by the Department for Communities and Local Government.

The SIP is available from the Council's website at www.westminster.gov/serviceanddemocracy/councils/counciltaxandfinance/pensions or the Pension Fund's wesbite at http://www.yourpension.org.uk/Agencies/westminster/.

The Fund's investment objective is to ensure that its assets are invested in a way that maximises the likelihood that benefits will be paid to members as they fall due and to ensure the continued long-term financial support from the sponsoring employer.

Set out below is the Fund's investment assets as at 31 March 2012 broken down by manager and mandate.

Fund Manager	Mandate	31 Mar 2012 (£m)	31 Mar 2012 (%)	Proposed Benchmark Allocation
Majedie	UK Equity (Active)	162.92	23.16%	
State Street Global Advisors (UK)	UK Equity (Passive)	108.75	15.46%	
UK Equity	**Sub-Total**	**271.67**	**38.61%**	**30.00%**
Newton	Global Equity (Active)	148.69	21.13%	
State Street Global Advisors (Int'l)	Global Equity (Passive)	99.61	14.16%	
Global Equity	**Sub-Total**	**248.3**	**35.29%**	**35.00%**
Insight	Fixed Interest Gilts	36.01	5.12%	
Insight	Sterling non-Gilts	112.71	16.02%	
Gilts	**Sub-Total**	**148.72**	**21.14%**	**20.00%**
Hermes	Property	27.81	3.95%	
Schroders	Property	7.05	1.00%	
Property	**Sub-Total**	**34.86**	**4.96%**	**15.00%**
	Total	**703.55**	**100.00%**	**100.00%**
Other		0.98		
	Total	**704.53**		

** Schroders relates to holdings in Legal & General MF Property Unit Trust and West End of London Property Unit Trust*

The Superannuation Committee has appointed Bank of New York Mellon as its global custodian. The bank account for the Fund is held with Lloyds Bank.

The current investment strategy is looking to further diversify the current asset mix with an increased weighting towards indirect property. The proposed benchmark asset allocation is the current target but is kept under regular review.

From 2008/09 under the Local Government Pension Scheme (LGPS) (Administration) Regulations 2008, Administering Authorities of LGPS Funds in England and Wales have been required to prepare a Pension Fund Annual Report. The 2011/12 Annual Report is due to be published by 1 December 2012. The 2010/11 report can be accessed by visiting the Councils' website or the Fund's website.

Tri-Borough

The City of Westminster, London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea councils have combined certain parts of their operational areas to provide a more efficient service and greater resilience. One of the areas that has joined together has been the treasury and pension teams of the three boroughs.

The combined team was formed in February 2012 and is responsible for the management of the pension fund investments and the treasury operations across the three boroughs. The team is based at the City of Westminster's offices.

The Fund and Treasury operations will continue to be managed separately in accordance with Government Regulations with the current strategies agreed by the home boroughs who will continue to have sovereignty over decision making.

Note 2 - Basis of preparation of financial statements

These financial statements summarise the Fund's transactions for the 2011/12 financial year and its position as at 31st March 2012. They are prepared in accordance with IAS 26 Accounting and Reporting by Retirement Benefit Plans and the Code of Practice on Local Authority Accounting in the United Kingdom (The Code). The Code is issued by the Chartered Institute of Public Finance and Accounting and is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

With the exception of transfers that are accounted for on a cash basis, these accounts follow the accrual concept.

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. IAS 26 gives administering authorities the option to disclose this information in the Net Asset statement, in the notes to the accounts or by appending an actuarial report, prepared for this purpose. The authority has opted to disclose this information in an accompanying report to the accounts which is discussed in Note 19

Note 3 – Accounting Policies

a) Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

Employers deficit contributions are accounted for on the due date on which they are payable in accordance with the recovery plan under which they are paid.

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.

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) 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.

d) Administrative Expenses

Expenses are accounted for on an accruals basis to ensure expenses for the full accounting period are accounted for in the fund account.

e) Investment Income

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

Interest is accrued on a daily basis.

Investment income is reported net of attributable-tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge

Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within "Profit and Losses on Disposal of Investments and Change in Market Value".

f) Taxation

The Fund is an exempt approved fund under the Income and Corporation Taxes Act 1988 and is therefore not liable to certain UK income tax on investment income or to capital gains tax. 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.

The Fund receives interest on its overseas government bond portfolio gross, but a variety of arrangements apply to the taxation of interest on corporate bonds and dividends on overseas equities.

g) Investment Management Expenses

The fees of the Fund's external investment managers reflect their differing mandates. Management fees are usually linked to the market value of the Fund's investments and therefore may increase or reduce as the value of the investment changes. An element of this fee may be performance related. Fees are also payable to the Fund's custodian and other advisors.

Investment management expenses are accounted for on an accruals basis to ensure expenses for the full accounting period are shown.

h) Financial Assets

Financial assets are shown in the accounts at fair value as at the 31 March 2012 reporting date.

Quoted Investments have been valued by the Fund's Custodian using internationally recognised pricing sources (bid price at market value). Unquoted investments are included at fair value based on valuation advice from the investment manager.

Fixed interest securities are stated at a price that excludes accrued income. Accrued income is accounted for within investment income.

Pooled Investment Vehicles are stated at bid price or at the Net Asset Value quoted by their respective managers.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

Acquisition costs of investments are treated as part of the investment cost.

i) Foreign Currency Transactions

Investments held in foreign currencies as at the 31 March 2012 reporting date are shown at their sterling market value calculated using the prevailing applicable spot exchange rate.

j) Derivatives

Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using market prices. For Exchange Traded Derivative Contracts which are Assets, market value is based on quoted bid prices. For Exchange Traded Derivative Contracts which are Liabilities market value is based on quoted offer prices.

Open futures contracts are included in the net asset statement at their fair market value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract. Amounts due to the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker.

The amounts included in the profit and loss on disposal of investments and the change in market value are the realised gains or losses on closed futures contracts and unrealised gains or losses on open futures contracts.

Over the Counter (OTC) derivatives are stated at market value using pricing models and relevant market data as at the reporting date.

All gains and losses arising on derivative contracts are reported within "Profits and losses on disposal of investment and changes in value of investment" within the Fund Account Statement.

k) Cash and Cash Equivalents

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

l) Actuarial present value of promised retirement benefits

Paragraph 6.5.2.8 of the CIPFA Code of Practice on Local Authority Accounting sets out that the actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS19 Post Employment Benefits and relevant actuarial standards. As permitted under IAS26 Accounting and Reporting by Retirement Benefit Plans , the financial statements include a report from the Actuary by way of disclosing the actuarial present value of retirement benefits.

m) Additional Voluntary Contributions

Additional Voluntary Contributions (AVCs) for the defined benefit scheme are not included within the accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831) and are paid over to be invested separately from the pension fund in the form of individual insurance policies with Aegon and Equitable Life. More information is given in Note 22.

Note 4 – Critical Judgements in Applying Accounting Practices

The Fund's liability is calculated triennially by the appointed actuary as permitted under IAS 26. The most recent triennial valuation was as at 31st March 2010 so the next one is not due until 31st March 2013. The methodology used follows generally agreed guidelines and is in accordance with IAS 19. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations. These assumptions are summarised in Note 18 (Funding Arrangements) that should be read along with the Statement of the Actuary for 2012 and the main report that can be found on the Council's website

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

The Accounts contains certain estimated figures that are based on assumptions made by the Council and other bodies about the future or that are otherwise uncertain. Estimates are made because they are required to satisfy relevant standards or regulations and are on the basis of best judgement at the time derived from historical experience, current trends and other relevant factors. As a result, actual results may differ materially from those assumptions with no representation being made as to their accuracy or relevance.

Note 6 – Events after the balance sheet

As at 31st July 2012 the Fund's investments have changed in value to £XM compared to the value placed on the net assets statement as at the reporting date of 31 March 2012. This mainly reflects a combination of general equity and fixed-income market movements (£XM) and the actual inflow of funds (£65M) relating to a one-off payment to cover past pension liabilities by the Homes and Communities Agency. The money was received 1st April 2012 and a provision was included as a debtor in the 2011/12 accounts.

Since the reporting year end date the Local Government Association (LGA) and trade unions have announced the outcome of their negotiations on a new Local Government Pension Scheme for England & Wales. Among the proposals are changes to the accrual rate as well as the basis on which earnings are to be determined. The LGA and unions will now consult with their respective members, the successful outcome of which may lead the Government to go straight to a statutory consultation. Any final agreement is due to take effect on 1st April 2014.

Note 7 – Contributions Receivable

By authority	2011/12 £000 Employees Normal	Employers Normal	Deficit	Early Retirement	2010/11 £000 Employees Normal	Employers Normal	Deficit	Early Retirement*
Adminstering body								
WESTMINSTER CITY COUNCIL	5,249	12,544	-	1,208	5,940	13,112	-	1,316
ST MARYLEBONE SCHOOL	16	37	-	-	33	77	-	-
ST AUGUSTINE'S SCHOOL	28	73	-	-	28	70	-	-
COLLEGE PARK SCHOOL	14	35	-	-	10	25	-	-
GREYCOAT SCHOOL	74	111	-	-	43	107	-	-
HALLFIELDS SCHOOL	33	91	-	-	37	93	-	-
QUINTON KYNASTON	41	102	-	-	63	152	-	-
WESTMINSTER CITY SCHOOL	35	90	-	-	34	83	-	-
SOHO PARISH SCHOOL	7	21	-	-	12	30	-	-
GEORGE ELLIOT SCHOOL	12	33	-	-	11	30	-	-
BURDETT COUTTS C OF E SCHOOL	16	45	-	-	14	36	-	-
PADDINGTON GREEN JMI SCHOOL	13	36	-	-	12	30	-	-
PORTMAN EARLY CHILDHOOD CENTRE	20	52	-	-	21	53	-	-
QUEENS PARK PRIMARY	18	50	-	-	15	39	-	-
ROBINSFIELD INFANTS SCHOOL	11	31	-	-	10	27	-	-
ST BARNABAS C OF E SCHOOL	7	18	-	-	6	16	-	-
ST GABRIEL'S C OF E SCHOOL	10	27	-	-	11	29	-	-
ST MARY BRYANTSTON SCHOOL	12	32	-	-	11	29	-	-
ST MARY MAGDALENE C OF E SCHOOL	5	14	-	-	6	15	-	-
ST MATTHEW'S C OF E SCHOOL	12	32	-	-	11	28	-	-
EDWARD WILSON JMI SCHOOL	15	41	-	-	14	38	-	-
ESSENDINE PRIMARY SCHOOL	21	58	-	-	18	45	-	-
ST PETER'S C OF E SCHOOL	13	36	-	-	13	32	-	-
WILBERFORCE SCHOOL	9	26	-	-	-	-	-	-
ST JAMES' & ST MICHAEL'S SCHOOL	2	5	-	-	-	-	-	-
CHURCHILL GARDENS SCHOOL	15	42	-	-	-	-	-	-
ST CLEMENT DANES SCHOOL	7	17	-	-	-	-	-	-
ST LUKE'S SCHOOL	1	4	-	-	-	-	-	-
Subtotal of Westminster Employers	**5,716**	**13,703**	**0**	**1,208**	**6,373**	**14,196**		**1,316**
Scheduled bodies								
WESTMINSTER ACADEMY	51	77	-	29	55	112	-	-
PADDINGTON ACADEMY	73	103	-	-	63	102	-	-
KING SOLOMON ACADEMY	25	26	-	-	25	59	-	-
PIMLICO ACADEMY	98	139	-	-	91	229	-	-
ARK ATWOOD PRIMARY ACADEMY	4	4	-	-	-	-	-	-
QUINTON KYNASTON	21	32	-	-	-	-	-	-
ST MARYLEBONE SCHOOL	25	42	-	-	-	-	-	-
Subtotal of Scheduled bodies	**297**	**423**	**0**	**29**	**234**	**502**	-	-
Admitted bodies								
TENANT SERVICES AUTHORITY	566	799	2,949	505	709	1,000	2,154	57
AGE CONCERN	1	5	-	-	1	3	-	-
INDEPENDENT HOUSING OMBUDSMAN	93	295	90	-	99	252	-	-
HOUSING 21	32	64	181	437	122	374	-	-
CITY WEST HOMES	492	768	343	52	463	970	-	-
HOUSING AND COMMUNITIES AGENCY	435	607	66,881	800	566	906	2,016	7
RAMESYS	11	38	-	-	10	23	-	
Subtotal of Admitted bodies	**1,630**	**2,576**	**70,444**	**1,794**	**1,970**	**3,528**	**4,170**	**64**
TOTAL CONTRIBUTIONS	**7,643**	**16,702**	**70,444**	**3,031**	**8,577**	**18,226**	**4,170**	**1,380**
TOTAL BY GROUP	**7,643**	**90,177**			**8,577**	**23,776**		

The increase in employer contributions since 2010-11 is mainly due to a payment of £65M from the Housing and Communities Agency. This is in respect of deficits in the Fund following the decision to close down the Tenant Services Authority and transfer some of its operations to the Housing and Communities Agency. Within the year Age Concern Westminster went into insolvency (See Note 24 Contingent Assets).

* Early retirement costs for 2010-11 have been restated as the payments from the admitted bodies had been attributed to Westminster City Council

Note 8 – Transfers in from other pension funds

	2011/12 £000	2010/11 £000
Group transfers	0	0
Individual transfers	2,536	5,367
	2,536	**5,367**

Individual transfers are where members choose to transfer benefits from one scheme to another.

Note 9 – Benefits Payable

		2011/12 £000		2010/11 £000
By category				
Pensions	-	32,749	-	28,748
Commutation and lump sum retirement benefits	-	9,848	-	7,582
Lump sum death benefits	-	580	-	920
Provison for bad debt	-	20		-
Refunds to members leaving the service			-	116
	-	**43,197**	**-**	**37,366**

The fund paid benefits to members of the following employers. This summary excludes lump sum retirement benefits and death benefits as this information is not held at employer level.

		£'000		£'000*
Westminster City Council	-	28,341	-	25,021
Scheduled bodies				
Westminster Academy	-	27	-	15
Paddington Academy	-	2	-	13
Admitted bodies				
Tenant Services Authority	-	375	-	246
Age Concern	-	17	-	14
Independent Housing Ombudsman	-	54	-	49
Housing 21	-	311	-	167
City West Homes	-	308	-	244
Housing And Communties Agency	-	381	-	185
Elonex Ltd	-	15	-	15
Capital Careers Ltd	-	78	-	46
Association of Local Government	-	73	-	61
Housing Corporation	-	2,705	-	2,612
Institute Of Public Finance	-	26	-	25
Queens Park FSU	-	36	-	35
London Pension Fund Authority		-	-	1
	-	**32,749**	**-**	**28,748**

Note: The admitted and scheduled bodies listed here differs slightly to that given in Note 7 (contributions receivable) due to the membership profile of the employer. Some employers no longer have any active members in the scheme, only pensioners.

*2010-11 has been restated as payments to admitted body pensioners had been attributed to Westminster City Council.

Note 10 – Payment to and on account of leavers

	2011/12 £000	2010/11 £000
Refunds to members leaving service	0	0
Payments for members joining state scheme	0	0
Group transfers	0	0
Individual transfers	- 6,691	- 8,917
	- 6,691	**- 8,917**

Individual transfers are where a members choose to transfer benefits from one scheme to another.

Note 11 – Administrative Expenses

	2011/12 £000	2010/11 £000
Provision of Pension Administration	- 246	- 234
Support services including IT	- 308	- 523
External audit fees	- 35	- 35
Actuarial fees	- 96	- 76
Bad debt provision	- 20	-
Other Fees	- 72	- 264
	- 777	**- 1,132**

The reduction in costs in year is due to a reduction in the level of recharged support from Westminster City Council following a change in personnel and consultancy fees. The bad debt provision is for the 2011 deficit contribution due from Age Concern.

Note 12 - Investment Income

	2011/12 £000	2010/11 £000
Fixed interest securities	6,256	5,023
Equity dividends	10,928	8,943
Pooled investments - unit trust and other managed funds	1,294	172
Interest and cash deposits	161	232
	18,639	**14,370**

Note 13 – Taxes on Income

	2011/12 £000	2010/11 £000
Irrecoverable withholding tax	- 875	- 702
	- 875	**- 702**

Note 14 – Investment Expenses

	2011/12 £000	2010/11 £000
Management fees	- 1,824	- 1,695
Management fees related to performance	- 984	- 1,149
Custody fees	- 99	- 94
Investment consultancy	- 76	- 116
	- 2,983	**- 3,055**

Note 15 – Investments

A breakdown of the investment held by the fund as at the reporting date of 31 March 2012 was as follows:

	Market value 2011/12 £000	Market value 2010/11 £000
Investments assets		
Fixed interest securities	128,353	117,901
Equities	278,241	289,827
Pooled investments	267,068	267,932
Derivative contracts	- 20	278
Cash deposits	24,962	28,723
Investment income due		
Other investment balances:		
- income due	3,805	3,490
- cash deposits	1,371	649
Total investment assets	703,780	708,800
Investment liabilities		
Derivative contracts:		
Forward currency contracts	756	- 1,459
Total investment liabilities		
Net investment assets	**704,536**	**707,341**

The investment portfolio is managed by eight external managers who are Hermes Investment Managers (Property), Insight Investment Managers (gilt and non-gilt bonds), Majedie Investment Managers (UK equity), Newton Investment Managers (global equity), Schroders (West End of London Property Unit Trust), Legal and General Investment Management (property) and State Street Global Advisers UK and International (Passive UK & Global Equities respectively). All managers have discretion to buy and sell investments within the constraints set by the Council's Superannuation Committee and their Investment Management Agreements.

Note 15a – Reconciliation in movements and derivatives

Period 2011/12	**Market value 1st April 2011 £000**	**Purchases during the year and derivative**	**Sales during the year and derivative**	**Change in market value during the year**	**Market value 31st March 2012 £000**
Fixed interest securities	117,901	164,062	- 157,983	4,373	128,353
Equities	289,827	120,143	- 125,997	- 5,732	278,241
Pooled investments	267,932	12,828	- 15,760	2,068	267,068
Derivatives	278	1,900	- 2,684	486	- 20
Cash Instruments	28,723	145,964	- 149,727	2	24,962
Subtotal	704,661	444,897	- 452,151	1,197	698,604
Derivative Forward Foreign Exchange	- 1,459	9,757	- 8,442	900	756
Cash deposits	649	574		147	1,370
Outstanding dividends & recoverable withholding tax	3,490	339		- 23	3,806
Net investment assets	**707,341**	**455,567**	**- 460,593**	**2,221**	**704,536**

Period 2010/11	**Market value 1st April 2010 £000**	**Purchases during the year and derivative**	**Sales during the year and derivative**	**Change in market value during the**	**Market value 31st March 2011 £000**
Fixed interest securities	174,883	138,892	- 193,687	- 2,187	117,901
Equities	258,779	145,441	- 127,855	13,462	289,827
Pooled investments	236,000	129,272	- 118,982	21,642	267,932
Derivatives	38	2,097	- 1,958	101	278
Cash Instruments	13,426	243,254	- 228,051	94	28,723
Subtotal	683,126	658,956	- 670,533	33,112	704,661
Derivative Forward Foreign Exchange	- 2,479	10,994	- 13,393	3,419	- 1,459
Cash deposits	- 18,469	20,108	-	- 990	649
Outstanding dividends & recoverable withholding tax	4,486	-	- 1,014	18	3,490
Net investment assets	**666,664**	**690,058**	**- 684,940**	**35,559**	**707,341**

Note 15b Analysis of Investments (excluding derivative contracts)

	31st March 2012 £000	31st March 2011 £000
Fixed interest securities		
UK Public sector quoted	40,821	33,611
UK Corporate quoted	72,815	63,768
Overseas Corporate quoted	14,718	20,522
	128,353	**117,901**
Equities		
UK Quoted	142,020	136,315
Overseas Quoted	136,221	153,512
	278,241	**289,827**
Pooled funds - investment vehicles		
UK Managed Funds Other	124,860	136,264
UK Unit Trusts Property	33,359	20,789
Overseas Managed	108,849	110,879
	267,068	**267,932**
Cash Instruments		
UK	24,899	28,687
Overseas	63	36
	24,962	**28,723**
Total	**698,624**	**704,383**

* The Cash Instruments figure has been restated for 2011-12.

Analysis of derivatives

A derivative is a financial contract whose value is dependent upon the price behaviour of an underlying contract or financial variable. Derivative receipts and payments represent the realised gains and losses on futures contracts.

The exposure to equities and fixed interest include futures on an economic exposure basis. Other than the pooled investment vehicles and over the counter derivatives (foreign exchange contracts), all the investments described below are quoted on a recognised stock exchange. The Fund has not sanctioned any kind of speculative use of derivatives. The Superannuation Committee has only 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 professional asset managers that must adhere to the detailed requirements set out in their investment management agreements.

	31st March 2012 £'000s	31st March 2011 £'000s
Futures contracts	**-20**	**278**

Outstanding exchange traded future contracts are as follows:

Exchange traded future contracts	**Expiration**	**Market value £'000s**	**Market value £'000s**
Assets			
UK LONG GILT FUTURE (LIF)	less than 1 year	10	200
EURO-BOBL FUTURE (EUX)	less than 1 year	1	0
EURO-SCHATZ FUTURE (EUX)	less than 1 year	0	45
US ULTRA BOND (CBT)	less than 1 year	12	0
US 10 YR TREAS NTS FUTURE (CBT)	less than 1 year	18	6
US 2YR TREAS NTS FUT (CBT)	less than 1 year	1	23
		42	274

Liabilities					
EURO-BOBL 30 YR BOND FUT (EUX)	less than 1 year	-	61		
EURO-BUND FUTURE (EUX)	less than 1 year	-	1		4
		-	62		4
Net futures		**-**	**20**		**278**

Forward foreign exchange contracts - Over the Counter Contracts:

	31st March 2012 £'000s		31st March 2011 £'000s
Insight Investment Management	63	-	435
Newton Investment Management	694	-	1,024
	756	**-**	**1,459**

Note 15 c – Stock lending

Stock lending is subject to specific approval. No direct stock lending or underwriting took place during the financial year.

Note 16 - Fair value of financial instruments and liabilities

The following table summarises the Book Cost of the financial instruments by class of instrument compared with their Market Values.

	31st March 2012			31st March 2011		
	Market Value £000	Book Costs £000		Market Value £000		Book Costs £000
Financial assets						
Investment assets	698,604	651,033		704,661		649,840
Cash deposits	2,127	2,127	-	809	-	809
Net Current Assets	3,805	3,805		3,489		3,489
Total Value of Investments	704,536	656,965		707,341		652,520

Note 17 – Nature of risk arising from financial instruments

Risk and Risk Management

The aim of the Fund is to provide a pool of assets sufficient to meet the long-term pension and other benefit liabilities (as prescribed by the Local Government Pension Scheme Regulations) for the members of the Fund. Therefore, the Fund's primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay promised benefits to members.

The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to optmise the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled. Investment returns are defined as the overall rates of return (capital growth and income).

Responsibility for the Fund's risk-management strategy rests with the Superannuation Committee (Superannuation Committee). Risk management policies are established that aim to identify and analyse the investment risks faced by the Fund.

Policies are regularly reviewed in the light of changing market and other conditions. The Superannuation Committee receives advice from relevant officers, the Fund's appointed actuary, investment managers, custodian and its appointed investment advisor.

Market Risk

The main priority of the Council and the Superannuation Committee when considering the investment policy is to maximise the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled. To support this, investments are spread across a number of asset types, including equities, bonds, property and cash. Spreading the investments in this way reduces the risk of a sharp fall in one particular market having a substantial impact on the whole fund.

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 investments.
The following provides a risk-sensitivity analysis on the Fund as at 31st March 2012:

1. Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factor or factors affecting all such instruments in the market.

The Fund is exposed to price risk. This arises from investments held by the fund for which the future price is uncertain. All securities represent a risk of capital loss. The Fund's investment managers aim to mitigate this price risk through diversification and in the selection of securities and other financial instruments.

The following represents potential movements in market prices for different asset classes for the 2012/13 reporting period, consistent with a one standard deviation movement in the change in value of the assets class benchmarks over the latest three years as determined by State Street Global Services. These potential movements assume the observed historical volatility of asset class returns will be repeated, that the Fund's asset allocation position remains constant and that each asset holding is similarly diversified as the respective index.

Asset Index	Market Value (£000)	% Change	Value on Increase (£000)	Value on Decrease (£000)
FTSE All Share	266,662	15.20%	307,248	226,076
FTSE All World ex UK	237,332	14.80%	272,505	202,160
FTSE UK Gilts AS	41,002	5.50%	43,249	38,755
iBoxx non Gilt	98,982	5.20%	104,149	93,815
LIBID 7 Day	27,100	0.00%	27,105	27,094
Property	33,458	5.80%	35,398	31,517
Total Assets	**704,536**		**789,654**	**619,417**

2. Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. Fixed Interest securities, cash and cash equivalents are directly subject to interest rate risk, 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 council recognises that interest rates can vary and can affect both the income to the fund and the value of the net assets available to pay benefits. A +/- 25 basis point (BPS) has been the most common (statistically known as the mode) step movement in official interest rates since 2006. The analysis below assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 25 BPS change in interest rates for the 2012/13 reporting period:

Asset type	**Value**	**Movement**	**Change in yr increase**	**Change in yr decrease**
	£000	**%**	**£000**	**£000**
Total Bonds	139,984	0.25%	350	(350)
Cash & Cash Instruments	26,333	0.25%	66	(66)
	166,317			

3. 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 pounds sterling. The Fund aims to mitigate this risk through the use of derivatives (see Analysis of Derivates).

The following represents potential movements in market prices for different asset classes for the 2012/13 reporting period based on a historic analysis of foreign exchange rates by State Street Global Services. This analysis assumes that all other variables, in particular interest rates, remain constant.

Currency risk (by asset class)

Asset Type	Market Value (£000)	% Change	Value on Increase (£000)	Value on Decrease (£000)
North America	55,799	8.30%	60,450	51,147
Continental Europe	118,245	8.30%	128,103	108,388
Asia Pacific	28,490	8.30%	30,865	26,115
Emerging Markets	7,992	8.30%	8,659	7,326
Total	**210,526**	**8.30%**	**228,077**	**192,976**

Credit risk

Credit risk is the possibility that other parties might fail to pay amounts due to the Fund, either in whole, in part or on a timely basis. 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 quality fund managers, counterparties, brokers and financial institutions helps to reduce credit risk.

Liquidity Risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its cash flow needs. Cash flows are monitored and managed with assistance from a central treasury team, under policies approved by the Council.

Note 18 – Funding arrangements

The Local Government Pension Scheme Regulations 1997 as subsequently amended by Regulation 36 of The Local Government Pension Scheme (Administration) Regulations 2008 requires the Administering Authority to carry out a formal valuation of the Fund every three years. The main purpose of the valuation is to review the financial position of the Fund and to recommend the contribution rates payable to the Fund in the future. The Fund has chosen to disclose under Option C of the regulations which means that the report is in a separate document.

The latest triennial valuation was signed by the Actuary, Aon Hewitt, on 31st March 2011. It provided a position of the pension Fund as of 31st March 2010, together with the view of the Actuary of the deficit based on certain assumptions. This showed there was a shortfall of £238.1M at 31st March 2010 relative to the funding target (i.e. the level of assets agreed by the Authority and the Actuary as being consistent with the Funding Strategy Statement appropriate to meet member benefits, assuming the Fund continues as a going concern). This corresponds to a funding ratio of 74% (2007: 79%).

The aggregate employer contribution rate required to restore the funding ratio to 100%, using a recovery period of 30 years from 1 April 2011 is calculated to be 20.4% of Pensionable Pay (2007:17.6%) assuming membership numbers remain broadly stable and Pensionable Pay increases in line with the actuary's assumptions. The common future service contribution rate for the Fund was set out at 12.4% of Pensionable Pay.

The triennial valuation also sets out the individual contribution rate to be paid by each Employer from 1st April 2011 to 31st March 2014.

The rates for the reporting year ended 2012 are set out below.

	% of pay	Additional Monetary Amount £000
Scheduled Bodies		
Westminster City Council*	16.5	-
Paddington Academy	10.8	-
Westminster Academy	10.3	-
King Solomon Academy	6.9	-
Pimlico Academy	9.3	-

Admitted Bodies		
Age Concern	**	**
City West Homes	10.8	361
Independent Housing Ombudsman	22.5	110
Tenants Services Authority	10.6	2,949
Housing 21 (original contract)	24	191
Housing 21 (Day Care Service)	22.4	-
Homes and Communities Agency	10	2,702
Ramesys	23.4	-

These represent the minimum contributions payable by each Employer. Employers may choose to pay additional contributions from time to time subject to the Administering Authority's agreement.

*The consolidated rate for Westminster City Council from the 1st April 2011 to 30th September 2011 was 16% and increased to 17.8% for the remainder of the financial year. This was to reflect the increase in liability following the admission of the unfunded pensioners to the Fund from 1st October 2011. The rate will rise to 18.3% for the financial year 2012-13.

**Age Concern went into insolvency in October 2011.

Full details of the 2010 actuarial valuation report and the funding strategy statement can be found on the Council's website.

Following is a statement prepared by the Actuary to the Fund.

Statement of the Actuary for the year ended 31st March 2012

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the City of Westminster Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2010 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial Position

1. The valuation as at 31 March 2010 showed that the funding ratio of the Fund had decreased since the previous valuation with the market value of the Fund's assets at that date (of £670.4M) covering 74% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration.

2. The valuation also showed that the required level of contributions to be paid to the Fund by participating Employers (in aggregate) with effect from 1 April 2011 was as set out below:
   - 12.4% of pensionable pay to meet the liabilities arising in respect of service after the valuation date.

   Plus
   - 8.0% of pensionable pay to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 30 years from 1 April 2011, if the membership remains broadly stable and pay increases are in line with the rate assumed at the valuation of 5.3% p.a.

3. The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, the recovery period and the funding strategy agreed with the Administering Authority.

4. The rates of contributions payable by each participating Employer over the period 1 April 2011 to 31 March 2014 are set out in a certificate dated 31 March 2011 which is appended to our report of the same date on the actuarial valuation.

5. The contribution rates were calculated taking account of the Fund's funding strategy as described in the Funding Strategy Statement, and for the majority of Employers using the projected unit actuarial method.

6. The main actuarial assumptions were as follows:

Discount rate	
Scheduled Bodies	7.5% a year
Admission Bodies	
• In service:	6.25% a year
• Left service:	4.75% a year
Rate of general pay increases	5.3% a year
Rate of increases to pensions in payment	3.3% a year
Valuation of assets	market value

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

7. Contribution rates for all employers will be reviewed at the next actuarial valuation of the Fund as at 31 March 2013.
8. This statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Westminster City Council. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2010. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon Hewitt Limited does not accept any responsibility or liability to any party other than our client, Westminster City Council, in respect of this statement.
Aon Hewitt Limited
May-12

Note 19 – Actuarial Present Value of Promised Retirement Benefits

The Authority has chosen to disclose the actuarial present value of promised retirement benefits through an accompanying report only at formal triennial valuations, the most recent being as at 31st March 2010, as permitted under IAS26 option C. The actuarial present value is calculated on assumptions set in accordance with IAS19. CIPFA have indicated that comparator figures are also required from the previous valuation date, 31st March 2007.

IAS19 requires that the assets be valued at Fair Value. For the purposes of the exercise, asset values were taken directly from the Fund's audited annual accounts as at 31st March 2010 and 31st March 2007. Service related benefits were valued based on service completed to the date of calculations only.

The key assumptions adopted for the 2010 valuation in accordance with IAS19 were as follows:

	31st Mar 10 (% p.a.)	31st Mar 07 (% p.a.)
Financial Assumptions		
Discount rate	5.5	5.3
RPI Inflation	3.9	3.2
CPI Inflation	3.0	N/A
Rate of increase to pensions in payment*	3.9	3.2
Rate of increase to deferred pensions	3.9	3.2
Rate of general increase in salaries **	5.4	4.7
Mortality Assumptions		
Longevity at 65 for current pensioners (aged 65):		
Male	22.1	21.2
Female	24.3	23.3
Longevity at 65 for future pensioners (aged 45):		
Male	24.0	23.1
Female	26.3	24.5

* In excess of Guaranteed Minimum Pension increases in payment where appropriate
** In addition, the same age related promotional salary scales have been allowed as used at the actuarial valuation of the Fund as at 31 March 2010.

For the 2010 valuation, each member was assumed to elect to exchange 25% and 75% of the maximum amount permitted of their past and future pension service rights respectively for a lump-sum. For the 2007 valuation, each member was assumed to exchange 20% and 75% of their pre 1 April 2008 and post 31 March 2008 pension entitlements respectively.
Please refer to the full actuarial report accompanying these accounts for more information.

Note 20 – Current Assets

Debtors	31st March 2012 £000	31st March 2011 £000
Contributions due - employers	1,609	1,658
Contributions due - employees	563	171
Cash in transit	3,000	-
Sundry debtors	65,996	260
	71,168	**2,089**

Analysis of debtors

	31st March 2012 £000	31st March 2011 £000
Central government bodies	35	**
Other entities and individuals	71,133	2,089
	71,168	**2,089**

The £68M increase in sundry debtors is due to a one off payment of £65M from the Housing and Communities Agency for the closure of the Tenant Services Authority scheme and to reimburse for the cost of leavers. There is also £3M of cash in transit for assets sold on 31st March 2012.

Note 21 – Current Liabilities

	31st March 2012 £000	31st March 2011 £000
Sundry creditors	- 1,294	- 2,236
Contributions due - employees	-	-
Benefits payable	- 407	-
	- 1,701	- 2,236

Analysis of creditors

	31st March 2012 £000	31st March 2011 £000
Central government bodies	- 12	**
Other entities and individuals	- 1,689	- 2,236
	- 1,701	- 2,236

Note 22 – Additional Voluntary Contributions

Additional Voluntary Contributions are not included in the Pension Fund in accordance with Regulation 4 (2) (C) of the LGPS (Management and Investment of Funds) Regulations 2009 (SI 2009 no. 3093).

The scheme provides for members to pay Additional Voluntary Contributions (AVCS) to increase their benefit entitlement at retirement subject to HMRC limits. Such contributions attract tax relief and provide increased benefits. AVCs for the defined benefit scheme are not included within the accounts ad are paid over to be invested separate from the pension fund in the form of individual insurance policies with Aegon and Equitable Life. Members participating in this arrangement receive an annual statement confirming the amounts held in their accounts and the movements in year. At 31st March 2012 the value of these AVCS was £1.4M (2010/11 £1.5M). Additional voluntary contributions of £0.08M were paid directly to Aegon during the year (2010/11: £0.06M).

	Market Value 31st March 2012 £000	Markey Value 31st March 2011 £000
AEGON	936	990
EQUITABLE LIFE	470	550
	1,406	**1,540**

More information can be obtained from the AVC providers by writing to the following addresses:

Equitable Life Assurance Society, PO Box 177, Walton Street, Aylesbury, Bucks HP21 7HY.

Aegon, Edinburgh Park, Edinburgh EH12 9SE.

Note 23 – Related Party Transactions

The City of Westminster Superannuation Fund is administered by Westminster City Council. The Council incurred costs of £0.3M in the period 2011/12 (2010/11 (£0.5M) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Fund uses the same Payroll and Banking and Control Service provider as WCC and no charge is made in respect of this.

In year the Council contributed £13.6M in employer contributions and £1.2M in respect of early retirement capital costs (2010/11 £14.1M and £1.4M).

Westminster City Council provided banking facilities for the payment and receipt of funds and was reimbursed for any payments made. The net value of transactions was £32.7M.

The Council has significant interest in one admitted body (City West Homes) who are within the Fund and it received £1.2M in employer contributions, deficit and early retirement costs from this body.

Note 24 – Contingent Assets

When Age Concern Westminster went into insolvency it was in deficit. Activities are under way to try and recover some of the funds and it is hoped that, at some point in the future, there may be recovery of some, if not all, of this deficit.

GLOSSARY OF FINANCIAL TERMS

ACCOUNTING POLICIES

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

ACCRUALS

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

BALANCES (OR RESERVES)

These represent accumulated funds available to the authority. Some balances (reserves) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities. There are a number of unusable reserves which are used for technical

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.

COLLECTION FUND

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

COMMUNITY ASSETS

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

CONTINGENT ASSET

An asset arising from past events, where 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 futureevents not wholly within the control of the Council (e.g. the outcome of a court case); 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 obligationcannot be accurately measured.

CORPORATE AND DEMOCRATIC CORE

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

COUNCIL TAX

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

COUNCIL TAX BASE

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

CREDITORS

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

DEBTORS

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

GLOSSARY OF FINANCIAL TERMS

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.

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 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.

DIRECT SERVICE ORGANISATION

A unit operating within the Council's responsibility that has won work in open competition with private firms to deliver certain services to residents.

EXCEPTIONAL ITEMS

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

FINANCE LEASE

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

FIXED ASSETS

Tangible 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 recoverable amount of a fixed asset, below it's carrying value (e.g. obsolescence, damage or adverse change in statutory environment).

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

A new statement from 2010-11, which details the total income received, expenditure incurred by the authority during a year in line with IFRS reporting as introduced by the new Code.

INFRASTRUCTURE ASSETS

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

INTANGIBLE FIXED ASSETS

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

LEVIES

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

LONG TERM DEBTORS

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

MINIMUM REVENUE PROVISION

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

GLOSSARY OF FINANCIAL TERMS

NATIONAL NON-DOMESTIC RATE (NNDR)

Central Government took over the responsibility for setting the non-domestic rate on 1 April 1990. Accordingly, the tax is now known as the National Non-Domestic Rate or the NNDR. Local authorities are responsible for the billing and collection of the tax. The proceeds from the tax are pooled and redistributed to local authorities by Central Government by reference to the resident population of each area.

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 (past service costs, settlements and curtailments) (NB: Current service pension costs is included in the total costs of services)
- the costs associated with unused shares of IT facilities
- 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 over the useful life 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

For a defined benefit scheme, the increase in the value of benefits payable that were earned in prior years arising because of improvements to retirement benefits.

POST BALANCE SHEET EVENTS

These events, both favourable and unfavourable, are which occur between the balance sheet date and the date on which the statement of accounts are finally signed by the Director of Finance and Resources.

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 dependants, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

PROVISIONS

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

PRIVATE FINANCE INITIATIVE (PFI)

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

PRUDENTIAL CODE

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

GLOSSARY OF FINANCIAL TERMS

RELATED PARTIES

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

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

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

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;
- 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

Legislation in England & 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.

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS

This note effectively replaces the statement of movement on General Fund balances and presents all adjustments made to the CIES to deflect unnecessary impact on the general fund reserve and therefore council tax payer.

THE CODE (FORMERLY STATEMENT OF RECOMMENDED PRACTICE (SoRP))

The new Code was issued in 2010 and incorporates new 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 and former SoRP has statutory status via the provision of the Local Government Act 2003.

MOVEMENT IN RESERVES STATEMENT

This new financial statement presents the movement in usable and unusable reserves (the councils total reserve balances).