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City of Westminster

Committee Follow-on Agenda

Title:	**Audit and Performance Committee**
Meeting Date:	**Monday 30th June 2014**
Time:	**7.00 pm**
Venue:	**Rooms 3 & 4 - 17th Floor, City Hall**
Members:	**Councillors:** Jean Paul Floru (Chairman) David Boothroyd Lindsey Hall Judith Warner

The following item was not available for despatch with the agenda previously circulated and is now attached:

Item No.	Report Title
5.	**FINAL ANNUAL ACCOUNTS 2013-14** Report of the Acting Chief Financial Officer

Peter Large
Head of Legal & Democratic Services
27 June 2014

If you require any further information, please contact:

Ellie Simpkin, Senior Committee & Governance Officer
Email: esimpkin@westminster.gov.uk Tel: 020 7641 7056
Corporate Website: www.westminster.gov.uk

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City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	30th June 2014
Classification:	General Release
Title:	Final Statement of Accounts
Wards Affected:	All
Financial Summary:	N/A
Report of:	Anna D'Alessandro, Acting Chief Finance and Section 151 Officer.
Author:	John Ogden, jogden@westminster.gov.uk 0207 641 2743

1. Executive Summary

1.1 The Accounts and Audit Regulations 2011 set out the requirements for the production and publication of the annual Statement of Accounts. It is a requirement of the regulations that a Committee of the Council should approve the final, audited 2013-14 Statements for both the Council and the Pension Fund by 30th September 2014. In accordance with the Council's accelerated closure programme these accounts are presented to the Audit and Performance Committee three months earlier than the statutory requirement.

1.2 There are no material changes to the revenue and capital outturn figures which have already been reported to Cabinet. The General Fund Reserves balance at 31st March 2014 is £35.3 million.

1.3 In order to achieve the accelerated timetable the accounts were issued for Public Inspection and audit on the 19th May 2014. During the course of the KPMG audit - which is now substantially complete – we have agreed to amend a number of items primarily those relating to the first year treatment of non domestic rates for which the Council has now recognised the net exposure only. In addition some presentational adjustments were required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

1.4 The auditors have issued their findings and conclusions from their audit work in their "Report to those charged with governance (ISA 260) 2013-14" report, they propose to issue an unqualified audit opinion and an unqualified VFM conclusion in relation to the Council's accounts and an unqualified opinion on the Pension Fund accounts (note no VFM conclusion is required in the case of the Pension Fund).

1.5 Overall, there are four recommendations (two of which are priority one, and two priority two) arising from the audit, the Council has identified how these are to be addressed in its response to the auditor's report. The report and the Council's management response will be submitted to the Committee as a separate item.

2. Recommendations

2.1 That the Committee approve the final audited 2013-14 Statement of Accounts.

3. Reasons for Decision

3.1 In accordance with the Accounts and Audit Regulations 2011 a Committee of the Council is required to approve the final audited 2013-14 Statements before 30th September 2014.

4. Background, including Policy Context

4.1 The final, audited statement of accounts for the year ended 31st March 2014 is attached for the Committee's consideration.

5. Financial Implications

5.1 There are no direct financial obligations arising from this report.

6. Legal Implications

6.1 The Accounts and Audit Regulations 2011 require the Council's accounts for 2013-14 to be signed off by the responsible financial officer so that public inspection and audit may commence no later than 30th June. The Regulations further require that a Committee of the Council approve the final, audited 2013-14 Statements for publication (post re-certification by the responsible financial officer) by 30th September 2014. The Audit and Performance Committee is the designated Committee.

6.2 Under the Regulations, the final audited Statement of Accounts is to be signed by the Chairman of the Committee to demonstrate that the Council has approved the accounts.

6.3 The accounts are in International Financial Reporting Standards (IFRS) format. The presentation and content of the Council's Accounts are set out in the Statement of Recommended Practice (SORP) a document which is updated annually by the Local Authorities Accounting Joint Committee in accordance with the Accounting Standards Board.

6.4 The Statement of Accounts were available for Public Inspection between the 19th May 2014 and the 16th June 2014. No member of the public took the opportunity to inspect the accounts; therefore the KPMG Engagement Partner has not received any questions or objections arising from this inspection.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

John Ogden at jogden@westminster.gov.uk or 0207 641 2743

BACKGROUND PAPERS

1. Annual Statement of Accounts 2013/14 (final, audited).

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City of Westminster

ANNUAL ACCOUNTS
2013/14

EXPLANATORY FOREWORD

The Statement of Accounts for the year ended 31 March 2014 has been prepared and published in accordance with the Accounts and Audit Regulations 2011 and the Code of Practice issued by the Chartered Institute of Public Finance and Accountancy in 2013 (the code). The 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). This Final Statement of Accounts will be presented to the Audit & Performance Committee of the Council on 30 June 2014

THE ACCOUNTING STATEMENTS

Page

The Council's accounts for the year 2013/14 consist of:

INTRODUCTION

I am delighted to present Westminster City Council's 2013/14 Annual Accounts. This year we have risen to the challenge and prepared the Accounts three months ahead of previous years with final Accounts audited and published by 30th June 2014. Next year we intend to bring this timeline forward again.

The Council has also had its continuing financial challenges with ongoing funding reductions from Central Government and impact of legislative/policy changes particularly in Housing. Despite this, the organisation has met these financial challenges and successfully mitigated its risks and produced a small overall surplus for the year to provide future financial resilience. We also successfully delivered the majority of our savings programme as set out in last year's Council Tax Report.

Challenging times are set to continue over the medium-term and are likely to continue to the end of the decade. Westminster, under the leadership of its new Chief Executive Charlie Parker who was appointed on 13th January 2014, is in the process of some significant and comprehensive medium-term financial planning to meet our future financial requirements.

The Statement of Accounts sets out details of the Council's income and expenditure for the financial year 2013/14 and its Balance Sheet (Statement of Financial Position) as at 31st March 2014. These statements cover the General Fund, the Collection Fund, Housing Revenue Account and the Pension Fund.

The Statement of Accounts comprises the following 'key' financial statements, explanatory notes and supplementary financial statements:

The **Comprehensive Income and Expenditure Statement (CIES)** reports all of the Council's gains and losses during the financial year. The CIES is prepared in accordance with International Financial Reporting Standards and as such will differ from the Council's management accounts, although the financial position as expressed in terms of working balances and usable reserves is the same.

The **Movement in Reserves Statement (MiRS)** which is a summary of the changes to the Council's Reserves over the course of the financial year. These represent the Council's net worth and are analogous to the equity of a private company. Reserves are divided into 'usable' which may be used to fund expenditure or reduce the Council tax and 'unusable' Reserves which cannot.

The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities and reserves on 31st March 2014. Assets represent everything owned by the Council and money owed to it. Liabilities are the sums that the Council owes to others.

The **Cash Flow Statement** shows the changes in the Council's cash and 'cash equivalents' during the financial year. Cash equivalents are assets which may be readily converted into cash. The statement shows cash flows from: 'operating' activities i.e. the Council's services; 'investing' activities i.e. the Council's capital investment, investments and asset sales; and 'financing' activities which are those activities relating to the Council's borrowing.

The **Notes** to the Core Financial Statements provide more detail about: the Council's accounting policies and items contained in the key financial statements.

The **Supplementary Financial Statements** include:

The **Housing Revenue Account** which reports the income and expenditure relating to the provision of housing and associated services to Council tenants and leaseholders. This account includes the Statement of Movement on the HRA Fund Balance and addresses the Council's statutory obligation - as a landlord in the provision of council housing – to separately account for the cost of these activities.

The **Collection Fund Account** summarises the income and expenditure relating to the collection of council tax and national non-domestic rates, including the precept collected on behalf of the Greater London Authority (GLA). It reports the contribution made by the Westminster's council tax payers to the cost of local services and to the GLA.

The **Pension Fund Account** reports – in a summarised form – the transactions during the year in the Fund Account and in the Net Assets Statement the overall financial position as at 31st March 2014.

The **Annual Governance Statement** is a report from the Leader of the Council and the Chief Executive on the governance arrangements of the Council and its internal control systems and structure.

The financial outturn for 2013/14 includes the following elements:

- A General Fund surplus to budget of £5 million;
- General Fund Reserves increased by £3 million to £35 million;
- Delivery of £26.6 million of savings.

REVENUE EXPENDITURE

The Statement of Accounts sets out the Council's spending and funding in line with accounting requirements. The table below reports the same underlying information, but in the form of the Council's management accounts. The Council's financial position i.e. total usable Reserves and outturn for the year is the same in both formats.

The net surplus to budget on the General Fund was £5 million, which reflected a Service Area surplus of £0.6 million and a Corporate & Funding surplus – primarily due to improved net financing costs – of £4.4 million. This underspend has been added to the opening General Fund balance of £32 million to derive a closing 2013/14 position of c£35 million.

The summary outturn position is as set out below:

	Budget £'000	Outturn £'000	(Surplus)/Deficit £'000
Adults Social Care	90,942	89,288	**(1,654)**
Children's Services	51,439	51,227	**(212)**
Libraries & Culture	11,128	11,538	**410**
Built Environment	59,309	59,184	**(125)**
City Management	17,357	15,197	**(2,160)**
Housing	35,061	38,500	**3,439**
Property	(4,666)	(4,533)	**133**
Sports & Leisure	1,314	1,308	**(6)**
Public Health	-	-	**-**
Corporate Financing	(36,326)	(37,548)	**(1,222)**
SEB & Strategic Support	10,689	10,404	**(285)**
Finance & Operations	4,339	4,195	**(144)**
Net Total Expenditure	**240,586**	**238,760**	**(1,826)**
Funded by:			
Revenue Support Grant	(118,683)	(118,683)	**-**
Council Tax	(44,681)	(44,680)	**1**
Net NDR Receipts	(73,036)	(73,035)	**1**
Other Grants	(2,402)	(5,629)	**(3,227)**
Total Funding	**(238,802)**	**(242,028)**	**(3,225)**
Net Contribution from/(to) General Reserves	**1,784**	**(3,268)**	**(5,051)**

The Comprehensive Income and Expenditure Statement provides an analysis of the net cost of providing all of the Council's services.

Housing Revenue Account (HRA)

The Housing Revenue Account (HRA) is a ring fenced account to which expenditure incurred and income received in relation to its social housing stock is charged. CityWest Homes (set up in April 2002) was responsible for managing the Housing service as agent during 2013/14. 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 the HRA as is income received from tenants as rent. During 2013/14 the HRA reported a surplus of £0.2 million with £102.4 million of income (including £72.8 million in rents from dwellings) being offset by £102.2 million of expenditure (including £85.1 million on repairs, maintenance and management costs). As at 31st March 2014, there are £93.2 million of ring fenced balances held in the HRA to support investment in the Council's social housing stock.

BALANCE SHEET

The Balance Sheet as at 31st March 2014 is summarised below. There have been significant year on year movements in: the revaluation reserve (as a result of the property valuation exercise); capital receipts; and earmarked reserves.

Summarised Balance Sheet

	31 March 2013	31 March 2014
	£'000	£'000
Long Term Assets	2,088,379	2,275,175
Net Current Assets/(Liabilities)	218,847	320,366
Long Term Liabilities	(966,878)	(1,010,995)
Net Assets	**1,340,348**	**1,584,546**
Represented by:		
Usable Reserves	212,227	259,944
Unusable Reserves	1,128,121	1,324,602
Total Reserves	**1,340,348**	**1,584,546**

Usable Reserves		
General Fund	32,027	35,295
Earmarked Reserves	60,291	90,845
Capital Grants Unapplied	10,640	12,253
Capital Receipts Reserve	8,483	21,576
Schools Reserve	6,921	5,937
DSO Surplus	804	804
Housing Revenue Account	93,061	93,234
Total	**212,227**	**259,944**

Unusable Reserves		
Capital Adjustment Account	1,370,264	1,528,224
Available for sale Financial Instruments	-	(127)
Revaluation Reserve	280,682	304,899
Collection Fund Adjustment Account	234	(10,204)
Financial Instrument Adjustment Account	(9,555)	(8,174)
Accumulated Absences Account	(2,477)	(1,787)
Deferred Capital Receipts	10,208	5,082
Pensions Reserve	(521,235)	(493,311)
Total	**1,128,121**	**1,324,602**

The Council’s closing General Fund Reserves for 2013/14 are c£35 million which represents a £3 million increase in the year. Reserves for specific activities – Earmarked Reserves – total £90.8 million which is an in year net increase of £30.5 million, which is primarily due to the need to fund a number of significant change and improvement programmes across the Council.

The Reserves are kept under review and are considered necessary in light of the Council's current and future financial challenges. Given the size and complexity of the Council's operation, it was considered appropriate to have increased General Fund Reserves over the last 3 years: by £6.5 million in 2011/12; a further £10 million in 2012/13; and a further £3 million in 2013/14.

There are significant and ongoing reductions to Government funding which are detailed in the Budget and Council Tax Report 2014/15. These are summarised in the 'Risks and Challenges' section.

Capital grants and receipts have increased in the year because of S106 and S278 funding which has been received from developers for the provision of infrastructure, services, highway improvements and other necessary mitigation measures and proceeds from Right To Buy sales. These monies will be used to contribute towards the Council's capital expenditure programme in future years.

Within the Council's unusable reserves is the Revaluation Reserve, this item represents the gains in asset values arising from the revaluation of fixed assets since 1st April 2007. Gains arising before this date have been consolidated into the Capital Adjustment Account. The balance thus represents unrealised gains since that date.

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 2017/18. The Capital Programme (including HRA) for 2013/14 approved by Cabinet in February 2013 was set at £104 million.

The actual full year net Capital expenditure for 2013/14 was £97.2 million. This was an underspend of £7 million against Budget. The underspend is the result of a combination of the slippage of major programmes, where expenditure will now occur in future years, and underspends.

THE COUNCIL'S FINANCIAL STRATEGY

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

- Improving the delivery of front-line services, and driving greater efficiencies from the back-office;
- Driving better value for money through contracts and procurement; and
- Joining up services locally and nationally including through our tri-borough partnership with the London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea.

The pressures on public expenditure will continue to be significant. In the next financial year we are facing funding pressures of c£25 million. It is anticipated that financial pressures will remain at these consistent levels for the foreseeable future. These challenges combined with increasing service demands and economic pressures will require a continued focus on the delivery of cost effective services.

In 2011/12, following the comprehensive spending review of October 2010, the Council embarked on a significant programme of change / investment activity. Over the last 3 years the Council has successfully delivered c£100 million of savings. The Council has committed to further savings in 2014/15 of c£21 million, and is actively pursuing a programme of further savings as part of its Medium Term Financial Planning activities to deliver another c£100 million over a four year period.

As a consequence of the Council's proactive focus on medium term financial planning, costs have been contained, risks have been managed and Reserves have been strengthened. The Council now has General Fund Reserves c£20 million higher than the position reported at the close of 2010/11. As pressures on the Council's finances continue, it is anticipated that these Reserves will need to be monitored closely over the medium term in order to ensure that they are adequate and proportionate to the risks faced by Westminster.

GOVERNANCE

The Council's financial affairs are required to be reviewed by an independent organisation which is appointed to express an opinion on the accuracy of the Council's financial accounts. This review or audit is undertaken by KPMG who have been appointed by the Government appointed body, the Audit Commission. The findings from the audit will be presented by the KPMG Engagement Partner to the Audit and Performance Committee of the Council on 30th June 2014.

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 the presentation in order to provide simplified, more concise information. Detailed information is contained within the Comprehensive Income and Expenditure Statement and the Balance Sheet.

The final accounts are available on the Council’s website.

Anna D’Alessandro
Acting Section 151 Officer
Westminster City Council
Westminster City Hall
64 Victoria Street
London SW1E 6QP

Date: 30 June 2014

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 Acting Section 151 Officer.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

THE ACTING SECTION 151 OFFICER'S RESPONSIBILITIES

The Acting Section 151 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 Acting Section 151 Officer has:

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

The Acting Section 151 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.

Anna D'Alessandro
Acting Section 151 Officer

Date:

APPROVAL OF STATEMENT OF ACCOUNTS

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

Councilor Jean-Paul Floru
Chairman of the Audit and Performance Committee

Date:

INTRODUCTION AND PURPOSE OF THE ANNUAL GOVERNANCE STATEMENT

This statement is our Annual Governance Statement for 2013/14 and builds upon those of previous years. It summarises key governance mechanisms and records the significant governance issues that need to be addressed over the coming year. The full Code of Corporate Governance can be found on the Council's website www.westminster.gov.uk and forms part of the City Council's Constitution.

The purpose of this statement is to enable the Council to meet its requirements under the Accounts and Audit (England) Regulations 2011, which requires that the Council prepares an annual governance statement.

A governance framework has been in place at the Council for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts.

Westminster City Council (the "Council") is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

THE GOVERNANCE FRAMEWORK

Corporate governance generally refers to the process by which organisations are directed, controlled and held to account. The governance framework enables the Council to monitor the achievement of its strategic objectives. 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.

In order to support good governance reliance is placed on the Council's governance framework. Members of the public are welcome to ask public questions about Council business and policy at Council meetings as well as to inspect the accounts being audited. Further information about transparency and openness in the Council is published on the Council website under "the Council and Democracy".

The Council must consider certain high-level strategic plans. These include:

- ***Better City, Better Lives Year 2*** http://rewire/yourcouncil/Documents/bcbc_year2.pdf
- ***Shared TriB*** Values
- ***Westminster Council Civic*** Contract

The level of Council Tax for each Financial Year is set through a stringent process of budget setting and review. The annual Revenue and Capital budgets are prepared by the Cabinet, consulted upon, reflected in the Forward Plan and then considered and approved by the full Council at the Budget Council meeting in March each year.

THE COUNCIL

The Council is a large organisation with a total turnover of £1.4 billion. It is responsible for providing or commissioning about 600 separate services and the capital programme is just over £100 million.

The Council has 60 elected members (Councillors) and the composition of the Council from the Election in May 2010 until 21st May 2014 was:

Conservative 48 Councillors; Labour 12 Councillors.

Since the Election in May 2014 the composition of the Council is:

Conservative 44 Councillors; Labour 16 Councillors.

THE CONSTITUTION

The conduct of the Council is defined by formal procedures and rules, which are set out in the Council's Constitution.

All Councillors meet together as the Council and full Council meetings are scheduled to take place normally five times a year and meetings are normally open to the public. The conduct of the Council's business is defined by statute and formal procedures which are set out in the Constitution.

As well as delivering statutorily defined services to its residents, the Council is also responsible for the administration of the election process at European, National, and Local level. No issues were raised about the conduct of these elections by either a candidate or elector.

Monitoring Officer Function

The Council is required to appoint a **Monitoring Officer** and at Westminster Council this is the Head of Legal and Democratic Services. Monitoring Officer functions include maintaining the Constitution, the Code of Corporate Governance, overseeing compliance with the law and supporting the Standards Committee. He is authorised to institute, conduct and, where appropriate defend and settle criminal and civil legal proceedings and claims concerning the Council's responsibilities and interests; to take action to protect the interests of the Council and to give legal effect to any decision or action properly taken by the Council or a Committee or person on behalf of the Council.

Senior staff, led by the **Head of Paid Services** (the Chief Executive), offer policy options and commentary as necessary on possible action to elected Councillors, who take the key decisions. The Council is run by senior appointed staff and their teams.

ANNUAL CORPORATE GOVERNANCE REVIEW

To monitor the effectiveness of the Council's corporate governance systems, a Corporate Governance review is undertaken in each year of the governance framework, the basis of which is shown in the diagram below:

Corporate Governance

- Constitution (incl. statutory officers, scheme of delegation, financial management and procurement rules
- Audit and Performance Committee
- Internal and external audit
- Independent external resources
- Scrutiny function
- Council, Cabinet and Panels
- Medium term financial strategy
- Complaints system
- HR Policies and procedures
- Whistle blowing and other counter fraud arrangements
- Risk management framework
- Performance management system
- Codes of conduct.

Management Team

- The role of Chief Officers
- Delivery of the Council's aims and objectives
- Corporate Planning
- Business and financial plans
- Officer codes of conduct
- Performance Management Framework
- The role of the Chief Financial Officer
- The role of the TriB Head of Audit
- Roles & responsibilities of Members and Officers
- Timely production of Statement of Accounts
- External and Internal audit report recommendations
- Monitoring Officer function
- Head of Paid Service.

Services are delivered economically, efficiently & effectively

- Management of risk
- Effectiveness of internal controls
- Democratic engagement and public accountability
- Budget & financial management arrangements
- Standards of conduct and behaviour
- Compliance with laws & regulations, internal policies & procedures
- Employee performance
- Budgetary control
- Financial Regulations
- Compliance with the Procurement Code
- Stakeholder engagement
- Evaluation of benefits gained from investments and projects
- Partnership governance.

PARTNERSHIP GOVERNANCE

Good governance arrangements in respect of partnerships and other group working have been put in place. For example:

To date, the Council has delivered a significant proportion of its services through its strategic partnership contract with Serco. Service delivery and contract compliance is monitored though Service Area Project Boards and the Operations Board. Due to a strategic decision to implement the Managed Services Programme across all three boroughs, a senior officer-led Transition Board was set up which meets at least monthly to manage all risks associated with the transition. The Council has an arm's length management organisation (CityWest Homes), a wholly owned subsidiary limited by guarantee, to manage its housing stock and deliver some housing responsibilities. CityWest Homes has a formal governance structure and operates its own risk management strategy and is subject to internal and external inspection and audit, in compliance with the Companies Act.

Westco Trading Limited is wholly owned by the Council and is governed by a board of directors comprising senior Council officers and an Elected Member. Accounts are independently prepared and lodged annually with Companies House.

Westminster Community Homes is a registered Industrial and Provident society and was originally set up by the Council 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, City West Homes and residents and is chaired by an independent nominee.

AUDIT AND PERFORMANCE COMMITTEE

The Audit and Performance Committee receives many reports that deal with issues of good governance as well as those in need of improvement. The Committee normally meets quarterly and during 2013/14, met in April 2013, June 2013, November 2014 and February 2014. The Committee reviews standing agenda items as well as reviewing specific items at particular times of the year, which are driven by the annual accounts preparation/ finalisation and any matters that require further reporting. During the year the Committee reviewed:

- Internal audit and counter fraud activity, reports, implementation of recommendations;
- External audit annual letter;
- Regularity framework including recommending the adoption of the Council's Governance Statement;
- Contracts and Performance;
- Regulatory Monitoring;
- Risk, Operational and Financial Performance.

SCRUTINY COMMITTEES

The Council has a Scrutiny Commission comprising of seven Members and four Scrutiny Committees, each focussing on a specific remit, for example Children Services. Scrutiny Committees can:

- review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- make reports and/or recommendations to the full Council and/or the executive and/or any policy, joint or area committee in connection with the discharge of any functions;
- consider any matter affecting the area or its inhabitants; and
- exercise the right to call-in for reconsideration, decisions made but not yet implemented, by the executive.

Scrutiny Committee reviews and annual work programmes

Each year, during June, Scrutiny Committees identify and agree an annual programme of work, to ensure they prioritise the most important topics and issues within their remit. The work programme can, with the agreement of the Chairman, be added to at any time. Residents, Councillors and Council Officers all participate in these Committees.

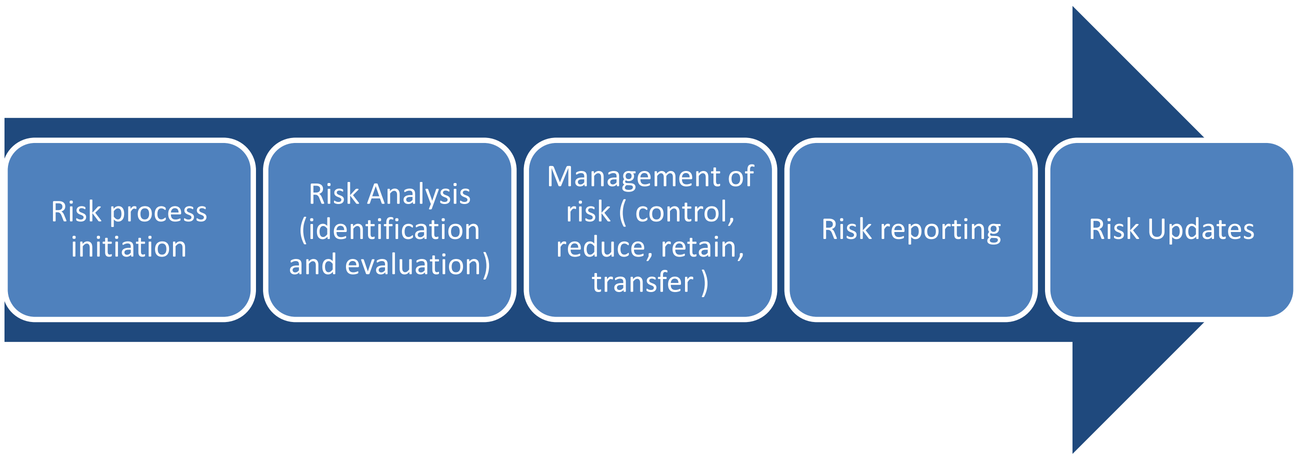
Once the work programme is agreed, the Committees often establish time-limited working groups (usually made up of three to four Councillors from that Committee's membership) to take forward detailed reviews of specific matters. These working groups consider evidence and views from a wide range of stakeholders, professionals and experts across a range of services and report back with recommendations intended to resolve those matters and /or improve the way the Council operates.

RISK MANAGEMENT STRATEGY

All Councillors and Managers are responsible for ensuring that risk implications are considered in the decisions they take. The Council has adopted the Tri-borough risk management strategy.

The successful delivery of the Better City, Better Lives depends on the Council’s ability to manage risk rather than eliminate it altogether. A certain amount of managed risk taking is inevitable.

Risk analysis and management across the Council and Tri Borough working arrangements must follow a uniform process to ensure consistency and high quality. The five-step process to identifying and managing risk is illustrated below:



Risk review process

It is recognised by the London Borough of Hammersmith, Westminster City Council and the Royal Borough of Kensington and Chelsea, that risk management is an integral part of good governance. Services undergoing substantial changes will continue into 2015 resulting in a variety of business models being used across the three Councils.

The Tri-borough Risk Management Strategy Statement sets out the intended approach to risk management for Tri-borough, Bi-borough and sovereign services to respond to risk and opportunities in the delivery of both strategic and operational objectives.

MANAGING THE RISK OF FRAUD

The financial resources available to the Council need to be maximised, in order to help achieve the corporate strategies as far as possible. One aspect to assisting with maximising resources is to further reduce the opportunity for fraud and misappropriation. The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors or service users and will take all necessary steps to investigate any allegation of fraud or corruption and pursue sanctions available in each case, including removal from office, dismissal and/or prosecution.

The Anti-Fraud, Bribery and Corruption Strategy summarises the Council’s position, building on the content of a number of corporate policy statements incorporated in the Council’s Constitution, namely;

- Members Code of Conduct;
- Officers Code of Conduct;
- Whistleblowing Policy;
- Financial Regulations;
- Procurement Code.

A fraud response plan is available to all Council officers and staff which provides guidance on what actions they need to take in the event of becoming aware, or suspicious of, a fraud or an act of corruption being committed against the Council, either internally or externally by individuals or organisations.

Anti bribery and corruption

All members of staff have a responsibility to declare any offer of a gift, hospitality, benefit or service, even if the offer is not accepted. Each member of staff is responsible for recording their offers, both accepted and rejected. When an offer is received, employees need to record this in the Gifts and Hospitality register for approval.

MANAGING FINANCES

The Council is able to confirm that it complies with the governance requirements of the CIPFA Statement on the Role of the **Chief Financial Officer** in Local Government (2010). The Section 151 Officer is a qualified and suitably experienced accountant who is responsible for the proper administration of the Council's financial affairs, and for ensuring the lawfulness and financial prudence of financial transactions.

The **Section 151 Officer** and Acting Chief Financial Officer is a regular attendee of Strategic Executive Board with responsibility for leading and advising on the strategic financial decisions impacting on the City Council's delivery of its objectives; ensuring continuing effective financial controls, risk management and management of the Corporate Finance function.

INTERNAL AUDIT AND EXTERNAL AUDIT ASSURANCE

The Council receives a substantial amount of assurance from the work that is undertaken by its Internal Audit Service and External Auditors (KPMG)**.**

INTERNAL AUDIT

The Audit and Performance Committee agreed that the Public Sector Internal Audit Standards (PSIAS) should be followed from April 2013. These have been developed specifically for public sector organisations by CIPFA.

The Process and Audit Group approved the revised Internal Audit Terms of Reference which is based on CIPFA best practice and reflects the requirements of the new PSIAS. The terms of reference set out the role and responsibilities of internal audit and confirm its independence within the organisation. Internal audit is required by regulation to review how they work each year. A self-assessment against the revised PSIA Standards was undertaken during 2012/13 and was confirmed to remain compliant during 2013/14.

Good practice suggests that internal audit should also be reviewed against the governance arrangements set out in the CIPFA Statement on the Role of the Head of Internal Audit. A self-assessment was carried out and reported to the Process and Audit Group in September 2013. A cyclical and independent review of the internal audit service is being planned for 2014/15 which is being co-ordinated as part of the pan-London Local Authority Audit Group. This will identify any opportunities for further improving the service.

One of the key assurance statements the Council receives is the annual report and opinion of the Head of Internal Audit. In respect of the year ending March 2014, the opinion expressed was that the "Council's internal control environment and systems of internal control provide satisfactory assurance over key business processes and financial systems".

However, during the year, internal audit expressed limited assurance over particular and individual systems of internal controls which, although were not materially significant in respect of the entirety of the Council's controls and governance frameworks, nonetheless resulted in a number of systems improvements that strengthened financial and operational controls. These were:

- A review of the governance arrangements of the ICT Programme identified further opportunities to strengthen the resource and skills allocation, enhance budget management and better manage conflicting priorities. All recommendations were implemented during 2013/14.
- The City Council, in partnership with an out-sourced provider, currently provides a commercial waste service that is operated under the overall Waste Collection and Street Cleansing Contract. A new customer management and account system is being implemented and the review identified further system enhancements to manage debtors, suspense account and to introduce more robust finance challenges. The controls improvements are being implemented during 2014/15.
- Personal Homecare Services are governed by regulatory and legislative requirements relating to domiciliary care services. Improvements to controls over assessments, payments and reporting were implemented during 2013/14.

- Authorised Officers are empowered to act on behalf of the Council in a transparent and public manner and the review suggested improvements to further enhance documentation and transparency of decision making.
- The review of the Tri Borough Adult Social Care procurement and Commissioning identified further opportunities to rationalise various policies and strengthen the procurement and contracting procedures, particularly through the use of the Council's new Capital e-Sourcing platform.
- Local authorities have the power to charge for residential care and local authorities use the guidance Charging for Residential Accommodation Guide (CRAG), when making assessments. Improvements were recommended relating to documenting processes and assessments and suggested further staff training, which would contribute to a more efficient charging and collection process.
- As part of the planned internal audit programme, three primary schools were advised of the need to strengthen the design and application of some areas of governance and financial frameworks, although the matters identified were immaterial in value. One school has since become an Academy, one was further reviewed and all recommendations were implemented and one school will be further reviewed to ensure implementation of the recommendations.

EXTERNAL AUDIT

Value For Money

Our External Auditor, KPMG, issued an unqualified value for money (VFM) conclusion for the financial 2012/13 on 30th September 2013. This means that they are satisfied that the Council had proper arrangements for securing financial resilience and for challenging how it secures economy, efficiency and effectiveness.

The Audit Commission's guidance requires the External Auditor to report by exception on any other significant additional matter which has come to their attention and which they consider to be relevant to the proper arrangements to secure economy, efficiency and effectiveness in the Council's use of resources. Such a matter was identified by them in relation to weaknesses in the Council's arrangements for managing risks, and maintaining a sound system of internal control in respect of procurement. This matter has emerged from their work considering the objections relating to the Council's accounts for the financial years 2008/09 to 2011/12. These weaknesses included non-compliance with the proper procedures required by the Council's Procurement Code and internal financial regulations, in particular the processes for contract letting, contract variations and for formalising contract documentation.

Audit Opinion

KPMG issued an unqualified opinion on the Council's 2012/13 financial statements on 30th September 2013. This means that they believe the financial statements gave a true and fair view of the financial position of the Council and of its expenditure and income for the year. The financial statements also include those of the Pension Fund.

KPMG's audit of the financial statements did not identify any material adjustments. The Council made two non-trivial adjustments which had no impact on the General Fund.

The audit raised two recommendations, one related to the annual revaluation of investment properties and the other related to the timely clearing down of older items on the regular bank reconciliations. The Council has addressed both of these recommendations in 2013/14.

Financial Statements Audit and Certificate 2012/13

As KPMG is still considering a number of objections relating to prior years the audit cannot be formally concluded, and audit certificates cannot be issued for these and the current year. The Council is actively working with KPMG to bring these matters to a conclusion and in doing so formally conclude all years from 2008/9 onwards. Over the last few months both parties worked closely to bring to a conclusion several objections from prior year

Annual Governance Statement

KPMG reviewed the 2012/13 Annual Governance Statement and concluded that it was sound and consistent and correlated with their understanding of the governance arrangements of the Council.

Pension Fund audit

There were no significant issues arising from KPMG's audit of the Pension Fund.

Whole of Government Accounts

KPMG reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts by HM Treasury. The auditors reported that the Council's pack was consistent with the Council's audited financial statements.

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SIGNIFICANT GOVERNANCE ISSUES

Matters reported in the 2012/13 Annual Governance Statement had been addressed during 2012/13 with no residual issues.

During 2013/14 internal audit expressed limited assurance over particular and individual systems of internal controls which, although were not materially significant in respect of the entirety of the Council's controls and governance frameworks, nonetheless resulted in a number of systems improvements that further strengthened financial and operational controls. While generally satisfied with the effectiveness of corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance arrangements the following issues, as highlighted in the statement, have been identified for improvement.

Public Health, governance, financial accounting and charging

As of the 1st April 2013 local authorities took a key role in improving the health and wellbeing of their local population and working in partnership with Clinical Commissioning Groups and other health institutions. This involves commissioning and collaborating on a range of public health services. A review of the governance, financial accounting and charging arrangements set out by the Department of Health (DoH) established a limited assurance on governance and expenditure made in accordance with the DoH grant conditions. The conditions cover how the grant may be spent and the activities on which it may be spent. The Finance Business Partners, with the assistance of the Business Support Team, have been making significant progress with addressing these issues together with the Director of Public Health.

Adult Social Care Risk Management

Management of risk is intrinsically important to the successful delivery of operational objectives. The department recognises the importance of a risk management process that is embedded and integrated into business processes. Many elements of operational risk management are considered to be effective however these are not managed within a structure that is consistent with the Tri-borough risk management strategy. These include consideration of a departmental risk register comprised of strategic, business as usual and change risks that are measured, allocated, categorised and reviewed. Departmental procedures have been reviewed and an action plan implemented to improve the issues identified.

Other

During the year, governance arrangements over managing some areas of conflicts of interest in a more transparent manner were strengthened which resulted in improvements in internal controls over management reviews and reporting.

Signed:

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Leader of the Council

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Chief Executive on behalf of the Council

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2012-13 Gross Expenditure (£'000)	2012-13 Gross Income (£'000)	2012-13 Net Expenditure (£'000)			2013-14 Gross Expenditure (£'000)	2013-14 Gross Income (£'000)	2013-14 Net Expenditure (£'000)
99,359	(45,423)	53,936	Central services to the public		97,151	(31,404)	65,747
22,904	(4,687)	18,217	Cultural and related services		20,945	(5,781)	15,164
63,376	(26,885)	36,491	Environmental and regulatory services		58,077	(23,433)	34,644
18,082	(8,853)	9,229	Planning services		20,198	(12,577)	7,621
177,069	(127,017)	50,052	Education and children services		142,400	(104,004)	38,396
125,398	(91,374)	34,024	Highways and transport services		107,007	(81,679)	25,328
84,954	(109,719)	(24,765)	Local authority housing (HRA) *		(82,618)	(102,436)	(185,054)
343,220	(303,704)	39,516	Other housing services		318,491	(272,232)	46,259
147,737	(56,845)	90,892	Adult social care		133,905	(40,333)	93,572
-	-	-	Public Health **		26,412	(26,386)	26
12,426	-	12,426	Corporate and democratic core		11,940	-	11,940
42	-	42	Non distributed costs		42	-	42
-	-	-	Material items of income and expenditure		-	-	-
1,094,567	(774,507)	320,060	**Cost of services**		853,950	(700,265)	153,685
		(33,704)	Other operating expenditure	*Note 9*			15,983
		(50,713)	Financing & investment income & expenditure	*Note 10*			(5,018)
		-	(Surplus) or deficit of discontinued Operations				-
		(274,919)	Taxation and non -specific grant Income	*Note 11*			(315,293)
		(39,276)	**(Surplus)/Deficit on Provision of Services**	*Note 29*			(150,643)
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(199,891)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets				(42,161)
		-	Impairment losses on non-current assets charged to the Revaluation Reserve				-
		23,178	Actuarial gains/losses on pension assets and liabilities ***				-
		-	Remeasurement of the net defined benefit liability (assets) ***				(51,520)
		(215,989)					(244,324)
			Items that will be reclassified to the (Surplus) or Deficit on the Provision of Services				
		-	(Surplus)/deficit on revaluation of financial assets (Available for sale)				127
		-	Other Comprehensive Income and Expenditure				-
		(215,989)	Comprehensive Income & Expenditure Total				**(244,197)**

* HRA Gross Expenditure includes £85.1m of service expenditure and a reversal of prior year impairment of £167.2m.
** Public Health responsibilities were transferred to local government from the NHS on 1 April 2013.
***The accounting policy has changed as a result of the Code's adoption of the 2011 amendments to IAS 19 and IAS 1. The amendments to IAS 19 have been implemented in the current year. No prior period adjustment has been made as the change was not material. Hence, the comparator year figures are presented as per the 2012/13 Annual Accounts.

MOVEMENT IN RESERVES STATEMENT

The statement shows the movement in year on reserve balances held by the authority. Usable reserves may be used to fund expenditure or reduce local taxation. Unusable reserves are other reserve balances and together with usable reserves collectively represent total reserve balances held by the Council. The deficit on provision of services represents the true economic cost of providing the Council's services, a detailed analysis of these costs is presented within the authority's Comprehensive Income & Expenditure Account. The Comprehensive Income & Expenditure Account figures are different from the statutory amounts required to be charged to the General Fund and HRA Accounts for Council Tax and Dwelling Rent setting purposes. The net increase/decrease before transfers to Earmarked Reserves shows the statutory balance prior to any discretionary transfers taken to other specific reserve balances held by Council.

	Revenue Reserves						Capital Reserves			Unusable Reserves									
	General Fund Balance	Ear-marked GF Reserves	Housing Revenue Account	Ear-marked HRA Reserves	DSO Surpluses Account	Schools Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Capital Adjust-ment Account	Revaluation Reserves	Collection Fund Adjust-ment Account	Financial Instrument Adjustment Account	Available for Sale Financial Instruments Reserve	Accumu-lated Absences Account	Deferred Capital Receipts	Pensions Reserve	Unusable Reserves	Total Council Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 31 March 2012 carried forward	**22,054**	**38,361**	**91,833**	**-**	**804**	**8,474**	**1,956**	**5,716**	**169,198**	**1,355,667**	**91,598**	**(152)**	**(1,542)**	**-**	**(3,049)**	**2,504**	**(489,865)**	**955,161**	**1,124,359**
Movement in reserves during 2012/13																			
Surplus or (deficit) on provision of services (accounting basis)	4,461	-	34,815	-	-	-	-	-	39,276	-	-	-	-	-	-	-	-	-	39,276
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	199,891	-	-	-	-	-	(23,178)	176,713	176,713
Total Comprehensive Income and Expenditure	**4,461**	**-**	**34,815**	**-**	**-**	**-**	**-**	**-**	**39,276**	**-**	**199,891**	**-**	**-**	**-**	**-**	**-**	**(23,178)**	**176,713**	**215,989**
Adjustments between accounting basis & funding basis under regulations *	25,889	-	(33,587)	-	-	-	6,527	4,924	3,753	14,597	(10,807)	386	(8,013)	-	572	7,704	(8,192)	(3,753)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	30,350	-	1,228	-	-	-	6,527	4,924	43,029	14,597	189,084	386	(8,013)	-	572	7,704	(31,370)	172,960	215,989
Transfers to / from Earmarked Reserves	(20,377)	21,930	-	-	-	(1,553)	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase / Decrease In Year	9,973	21,930	1,228	-	-	(1,553)	6,527	4,924	43,029	14,597	189,084	386	(8,013)		572	7,704	(31,370)	172,960	215,989
Balance at 31 March 2013 carried forward	**32,027**	**60,291**	**93,061**	**-**	**804**	**6,921**	**8,483**	**10,640**	**212,227**	**1,370,264**	**280,682**	**234**	**(9,555)**	**-**	**(2,477)**	**10,208**	**(521,235)**	**1,128,121**	**1,340,348**
Movement in reserves during 2013/14																			
Surplus or (deficit) on provision of services (accounting basis)	(58,296)	-	208,939	-	-	-	-	-	150,643	-	-	-	-	-	-	-	-	-	150,643
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	42,161	-	-	(127)	-	-	51,520	93,554	93,554
Total Comprehensive Income and Expenditure	**(58,296)**	**-**	**208,939**	**-**	**-**	**-**	**-**	**-**	**150,643**	**-**	**42,161**	**-**	**-**	**(127)**	**-**	**-**	**51,520**	**93,554**	**244,197**
Adjustments between accounting basis & funding basis under regulations *	91,134	-	(208,766)	-	-	-	13,093	1,613	(102,926)	157,960	(17,945)	(10,438)	1,381	-	690	(5,126)	(23,596)	102,926	-
Net Increase / Decrease before Transfers to Earmarked Reserves	32,838	-	173	-	-	-	13,093	1,613	47,717	157,960	24,216	(10,438)	1,381	(127)	690	(5,126)	27,924	196,480	244,197
Transfers to / from Earmarked Reserves	(29,570)	30,554	-	-	-	(984)	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase / Decrease In Year	3,268	30,554	173	-	-	(984)	13,093	1,613	47,717	157,960	24,216	(10,438)	1,381	(127)	690	(5,126)	27,924	196,480	244,197
Balance at 31 March 2014 carried forward	**35,295**	**90,845**	**93,234**	**-**	**804**	**5,937**	**21,576**	**12,253**	**259,944**	**1,528,224**	**304,898**	**(10,204)**	**(8,174)**	**(127)**	**(1,787)**	**5,082**	**(493,311)**	**1,324,601**	**1,584,545**

* Further breakdown of the Usable Reserves is presented in Note 7, further breakdown of Unusable Reserves is presented in Note 25 and Earmarked Reserves are detailed in Note 8

BALANCE SHEET

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

	Note	31 March 2013 £'000	31 March 2014 £'000
ASSETS			
Non-current			
Property, Plant and Equipment	*Note 12*	1,668,803	1,830,302
Heritage Assets	*Note 13*	27,000	42,746
Investment property	*Note 14*	322,379	340,419
Intangible Assets	*Note 15*	6,284	4,699
Long -term Investments	*Note 16*	38,017	39,105
Other capitalised expenditure		2,286	2,286
Long -term debtors	*Note 19*	23,610	15,618
Total long term assets		2,088,379	2,275,175
Current			
Short-term investments	*Note 16*	205,260	437,172
Inventories	*Note 17*	207	332
Short-term debtors	*Note 19*	61,965	87,936
Cash and other cash equivalents	*Note 20*	237,514	158,314
Assets held for sale	*Note 21*	-	-
Current assets		504,946	683,754
LIABILITIES			
Short-term borrowing	*Note 16*	34,395	1,344
Short-term creditors	*Note 22*	214,589	311,755
Revenue - Receipts in Advance	*Note 39*	37,115	50,289
Current Liabilities		286,099	363,388
Long-term creditors	*Note 22*	20,155	18,021
Provisions	*Note 23*	37,390	82,672
Long-term borrowing	*Note 16*	284,950	283,310
Other long-term liabilities	*Note 48*	521,235	493,311
Donated Assets Account		-	-
Capital - Receipts in Advance	*Note 39*	103,148	133,681
Long-term liabilities		966,878	1,010,995
Net assets		**1,340,348**	**1,584,546**
Total Usable Reserves	*Note 24*	212,227	259,944
Total Unusable Reserves	*Note 25*	1,128,121	1,324,602
Total Reserves		**1,340,348**	**1,584,546**

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period.
The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority/group are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from fiinancing activities are useful in predicting claims on future cash flows by providors of capital (i.e. borrowing by the Council).

	Note	2012-13 £'000	2013-14 £'000
Net surplus or (deficit) on the provision of services		39,276	150,643
Adjustment to surplus or deficit on the provision of services for non-cash movements		258,601	49,195
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(198,693)	(106,992)
Net Cash flows from operating activities	*Note 26*	**99,184**	**92,845**
Net Cash flows from Investing Activities	*Note 27*	(23,810)	(229,662)
Net Cash flows from Financing Activities	*Note 28*	(63,203)	57,617
Net increase or decrease in cash and cash equivalents		**12,172**	**(79,200)**
Cash and cash equivalents at the beginning of the reporting period		225,342	237,514
Cash and cash equivalents at the end of the reporting period		**237,514**	**158,314**

Note 1 – ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the CIPFA Service Reporting Code of Practice (SeRCOP) for Local Authorities 2013/14, supported by International Financial Reporting Standards (IFRS).

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

ACCRUALS OF INCOME AND EXPENDITURE

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

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

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage 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.

CASH AND CASH EQUIVALENTS

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

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 strategy.

EXCEPTIONAL ITEMS

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to understanding of the Council's financial performance.

PRIOR PERIOD ADJUSTMENTS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are only accounted for prospectively i.e. in the current and future years which are affected by the changes, they do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices, or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change in accounting policy is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances for the current year and comparative amounts for the prior period as if the new policy had always been applied.

Where material errors are discovered in prior period figures they are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following charges to record the cost of holding non-current 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.

MINIMUM REVENUE PROVISION

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

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

EMPLOYEE BENEFITS

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.

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

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.

Post Employment Benefits

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

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

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

However, the arrangements for the Teachers' scheme and NHS Scheme mean that liabilities for these benefits cannot ordinarily be identified for the Council. These schemes are therefore accounted for as if they were defined contributions schemes and no liability for future payments of benefits is recognised in the Balance Sheet. Within the Comprehensive Income and Expenditure Statement the Children's and Education Services, and Public Health lines respectively are charged with the employer's contributions payable to Teachers' Pensions and NHS Pensions in the year.

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. The basis of calculation is the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, 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 unit 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 pension liability of the Council is analysed into six 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.

- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Re-measurement of the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

- 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.

Discretionary Benefits

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

EVENTS AFTER THE REPORTING PERIOD

Events after the balance sheet date are those events, both favourable and unfavourable, which 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. In this instance, the Statement of Accounts is adjusted to reflect such events.

- Those that are indicative of conditions that arose after the reporting period. In this instance, 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.

Events taking place after the date when the Statement of Accounts is authorised for issue are not reflected in the Statement of Accounts.

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

Financial Assets

Financial assets 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 valuation applied to fixed term cash deposits is their carrying value, as 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. They are initially measured at fair value and 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 that particular instrument. For most of the loans which the Council has made, 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 in the year is the amount whih the loan agreement identified as receivable.

In addition, the Council has made a number of loans to voluntary organisations at less than market rates which are referred to as soft loans. When such 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 past event and there is a likelihood 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 de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis;
- Equity shares with no quoted market prices – professional estimate.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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 2014. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

GOVERNMENT GRANTS AND CONTRIBUTIONS

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.

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.

Monies advanced as grants and contributions for which conditions have not yet 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.

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.

Where a revenue grant meets the recognition criteria set out 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 Council 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.

BUSINESS IMPROVEMENT DISTRICTS (BIDS)

A Business Improvement District (BID) scheme applies across specific geographic locations. The schemes are 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.

COMMUNITY INFRASTRUCTURE LEVY (CIL)

The Council will be implementing a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council will charge for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for Government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure although a small proportion of the charges may be used to fund revenue expenditure and a neighbourhood share.

COLLECTION FUND

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

COUNCIL TAX INCOME

Council Tax income included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for that year. Each major preceptor's share of the accrued Council Tax income is available from the information 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.

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.

NATIONAL NON-DOMESTIC RATES (NNDR)

Following the introduction of Business Rate Localisation, with effect from 1 April 2013 local authorities are responsible for collecting and distributing 50% of the income from the business rates they collect rather than simply acting wholly in an agency capacity for the DCLG NNDR Pool as they had done until 31 March 2013. The financial reporting requirements for this are articulated in International Public Sector Accounting Standards Board (IPSAS) 23 Revenue from Non-Exchange Transactions (Taxes and Transfers).

The Council is responsible for any refunds relating to back-dated appeals although a significant element of which will relate to 2012/13 or prior, but in accordance with CIPFA Guidance (LAAP Bulletin 96) such liabilities will only be formally recognised in the 2013/14 accounts. The total provision which the Council believes it necessary to make at the start of April 2013 with regard to outstanding business rate appeals is £163m of which the Council’s share is 30% (£49m).

Safety net arrangements are in place to protect the Council from the impact of any reductions below 7.5% of its baseline funding level and as a consequence, the maximum loss that the Council can suffer from business rate localisation in 2013/14 is £5.9m.

HERITAGE ASSETS

Heritage assets are defined by the Code as those assets which “are intended to be preserved in trust for future generations because of their cultural, environmental or historical association”. This group of assets are accounted for in accordance with the Council’s accounting policies on property, plant and equipment except “where it is not practical to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements, heritage assets shall be measured at historic cost”.

Operational heritage assets (i.e. those that in addition to being held for their heritage characteristics are also used for other activities or provide other services) are accounted for as operational assets and valued in the same way as other assets of that type.

The Code states that “Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external auditors nor is there any prescribed minimum period between revaluations”. The Council’s Heritage Assets which comprise: Statues & Monuments; Civic Regalia and Works of Art are reported in the balance sheet at a current insurance valuation (based on market values) supplemented by a specialist valuation exercise for regalia and works of art which was conducted during the year 2013/14. Acquisitions are recognised at cost. As Heritage Assets are deemed to have indeterminate lives and high residual value, the Council does not deem it appropriate to charge depreciation for these assets.

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 e.g. 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 re-valued 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 with any recognised losses 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.

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 which 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.

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.

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.

INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rental income and/or for capital appreciation. The definition does not apply 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. Investment 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.

Rental Income received in relation to investment properties is 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.

JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the joint venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet only its share of the jointly controlled assets and related liabilities; whilst on its Comprehensive Income and Expenditure Statement those expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all of 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.

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 use 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 MRP policy. 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).

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.

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 2013/14. 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.

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.

Impairment

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

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 subsequently reversed, 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 the depreciation that would have been charged if the loss had not been recognised.

Borrowing

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

Depreciation

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

Depreciation is calculated on the following bases:

- Buildings - straight-line allocation over the useful life of the property as estimated by a qualified valuer;
- HRA dwellings are depreciated based upon component accounting basis. In the year of disposal a full year's depreciation is charged to the accounts and nothing in the year of acquisition;
- Vehicles, plant 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.

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

Disposals 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 is 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 (up to a maximum ceiling). 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 HRA'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.

PRIVATE FINANCE INITIATIVE (PFI/PPP) & 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 related to these contracts and recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI & Similar Contractual operator is analysed into the following 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;

- Fair value of any services received during the year:

- Contingent rent payable under the agreement;

- Lifecycle replacement cost where applicable;

- 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).

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

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

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

When payments are eventually made, they are charged to the Comprehensive Income and Expenditure Statement and the relevant provision released from 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 required in order to meet potential claims that may be met by the Council within the agreed excess limits with the insurers. Where some or all of the payment required to settle a provision is expected to be recovered from a third party this will only be recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

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 are 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 are disclosed in a note to the accounts.

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.

The category of unusable reserves includes those reserves which 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 notes.

The Council has the following reserves:-

- Usable Reserves:

    General Fund Balance;
    Earmarked Reserves;
    Housing Revenue Account;
    Earmarked HRA Reserves;
    DSO Surpluses Account;
    Schools Reserves;
    Capital Receipts Reserve and
    Capital Grants Unapplied.

- Unusable Reserves:

  Revaluation Reserves;
  Capital Adjustment Account;
  Financial Instrument Adjustment Account;
  Available for Sale Financial Instruments Reserve;
  Deferred Capital Receipts Reserve;
  Pensions Reserve;
  Collection Fund Adjustment Account and
  Accumulated Absences Account.

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.

VALUE ADDED TAX

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

CARBON REDUCTION COMMITMENT

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances (currently retrospectively) on the basis of emissions i.e. the amount of carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances and is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the cost of services and is apportioned to services on the basis of energy consumption.

STATEMENT OF ACOUNTING POLICIES FOR GROUPS

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 Movement in Reserves Statement.

Accounting Policies

Group Accounts are presented using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies of the subsidiaries, associates and jointly controlled entities are aligned with the policies of the Council.

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.

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.

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.

Note 2 – ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting for 2014/15 has identified a number of revised standards which are due to be implemented as at 1 April 2014. These are:

- IFRS 13 Fair Value Measurement
- IFRS 10 Consolidated Financial Statements (amended May 2011);
- IFRS 11 Joint Arrangements (amended May 2011);
- IFRS 12 Disclosure of Interest on Other Entities (amended May 2011);
- IAS 27 Separate Financial Statements (amended 2011)
- IAS 28 Investments in Associates and Joint Ventures (amended 2011);
- IAS 32 Financial Instruments: Presentation (amended December 2011).

Note 3 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- The Council anticipates that the pressures on public expenditure will continue to be severe. These pressures will be mitigated by further service area and corporate savings, and a limited use of reserves. As a consequence, the Council is of the view that the level of uncertainty is not significant enough in terms of its anticipated impact to warrant an impairment of assets due to reduced levels of service provision or a need to close facilities. Moreover, property prices within Westminster are such that any operational properties deemed surplus to requirements are unlikely to be disposed of for less than their current fair value.

- The Council has recognised on its balance sheet the school assets pertaining to Community schools. Therefore, the Council has not recognised assets relating to Academies, Voluntary Aided or Free schools as it is of the opinion that these assets are – to differing degrees – beyond the control of the Council. Please note that school assets are recognised as a disposal from the Council's balance sheet on the date on which a school converts to an academy, not on the date of any related announcement, nor is any impairment recognised by the Council prior to conversion.

- The Pension Fund deficit can be managed within the constraints of the medium term financial plan - the Council's Pension Fund investment strategy and funding level is closely monitored in conjunction with the Fund's Advisors and Actuary and appropriate provision is included in the accounts to ensure that pension liabilities can be met over the longer term.

- The Council has entered into joint working arrangements with neighbouring local authorities, the London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea. These arrangements are currently referred to as "tri-borough working". These working arrangements and proposals for future related changes will not reduce the level of service provided by the Council. Therefore, the Council believes that it is not necessary to impair any non-current asset in light of these tri-borough working arrangements.

Note 4 - ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Council's Balance Sheet at 31 March 2014, for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Consequence if actual results differ from assumptions
Property, Plant & Equipment	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets and investment properties. The Council's external valuers provided valuations as at 31 March – for all of the Council's investment portfolio and a significant proportion of its operational portfolio, both on a prudent and fair value basis – which reported an increase in the value of the Council's properties. That said, the number and relevance of asset sales which took place in 2013/14 against which the Council could judge the fair value of its property assets was relatively low. Should evidence emerge in 2014/15 - primarily from the next planned valuation exercise - the Council may amend its estimates of the fair value of its property and dwellings.	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's investment properties were to reduce by say 10%, this would result in a c£30 million charge to the Comprehensive Income and Expenditure Statement. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. Depreciation charges for operational buildings will change in direct relation to changes in estimated fair value. The net book value of non-current assets subject to potential revaluation is over £1.5 billion.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effect of changes in these estimates on the net pension liability of the Council are reviewed on an ongoing basis by the Superannuation Committee. The Council's strategy is to address the current funding deficit over the medium term. Any changes to estimate which result from annual actuarial updates and the triennial valuation process will be considered by the Superannuation Ctee and the Council's contribution level reviewed and adjusted where necessary to ensure it is appropriate.
Business Rates	Following the introduction on 1 April 2013 of the Business rates retention scheme Local Authorities are liable for their proportionate share of successful appeals against business rates charged in the period to 2013/14. A provision based on best available information	The Council's liability in this matter is limited to 7.5% of its baseline funding level. Therefore, the maximum exposure is in the region of £6 million. The Council created a reserve to mitigate this risk in full in 2012/13.

	including Valuation Office (VAO) ratings list of appeals, and an analysis of successful appeals to date - has been recognised for this liability.	

Note 5 – MATERIAL ITEMS OF INCOME AND EXPENSE

Transactions in 2013/14

There are no material items separately identified in the 2013/14 accounts. Included within the HRA Gross Expenditure there is £85.1m of service expenditure and a reversal of prior year impairment of £167.2m.

Note 6 – EVENTS AFTER THE REPORTING PERIOD

There are no material events to be reported.

Note 7 - ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	2013-14 Usable Reserves					
	General Fund Balance £,000's	Housing Revenue Account £,000's	Capital Receipts Reserve £,000's	Major Repairs Reserve £,000's	Capital Grants Unapplied £,000's	Movement in Unusable Reserves £,000's
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(51,828)	146,257	-	-	-	(94,429)
Revaluation losses on Property Plant and Equipment	(23,279)	-	-	-	-	23,279
Movements in the market value of Investment Properties	(7,881)	25,044	-	-	-	(17,163)
Amortisation of intangible assets	(2,686)	-	-	-	-	2,686
Capital grants and contributions applied	50,843	812	-	-	-	(51,655)
Movement in the Donated Assets Account	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(8,270)	-	-	-	-	8,270
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(24,009)	(5,376)	-	-	-	29,385
Finance lease adjustment	-	-	-	-	-	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	-	-	-	-	-	-
Prior Year Correction	-	-	-	-	-	-
Statutory provision for the financing of capital investment	2,195	-	-	-	-	(2,195)
Capital expenditure charged against the General Fund and HRA balances	-	9,340	-	-	-	(9,340)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	4,463	-	-	-	(4,463)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-
Adjustments between Capital Grants unapplied and Capital Receipts unapplied	49	-	(2,899)	-	2,850	-
Transfers in respect of Community Infrastructure Levy Receipts:	-	-	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,485	17,856	(20,279)	-	-	(62)
Use of the Capital Receipts Reserve to finance new capital	-	-	11,342	-	-	(11,342)
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals	(59)	(176)	236	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts	-	(2,360)	2,360	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(1,079)	-	(3,853)	-	-	4,932
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	17,255	-	(17,255)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	17,255	-	(17,255)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,267	114	-	-	-	(1,381)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(39,617)	-	-	-	-	39,617
Employer's pensions contributions and direct payments to pensioners payable in the year	16,020	-	-	-	-	(16,020)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which Council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	(10,438)	-	-	-	-	10,438
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory	-	-	-	-	-	-
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory	690	-	-	-	-	(690)
Total Adjustments	**(91,134)**	**208,766**	**(13,093)**	**-**	**(1,613)**	**(102,925)**

Note 7 - ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	2012-13 Usable Reserves					
	General Fund Balance £,000's	Housing Revenue Account £,000's	Capital Receipts Reserve £,000's	Major Repairs Reserve £,000's	Capital Grants Unapplied £,000's	Movement in Unusable Reserves £,000's
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets.	(65,581)	(19,484)	-	-	-	85,065
Revaluation losses on Property Plant and Equipment.	(37,759)	-	-	-	-	37,759
Movements in the market value of Investment Properties.	27,150	17,325	-	-	-	(44,475)
Amortisation of intangible assets.	(1,495)	-	-	-	-	1,495
Capital grants and contributions applied.	33,060	1,831	-	-	-	(34,891)
Movement in the Donated Assets Account.	-	-	-	-	-	-
Revenue expenditure funded from capital under statute.	(7,393)	-	-	-	-	7,393
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(108,555)	(1,336)	-	-	-	109,891
Finance lease adjustment.	279	-	-	-	-	(279)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment.	1,473	-	-	-	-	(1,473)
Capital expenditure charged against the General Fund and HRA balances.	-	13,442	-	-	-	(13,442)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement.	6,669	-	-	-	(6,669)	-
Application of grants to capital financing transferred to the Capital Adjustment Account.	-	-	-	-	1,745	(1,745)
Transfers in respect of Community Infrastructure Levy Receipts:						
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	141,630	9,150	(142,863)	-	-	(7,917)
Use of the Capital Receipts Reserve to finance new capital expenditure and repay debt.	-	-	133,907	-	-	(133,907)
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals.	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	-	(2,643)	2,643	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	-	-	(214)	-	-	214
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	-	-	-	-	-	-
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA.	-	15,182	-	(15,182)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure.	-	-	-	15,182	-	(15,182)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	(8,133)	120	-	-	-	8,013
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement.	(23,000)	-	-	-	-	23,000
Employer's pensions contributions and direct payments to pensioners payable in the year.	14,809	-	-	-	-	(14,809)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which Council tax income credited to the Comprehensive Income and Expenditure Statement is different frc	385	-	-	-	-	(385)
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements.	-	-	-	-	-	-
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	572	-	-	-	-	(572)
Total Adjustments	**(25,889)**	**33,587**	**(6,527)**	**-**	**(4,924)**	**3,753**

Note 8 - 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.

	Balance at 31 March £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 March £'000	Movement £'000
Adults PCT Reserve	(570)	570	-	-	570
Managed Services Business Case Reserve	(4,782)	1,297	(5,220)	(8,705)	(3,923)
Building Schools for the Future	(502)	-	-	(502)	-
Built Environment Projects Reserves	(603)	353	(859)	(1,109)	(506)
Built Environment Transformation Reserve	-	-	(750)	(750)	(750)
Business Rates Reserve	-	-	(1,000)	(1,000)	(1,000)
CCTV & Parking Consultation	(670)	682	(2,500)	(2,488)	(1,818)
City Hall Improvement Programme Reserve	-	-	(2,000)	(2,000)	(2,000)
City Management Streetworks Reserves	(1,400)	-	-	(1,400)	-
Commercial Waste Reserve	(300)	-	-	(300)	-
Corporate Risks Reserve	-	-	(4,000)	(4,000)	(4,000)
Corporate Services Rationalisation Reserve	-	-	(1,000)	(1,000)	(1,000)
Customer Programme	(3,000)	2,185	(2,000)	(2,815)	185
Economic Development Strategy & Enterprise	(5,245)	708	-	(4,537)	708
Environmental Services Reserves	(903)	265	(165)	(803)	101
Esourcing Reserve	(1,000)	1,000	(1,350)	(1,350)	(350)
Housing Benefit Reserve	-	-	(715)	(715)	(715)
Icelandic Banks Reserve	(1,944)	1,944	-	-	1,944
ICT Re-Procurement	(1,000)	268	-	(732)	268
Information Services Reserve	-	-	(375)	(375)	(375)
Marylebone Library Temporary Accommodation	(800)	513	-	(287)	513
NNDR Appeals	(6,000)	-	-	(6,000)	-
Organisational Re-Design Reserve	-	-	(2,000)	(2,000)	(2,000)
Parking Transformation & Relet	(1,300)	798	(2,600)	(3,102)	(1,802)
Pension Auto Enrolment Reserve	(2,533)	-	-	(2,533)	-
Repayment of Debt Reserve	(1,566)	-	-	(1,566)	-
Safety Net Equalisation Reserve	-	-	(10,696)	(10,696)	(10,696)
Sensors & Olympics	(2,485)	513	-	(1,972)	513
Shift Allowance	(777)	130	-	(648)	130
Strategic Procurement Reserves	-	-	(450)	(450)	(450)
Strategy and Communications Reserve	(66)	-	(601)	(667)	(601)
Total Facilities Management Implementation	(360)	360	-	-	360
Traded Reserves	(738)	-	(174)	(912)	(174)
Transformation Reserve	-	-	(4,000)	(4,000)	(4,000)
Troubled Family Programme Reserve	-	-	(805)	(805)	(805)
Wards Reserves	(1,108)	758	-	(350)	758
Waste Contract Costs Reserve	-	-	(1,000)	(1,000)	(1,000)
WCC Redundancy & Re-Organisation	(1,295)	298	(2,000)	(2,997)	(1,702)
Working From Anywhere Reserve	-	-	(3,000)	(3,000)	(3,000)
Other Council Reserves	(1,641)	501	(926)	(2,066)	(425)
Total Earmarked Reserves	**(42,590)**	**13,143**	**(50,185)**	**(79,631)**	**(37,042)**
Ring Fenced Revenue Schemes					
Adult Education Services - Scheme of Delegation (LSC)	(3,866)	3,866	(589)	(589)	3,277
Earmarked LMS Balance (DSG)	(2,737)	92	(2,257)	(4,901)	(2,164)
Quinton Kyanaston Endowment Fund	(1,537)	-	(9)	(1,546)	(9)
Total Ring Fenced Reserves	**(8,140)**	**3,959**	**(2,855)**	**(7,036)**	**1,104**
Total Earmarked and Ring fenced Revenue Reserves	**(50,729)**	**17,102**	**(53,040)**	**(86,667)**	**(35,938)**
Revenue Grants Reserves (without conditions)					
Adults Reserves	(825)	825	(300)	(300)	525
Children's Reserves	(702)	-	(457)	(1,159)	(457)
Housing Reserves	(19)	177	(158)	-	19
Revenue Receipts in Advance without conditions	(8,014)	8,014	(2,717)	(2,717)	5,296
Total Grants Reserves (without conditions)	**(9,561)**	**9,016**	**(3,633)**	**(4,177)**	**5,384**
Grand Total Earmarked Reserves	**(60,291)**	**26,118**	**(56,672)**	**(90,844)**	**(30,554)**

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

NOTES TO THE ACCOUNTS

Note 9 - OTHER OPERATING EXPENDITURE

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

	2012-13 £'000	2013-14 £'000
Levies	1,899	2,038
Payments to the Government Housing Capital Receipts Pool	2,643	2,365
(Gains)/losses on the disposal of non-current assets	(38,246)	11,580
Total	**(33,704)**	**15,983**

Note 10 - FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2012-13 £'000	2013-14 £'000
Interest payable and similar charges	18,079	15,831
Net Interest on the net defined Liability	-	22,000
Pensions Interest Cost and Expected Return on Pensions Assets	7,339	-
Interest receivable and similar income	(4,582)	(5,074)
Income and expenditure in relation to investment properties and changes in their fair value	(71,139)	(37,365)
Other investment income - PFI Income	(410)	(410)
Total	**(50,713)**	**(5,018)**

The accounting policy has changed as a result of the Code's adoption of the 2011 amendments to IAS 19 and IAS 1. The amendments to IAS 19 have been implemented in the current year. No prior period adjustment has been made as the change was not material. Hence, the comparator year figures are presented as per the 2012/13 Annual Accounts.

Note 11 - 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.

	2012-13 £'000	2013-14 £'000
Council tax income	49,815	44,680
National Non-Domestic Rates income & expenditure	170,292	26,489
Non-ringfenced government grants	13,252	188,018
Capital grants and contributions applied	34,891	51,655
Capital grants and contributions received without conditions	6,669	4,451
Total	**274,919**	**315,293**

The implementation of Business Rate Localisation, effective from 1st April 2013, has had the effect of increasing Business Rate income retained by the Council and as part of the Finance Settlement for 2013/14 there has been seen a similar reduction in Revenue Support Grant.

Note 12a - CAPITAL CONTRACTUAL COMMITMENTS

At 31 March 2014, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013-14 and future years. The major commitments are as follows and equivalent figures have been provided for 31 March 2013:

	31 March 2013 £'000	31 March 2014 £'000
Building Schools for the future	25,582	14,740
Building Schools for the future ICT	4,069	3,428
West One Various Public Realm Schemes	11,100	6,037
Leicester Square SIAC	171	-
Transerv Infrastructure Project	7,018	-
Maida Vale Roof works	1,200	-
Ark Atwood Academy development	5,900	11,818
Parking Enforcement	-	2,100
City Hall Installations	-	724
Church St Library Works	-	293
Total	**55,040**	**39,140**

Note 12b - REVALUATIONS

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Lambert Smith Hampton undertook valuations on behalf of the Council in 2013/14 pertaining to investment and operational properties. HRA stock valuations were carried out internally . The valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations concerning vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices, with consideration given for the condition of the asset.

	Council Dwellings & Other HRA Property £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Surplus Assets £'000	Total £'000
Carried at Historial Cost	1,424,045	-	10,231	-	1,434,276
Valued at Fair Value at:					
31 March 2014	163,817	(5,187)	-	-	158,630
31 March 2013	41,521	72,997	-	-	114,518
31 March 2012	14,194	37,549	-	-	51,743
31 March 2011	(649,151)	-	-	-	(649,151)
31 March 2010	205,321	-	-	-	205,321
31 March 2009	(200,717)	25[illegible],326	-	-	53,609
31 March 2008	167,641	-	-	-	167,641
Total Cost or Valuation	**1,166,671**	**359,685**	**10,231**	**-**	**1,536,587**

Note 12c - PROPERTY, PLANT AND EQUIPMENT - (Movement of balances in 2013-14)

	Council Dwellings £'000	Other Land and Buildings (HRA) £'000	Other Land and Buildings (GF) £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets Included in Property, Plant and Equipment £'000
Cost of Valuation										
At 1 April 2013	949,676	43,197	372,923	61,799	299,680	16,510	686	51,228	1,795,699	12,951
Additions	21,500	-	4,975	1,820	17,053	520	-	48,992	94,860	-
Donations	-	-	-	-	-	-	-	-	-	
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	-	2,295	24,120	-	-	-	-	-	26,415	-
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	169,200	-	(22,485)	-	(794)	-	-	-	145,921	-
Derecognition - disposals	(5,376)	-	(24,939)	-	-	-	-		(30,315)	-
Assets reclassified to/from Asset Under Construction	-	-	21,232	1,433	2,860	790	-	(26,315)	-	-
Assets reclassified within Property, Plant and Equipment										
Assets reclassified to/from Investment Properties	-	(875)	2,470	-	(47)	-	(603)	-	945	-
Assets reclassified to/from Assets Held for Sale	-	-	-	-	-	-	-	-	-	-
Other reclassifications	-	-	-	-	-	-	-	(2,538)	(2,538)	-
At 31 March 2014	**1,135,000**	**44,617**	**378,296**	**65,052**	**318,752**	**17,820**	**83**	**71,367**	**2,030,987**	**12,951**
Accumulated Depreciation and Impairment										
At 1 April 2013	-	(1,097)	(8,051)	(51,324)	(66,341)	-	(83)	-	(126,896)	(3,477)
Depreciation Charge	(19,282)	(3,092)	(17,202)	(3,497)	(36,805)	-	-	-	(79,878)	(449)
Depreciation written out to the Revaluation Reserve	-	929	5,712	-	-	-	-	-	6,641	122
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(1,482)	-	-	-	-	-	-	-	(1,482)	-
Impairment Losses/(Reversal) recognised in the Surplus/Deficit on the Provision of Service	-	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	-	930	-	-	-	-	-	930	-
Derecognition - Other	-	-	-	-	-	-	-	-	-	-
Other Movements in Depreciation and Impairments	-	-	-	-	-	-	-	-	-	-
At 31 March 2014	**(20,764)**	**(3,260)**	**(18,611)**	**(54,821)**	**(103,146)**	-	**(83)**	-	**200,685**	**(3,804)**
Net Book Value at 31 March 2014	**1,114,236**	**41,357**	**359,685**	**10,231**	**215,606**	**17,820**	-	**71,367**	**1,830,302**	**9,147**
at 31 March 2013	**949,676**	**42,100**	**364,872**	**10,475**	**233,339**	**16,510**	**603**	**51,228**	**1,668,803**	**9,474**

Note 12c - PROPERTY, PLANT AND EQUIPMENT - (Movement of balances in 2012-13)

	Council Dwellings	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
Cost of Valuation										
At 1 April 2012	934,615	43,546	351,261	153,612	468,054	16,392	7,388	24,887	1,999,755	12,951
Revisions to align with Fixed Asset Register *	-	(1,704)	(48,579)	(94,017)	(193,064)	-	(6,702)	-	(344,066)	
Revised 1 April 2012	934,615	41,842	302,682	59,595	274,990	16,392	686	24,887	1,655,689	12,951
Additions	19,206	-	2,361	(343)	19,162	(23)	-	43,542	83,905	-
Donations	-	-	-	-	-	-	-	-	-	-
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	(2,809)	281	120,731	-	-	137	-	-	118,340	-
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(39)	(37,605)	-	-	(115)	-	-	(37,759)	-
Derecognition - disposals	(1,336)	(4)	(19,809)	-	-	-	-		(21,149)	-
Assets reclassified to/from Asset Under Construction	-	1,243	4,362	2,547	5,528	119	-	(15,039)	(1,240)	-
Assets reclassified within Property, Plant and Equipment										-
Assets reclassified to/from Investment Properties	-	(126)	201	-	-	-	-	-	75	-
Assets reclassified to/from Assets Held for Sale	-	-	-	-	-	-	-	-	-	-
Other reclassifications	-	-	-	-	-	-	-	(2,162)	(2,162)	-
At 31 March 2013	**949,676**	**43,197**	**372,923**	**61,799**	**299,680**	**16,510**	**686**	**51,228**	**1,795,699**	**12,951**
Accumulated Depreciation and Impairment										
At 1 April 2012	(26,202)	(1,704)	(59,386)	(128,942)	(225,539)	-	(6,743)	-	(448,516)	(3,150)
Revisions to align with Fixed Asset Register *	-	1,704	48,579	94,017	193,064	-	6,702	-	344,066	-
Revised 1 April 2012	(26,202)	-	(10,807)	(34,925)	(32,475)	-	(41)	-	(104,450)	(3,150)
Depreciation Charge	(17,318)	(2,159)	(12,988)	(16,399)	(33,866)	-	(42)	-	(82,772)	(327)
Depreciation written out to the Revaluation Reserve	43,520	1,062	14,070	-	-	-	-	-	58,652	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-	-
Impairment Losses/(Reversal) recognised in the Surplus/Deficit on the Provision of Service	-	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	-	1,654	-	-	-	-	-	1,654	-
Derecognition - Other	-	-	20	-	-	-	-	-	20	-
Other Movements in Depreciation and Impairments	-	-	-	-	-	-	-	-	-	-
At 31 March 2013	**-**	**(1,097)**	**(8,051)**	**(51,324)**	**(66,341)**	**-**	**(83)**	**-**	**(126,896)**	**(3,477)**
Net Book Value at 31 March 2014	**949,676**	**42,100**	**364,872**	**10,475**	**233,339**	**16,510**	**603**	**51,228**	**1,668,803**	**9,474**
at 31 March 2013	**908,413**	**41,842**	**291,875**	**24,670**	**242,515**	**16,392**	**645**	**24,887**	**1,551,239**	**9,801**

Note 13 - HERITAGE ASSETS

The heritage assets which the Council holds falls into two categories: statues & monuments and civic regalia & works of art. Both categories have been in the Council's ownership for a number of years and are held for their intrinsic worth as opposed to potential financial gain. As such, they are unlikely to be sold. During 2013-14 an insurance valuation of this asset group was conducted by Zurich Municipal together with a specialist valuation exercise for regalia and works of art. These revaluations account for the significant year-on-year increase.

Cost or Valuation

	Statues and Monuments (note 1) £'000	Civic Regalia, Works of Art, Trophies and the like (note 2) £'000	Total Assets £'000
Balance at 1 April 2013	23,399	3,601	27,000
Additions	-	-	-
Disposals	-	-	-
Revaluations	15,275	470	15,746
Balance at 31 March 2014	**38,674**	**4,071**	**42,746**

Notes:

1. This largely comprises a number of iconic monuments located throughout the borough including a variety of war memorials, decorative fountains, Cleopatra's Needle, Eros etc

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

Note 14 - 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:

	2012-13			2013-14		
	HRA Commercial Properties £'000	General Fund Investment Properties £'000	Total £'000	HRA Commercial Properties £'000	General Fund Investment Properties £'000	Total £'000
Rental income from investment property	8,561	18,103	26,664	7,503	16,916	24,419
Direct operating expenses arising from investment property	(1,987)	(13,531)	(15,518)	(139)	(4,078)	(4,217)
Net gain/(loss)	**6,574**	**4,572**	**11,146**	**7,364**	**12,838**	**20,202**

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

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

		2012-13			2013-14		
		HRA Commercial Properties £'000	General Fund Investment Properties £'000	Total £'000	HRA Commercial Properties £'000	General Fund Investment Properties £'000	Total £'000
Balance at start of the year		114,324	159,877	274,201	130,410	191,969	322,379
Additions:							
	Purchases	-	11,028	11,028	73	1,240	1,313
	Construction	-	-	-	-	-	-
	Subsequent expenditure	-	-	-	-	-	-
Disposals		(1,723)	(5,506)	(7,229)	-	-	-
Net gains/losses from fair value adjustments		17,325	27,150	44,475	25,044	(7,881)	17,163
Transfers:							
	to/from Assets Held for Sale	-	-	-	-	-	-
	Assets reclassified to/from Asset Under Construction	-	-	-	49	460	509
	Assets reclassified between HRA and GF	(87)	87	-	-	-	-
	to/from Property, Plant and Equipment	571	(667)	(96)	507	(1,452)	(945)
	to/from surplus properties	-	-	-	-	-	-
Other changes		-	-	-	-	-	-
Balance at end of the year		**130,410**	**191,969**	**322,379**	**156,083**	**184,336**	**340,419**

Note 15 - INTANGIBLE ASSETS

The Council 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. A 3 year useful life is assigned to all intangible assets.

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

		2012-13 £'000	2013-14 £'000
Balance at start of the Year:			
	Gross carrying amounts	5,072	8,735
	Accumulated amortisation	(1,376)	(2,451)
Net carrying amount at start of year		3,696	6,284
Additions:			
	Internal development	-	-
	Purchases	2,889	1,020
	Assets reclassified to/from Asset Under Construction	1,194	82
	Acquired through business combinations	-	-
Assets reclassified as held for sale		-	-
Other disposals		-	-
Revaluations increases or decreases		-	-
Impairment losses recognised or reversed directly in the Revaluation Reserve		-	-
Impairment losses recognised in the Surplus/Deficit on the Provisions of Service		-	-
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services		-	-
Amortisation for the period		(1,495)	(2,686)
Other Changes		-	-
Net carrying amount at end of year		**6,284**	**4,700**
Comprising:			
	Gross carrying amounts	8,735	9,837
	Accumulated amortisation	(2,451)	(5,137)
		6,284	**4,700**

Note 16 - FINANCIAL INSTRUMENTS

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

	Long-Term 31 March 2013 £'000	Long-Term 31 March 2014 £'000	Current 31 March 2013 £'000	Current 31 March 2014 £'000
Loans and receivables	37,937	34,562	442,774	594,382
Available for sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Total Investments	**37,937**	**34,562**	**442,774**	**594,382**
Debtors				
Loans and receivables	23,610	15,618	48,785	74,713
Financial assets carried at contract amounts	-	-	-	-
Total Debtors	**23,610**	**15,618**	**48,785**	**74,713**
Borrowings				
Financial liabilities at amortised cost	284,951	283,310	34,395	1,344
Financial liabilities at fair value through profit and loss	-	-	-	-
Total Borrowing	**284,951**	**283,310**	**34,395**	**1,344**
Other Long Term Liabilities				
PFI and finance lease liabilities	-	-	-	-
Total other Long Term Liabilities	**-**	**-**	**-**	**-**
Creditors				
Financial liabilities at amortised cost	-	227	129,867	138,677
Financial liabilities carried at contract amount	-	-	-	-
Total Creditors	**-**	**227**	**129,867**	**138,677**

Financial Instruments are formally defined in paragraph 7.1.2.1 of the Code as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The figures included on the balance sheet are adjusted to exclude a series of items that are deemed exempt as outlined by the Code. This includes but is not limited to prepayments; receipts in advance; intra group transactions; and statutory debts.

Reclassification of Financial Instruments

Income, Expense, Gains and Losses

	2012-13 Financial Liabilities measured at amortised cost £'000	2012-13 Financial Assets: Loans & Receivables £'000	2012-13 Financial Assets: Available for Sale £'000	2012-13 Assets and Liabilities at Fair Value through Profit & Loss £'000	2012-13 Total £'000	2013-14 Financial Liabilities measured at amortised cost £'000	2013-14 Financial Assets: Loans & Receivables £'000	2013-14 Financial Assets: Available for Sale £'000	2013-14 Assets and Liabilities at Fair Value through Profit & Loss £'000	2013-14 Total £'000
Interest Expense	18,079	-	-	-	18,079	15,831	-	-	-	15,831
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Reductions in Fair Value	-	-	-	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-	-	-	-
Fee Expenses	-	-	-	-	-	-	-	-	-	-
Total Expense in Surplus or Deficit on the Provision of Service	**18,079**	**-**	**-**	**-**	**18,079**	**15,831**	**-**	**-**	**-**	**15,831**
Interest Income	-	4,992	-	-	4,992	-	4,012	1,189	-	5,201
Interest Income Accrued on Impaired Financial Assets	-	-	-	-	-	-	-	-	-	-
Increases in Fair Value	-	-	-	-	-	-	-	-	-	-
Gains on derecognition	-	-	-	-	-	-	-	-	-	-
Fee Income	-	-	-	-	-	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	**-**	**4,992**	**-**	**-**	**4,992**	**-**	**4,012**	**1,189**	**-**	**5,201**
Gains on Revaluations	-	-	-	-	-	-	-	-	-	-
Losses on Revaluation	-	-	-	-	-	-	-	(127)	-	(127)
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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(127)**	**-**	**(127)**
Net Gain/(Loss) for the Year	**(18,079)**	**4,992**	**-**	**-**	**(13,087)**	**(15,831)**	**4,012**	**1,062**	**-**	**(10,757)**

NOTE 16 - FINANCIAL INSTRUMENTS CONTINUED

The Fair Values for Investments and Borrowings are as follows:

	31 March 2013 Carrying Amount £'000	31 March 2013 Pre-payment Value £'000	31 March 2013 Fair Value £'000	31 March 2014 Carrying Amount £'000	31 March 2014 Pre-payment Value £'000	31 March 2014 Fair Value £'000
Financial Liabilities	319,345	291,178	-	284,653	240,130	-
Long-term creditors	-	-	-	-	-	-
Loans and Receivables	480,711	-	480,711	360,927	-	361,599
Available for Sale < 1 year	-	-	-	243,467	-	243,467
Available for Sale > 1 year	-	-	-	24,550	-	24,550

Note the Prepayment value relates to PWLB debt only.

Financial Liabilities Pre-payment value - The prepayment value is calculated using the premature repayment rate published by the PWLB on 31 March 2014 and used as the method of calculating fair value of the PWLB loans. Given the ongoing state of the capital markets, it is not possible to calculate a fair value of the majority of the Council's non-PWLB loans with any degree of accuracy. It is the Council's view that the difference between carrying value and fair value is not material. Thus fair value is deemed to be the same as carrying value.

Note 17 - 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.

	Pre Paid Stock 2012-13 £'000	Pre Paid Stock 2013-14 £'000	Sundry Stock - Salt 2012-13 £'000	Sundry Stock - Salt 2013-14 £'000	Schools Bus Passes 2012-13 £'000	Schools Bus Passes 2013-14 £'000	Total 2012-13 £'000	Total 2013-14 £'000
Balance outstanding at start of year	45	39	185	168	12	-	242	206
Purchases	465	576	59	7	10	-	534	583
In-year Expense	(471)	(457)	(76)	-	(22)	-	(569)	(457)
Written off balances	-	-	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
Balance outstanding at year end	**39**	**158**	**168**	**174**	**-**	**-**	**207**	**332**

Note 18 - CONSTRUCTION CONTRACTS

At 31 March 2014 the Council had a number of construction contracts in progress. They primarily relate to infrastructure projects and the value of work completed at 31 March 2014 is based on the funding received to date for the projects. The amount due at 31 March 2014 is as follows:

	2012-13 £'000	2013-14 £'000
Balance B/Fwd	20,669	10,728
Additional Works During 2013-14	639	16,822
Costs incurred to date	**21,307**	**27,550**
Revenue recognised:		
before 1 April 2013		
during 2013/14 (Statutory Fees Recognised)		
Statutory Fees Transferred to Revenue as a Surplus		
Advances received	(10,579)	(10,728)
Statutory Fees Released	-	-
Gross Amount due	**10,728**	**16,822**
Comprising:		
amounts not billed	10,579	10,728
retentions	-	-

Note 19 - DEBTORS

		Long-Term 31 March 2013 £'000	Long-Term 31 March 2014 £'000	Short-Term 31 March 2013 £'000	Short-Term 31 March 2014 £'000	Total 31 March 2013 £'000	Total 31 March 2014 £'000
Central government bodies							
	- HMRC - VAT reimbursements	-	-	5,385	5,642	5,385	5,642
Other local authorities	- Housing Benefits Grant	-	-	-	-	-	-
	- Council Tax payers costs	-	-	3,576	4,104	3,576	4,104
	- Council Tax payers	-	-	4,802	5,637	4,802	5,637
	- NNDR Payers - WCC	-	-	-	15,350	-	15,350
	- Business Rates Supplement	-	-	252	241	252	241
	- Less GLA Share Council Tax	-	-	-	-	-	-
	- Other	-	-	423	428	423	428
				-		-	-
NHS bodies				-	1,024	-	1,024
Public corporations and trading funds							
	- Housing and other rents	-	-	5,214	5,752	5,214	5,752
	- Lessees	-	-	611	114	611	114
	- Investment Property Rent	-	-	-	-	-	-
	- Other	3,000	3,000	6,521	5,190	9,521	8,190
Other entities and individuals							
	- Capital debtors:	-	-	20,531	22,288	20,531	22,288
	- Parking Fines	-	-	33,135	38,992	33,135	38,992
	- Business Improvement District (BID)	-	-	-	-	-	-
	- Housing Benefits overpayments	-	-	16,781	18,696	16,781	18,696
	- Employee loans	-	-	-	-	-	-
	- Other	20,610	12,618	31,303	46,010	51,913	58,627
Pre-payments - Payments made in advance		-	-	3,488	3,241	3,488	3,241
Less: Provision for irrecoverable debts (note a)		-	-	(70,057)	(84,773)	(70,057)	(84,773)
Total		**23,610**	**15,618**	**61,965**	**87,936**	**85,575**	**103,553**

Provision for irrecoverable debts

	31 March 2013 £'000	31 March 2014 £'000
Council Tax Payers - WCC	(3,219)	(3,962)
Less Council Tax Payers - GLA share	-	-
Council Tax Payers - costs	(3,105)	(3,564)
NNDR Payers - WCC	-	(9,642)
Parking Fines	(30,814)	(36,436)
Housing General Fund (incl. Benefits overpayments)	(23,042)	(21,940)
Housing Revenue Account	(5,579)	(4,734)
Other Provisions	(4,298)	(4,495)
Total	**(70,057)**	**(84,773)**

Note 20 - CASH AND CASH EQUIVALENTS

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

		31 March 2013 £'000	31 March 2014 £'000
Cash	Cash held by the Authority		
	Petty Cash Holdings	594	333
	Trust Funds Cash in Hand	22	22
	Bank current accounts		
	Council General Account	(11,309)	(4,815)
	Paddington LTVA Account	1,380	1,381
	City London Real Property Company Account	3,843	3,843
	Pension Fund Cash	-	-
Cash Equivalents	Short-term liquid deposits	242,984	157,550
Total Cash and Cash Equivalents		**237,514**	**158,314**

Note 21 - ASSETS HELD FOR SALE

The Council currently holds no assets classified as held for sale

		Current 2012-13 £'000	Current 2013-14 £'000	Non Current 2012-13 £'000	Non Current 2013-14 £'000
Balance outstanding at start of year		83,075	-	-	-
Assets newly classified as held for sale:					
	Property, Plant and Equipment	-	-	-	-
	Assets reclassified to/from Asset Under	46	-	-	-
	Intangible Assets	-	-	-	-
	Other assets/liabilities in disposal groups	-	-	-	-
Revaluation Losses		-	-	-	-
Revaluations Gains		-	-	-	-
Impairment Losses		-	-	-	-
Asset declassified as held for sale:					
	Property, Plant and Equipment	-	-	-	-
	Intangible Assets	-	-	-	-
	Other assets/liabilities in disposal groups	-	-	-	-
Assets Sold		(83,121)	-	-	-
Transfers from non-current to current		-	-	-	-
Other movements		-	-	-	-
Balance outstanding at year-end		**-**	**-**	**-**	**-**

Note 22 - CREDITORS

		Long-Term 31 March 2013 £'000	Long-Term 31 March 2014 £'000	Short-Term 31 March 2013 £'000	Short-Term 31 March 2014 £'000	Total 31 March 2013 £'000	Total 31 March 2014 £'000
Central government bodies							
	NNDR Creditor (net position)*	-	-	73,377	165,881	73,377	165,881
	Education inter-authority charges	-	-	-	-	-	-
	Inland Revenue - Tax & NICs	-	-	-	-	-	-
Other local authorities							
	GLA Share of Council Tax	-	-	2,581	3,814	2,581	3,814
	Mayoral CIL Holding Account	-	-	-	1,242	-	1,242
NHS bodies		-	-	63	328	63	328
						-	-
Public corporations and trading funds							
	Amounts owed for supplies and services	-	-	114,123	115,221	114,123	115,221
	PFI & Similar Arrangements	8,426	8,147	267	279	8,693	8,426
	Finance Lease Liability	11,509	9,647	1,457	1,862	12,966	11,509
Other entities and individuals							
	Capital creditors	-	-	19,464	20,655	19,464	20,655
	Employee Schemes	-	-	-	-	-	-
	Employee Benefits	-	-	2,477	1,786	2,477	1,786
	Other	220	227	780	687	1,000	914
Total		**20,155**	**18,021**	**214,589**	**311,755**	**234,744**	**329,776**

*The increase in the level of NNDR Agency Creditors is due to an increase in the level of the appeals provision which is a consequence of the introduction of Business Rate Localisation which came into effect from April 2013.

Note 23 - PROVISIONS

	Insurance Claims £'000	Special Education Needs £'000	Repayment of Mental Health Charges £'000	Compensation, Property and Contractual Claims (General Fund) £'000	NNDR Appeals Provision £'000	Other £'000	Total £'000
Balance at 1 April 2013	4,284	7,272	1,788	9,600	-	14,447	37,391
Additional provisions made in 2013-14	6,400	772	206	1,184	48,955	3,942	61,459
Amounts used in 2013-14	(603)	- (4,124)	-	(67)	-	(4,044)	(8,837)
Unused amounts reversed in 2013-14	-	-	-	(7,250)	-	(91)	(7,341)
Balance at 31 March 2014	**10,081**	**3,920**	**1,994**	**3,467**	**48,955**	**14,253**	**82,672**

Closing provisions include the following elements:

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 on an annual basis and adjusted as appropriate.

Special Education Needs

This provision relates to those Westminster resident children who have special needs, are educated at schools and academies in other local authorities and where the host borough incurs costs associated with the additional needs of these children in excess of £6,000 per child per annum.

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 the Council sought Counsel opinion relating to the length of liability, type and rate of interest, as well as particular issues relating to self-funders. The Council's provision reflects the potential liability in this area.

Compensation, Property and Contractual Claims

This section includes the estimated liability for the Council in relation to a number of statutory items including: Equal Pay Provision.

NNDR Appeals Provisions

Due to the Business Rates Localisation, which is effective from the 1st April 2013, the Council has set aside a provision for any potential liabilities as a result of Business Rate payers appeals against rateable valuations. The Council is responsible for a 30% share of this liability along with the CLG and GLA being responsibile for a 50% and 20% share respectively.

Other

This section includes the estimate of the Council's liability in respect of a number of areas including: Settlement in relation to the Hemming's case where the Court of Appeal judged that the Council was required to refund in part the fees paid by applicants for sex establishment licences over a number of years. An appeal against the Court of Appeal Judgment is due to be heard by the Supreme Court early in 2015. In the event that an appeal is unsuccesful, the Council may be required to refund further amounts. Other provisions included here include those related to: capital funding, incremental pension costs and loan repayment.

Note 24 - USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

Note 25 - UNUSABLE RESERVES

	31 March 2013 £'000	31 March 2014 £'000
Revaluation Reserve	280,682	304,898
Capital Adjustment Account	1,370,264	1,528,224
Financial Instrument Adjustment Account	(9,555)	(8,174)
Available for Sale Financial Instruments Reserve	-	(127)
Deferred Capital Receipts Reserve	10,208	5,082
Pensions Reserve	(521,235)	(493,311)
Collection Fund Adjustment Account	234	(10,204)
Unequal Pay Back Pay Account	-	-
Accumulated Absences Account	(2,477)	(1,787)
Total Unusable Reserves	**1,128,121**	**1,324,601**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment.

The balance is reduced when assets with accumulated gains are:

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

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

	31 March 2013 £'000	31 March 2014 £'000
Balance at 1 April	91,598	280,682
Upward revaluation of assets	216,708	60,910
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(16,817)	(18,749)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	291,489	322,843
Difference between fair value depreciation and historical cost depreciation	(5,092)	(6,641)
Other adjustments between the revaluation reserve and capital adjustment account	-	-
Accumulated gains on assets sold or scrapped	(5,715)	(11,304)
Amount written off to the Capital Adjustment Account	(10,807)	(17,945)
Balance at 31 March	**280,682**	**304,898**

Note 25 - UNUSABLE RESERVES (CONTINUED)

Capital Adjustment Account

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

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

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

	31 March 2013 £'000	31 March 2014 £'000
Balance at 1 April	1,355,667	1,370,264
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of noncurrent assets	(85,065)	94,490
Revaluation losses on Property, Plant and Equipment	(37,759)	(23,279)
Amortisation of intangible assets	(1,495)	(2,686)
Revenue expenditure funded from capital under statute	(7,393)	(8,270)
Write-out of capital expenditure on maintaining asset values	(149)	-
Derecognition of property, plant and equipment	(16,759)	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(93,132)	(29,385)
Finance lease adj	277	
	(241,475)	30,870
Adjusting amounts written out of the Revaluation Reserve	10,807	17,945
Net written out amount of the cost of non-current assets consumed in the year	(230,668)	48,815
MRP	1,473	2,195
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	194	195
Use of the Capital Receipts Reserve to reduce capital financing requirement	133,713	11,342
Use of the Major Repairs Reserve to finance new capital expenditure	15,182	17,255
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	34,891	51,655
Application of grants to capital financing from the Capital Grants Unapplied Account	1,745	-
Statutory provision for the financing of capital investment charged against the General Fund	-	-
Capital expenditure charged against the General Fund and HRA balances	13,592	9,340
	199,317	89,787
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	44,475	17,163
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-	-
Balance at 31 March	**1,370,264**	**1,528,224**

Financial Instruments Adjustment Account

	31 March 2013 £'000	31 March 2014 £'000
Balance at 1 April	(1,542)	(9,555)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(8,133)	-
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	120	1,381
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(8,013)	1,381
Balance at 31 March	**(9,555)**	**(8,174)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	31 March 2013 £'000	31 March 2014 £'000
Balance at 1 April	2,504	10,208
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7,917	(5,126)
Transfer to the Capital Receipts Reserve upon receipt of cash	(213)	-
Balance at 31 March	**10,208**	**5,082**

Note 25 - UNUSABLE RESERVES (CONTINUED)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council tax and NNDR income in the Comprehensive Income and Expenditure Statement as it falls due from Council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. From 2013/14 Localised Business Rates are also included in this section as they are no longer paid in to the National Pool

	31 March 2013 £'000	31 March 2014 £'000
Balance at 1 April - Council Tax	(152)	234
Amount by which Council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council tax income calculated for the year in accordance with statutory requirements	386	258
Balance at 31 March	**234**	**492**
Balance at 1 April - NNDR		
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	-	(10,696)
Balance at 31 March	**-**	**(10,696)**
Grand Total	**234**	**(10,204)**

Pensions Reserve

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

Pensions Reserve	31 March 2013 £'000	31 March 2014 £'000
Balance at 1 April	(489,865)	(521,235)
Actuarial gains or losses on pensions assets and liabilities	(23,178)	51,520
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(23,000)	(23,596)
Employer's pensions contributions and direct payments to pensioners payable in the year	14,808	-
Balance at 31 March	**(521,235)**	**(493,311)**

Accumulated Absence Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, i.e. annual leave entitlement carried forward at 31 March 2014. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	31 March 2013 £'000	31 March 2014 £'000
Balance at 1 April	(3,049)	(2,477)
Settlement or cancellation of accrual made at the end of the preceding year	3,049	2,477
Amounts accrued at the end of the current year	(3,049)	(2,477)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	572	690
Balance at 31 March	**(2,477)**	**(1,787)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.

	31 March 2013 £'000	31 March 2014 £'000
Balance at 1 April	-	-
Upward revaluation of investments	-	-
Downward revaluation of investments not charged to	-	(127)
the Surplus/Deficit on the Provision of Services	-	(127)
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-	-
Balance at 31 March	**-**	**(127)**

Note 26 - OPERATING ACTIVITIES

	2012-13 £'000	2013-14 £'000
The cash flows for operating activities include the following items:		
Interest Received	5,242	5,137
Interest Paid	(17,708)	(17,008)
Dividends Received	-	-
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	93,946	83,263
Impairment	37,759	(144,439)
Movement in Investment Property Values	(44,475)	(17,163)
Increase/Decrease in Creditors	40,096	45,238
Increase/Decrease in Debtors	4,014	(25,971)
Increase/Decrease in Long Term Debtors	(1,807)	7,992
Movement in Pension Liability	8,191	23,597
Contributions to/(from) Provisions	10,699	45,281
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	109,891	29,385
Other non-cash items	287	2,011
	258,601	**49,195**
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
Capital Grants credited to surplus or deficit on the provision of services	(58,472)	(86,652)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(140,221)	(20,341)
Other financing activities	-	-
	(198,693)	**(106,992)**

Note 27 - CASH FLOWS FROM INVESTING ACTIVITIES

	2012-13 £'000	2013-14 £'000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(113,052)	(103,654)
Purchase of short and long term investments	(134,609)	(339,241)
Other payments for investing activities	-	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	140,221	20,341
Proceeds from short-term and long-term investments	25,158	106,241
Other Receipts from Investing Activities	58,472	86,652
Total Cash Flows from Investing Activities	**(23,810)**	**(229,662)**

Note 28 - CASH FLOWS FROM FINANCING ACTIVITIES

	2012-13 £'000	2013-14 £'000
Cash receipts of short and long term borrowing	-	-
Other receipts from financing activities	-	-
Repayment of Short-Term and Long-Term Borrowing	(21,115)	(34,692)
HRA Settlement Payment	-	-
Billing Authorities - Council Tax and NNDR adjustments	(40,340)	94,290
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1,748)	(1,981)
Total Cash Flows from Financing Activities	**(63,203)**	**57,617**

Note 29 - AMOUNTS REPORTED FOR RESOURCE ALLOCATED DECISIONS

A Table overleaf sets out the amounts reported for resource allocation decisions.

Note 29 - AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

	SEB & Strategic Support £000s	Finance & Operations £000s	Property £000s	Adult Services £000s	Children's Services £000s	Housing £000s	Built Environ-ment £000s	City Mgmt £000s	Libraries & Culture £000s	Sports & Leisure £000s	Public Health £000s	Corporate Items £000s	Total £000s
Fees, charges & other service income	(5,355)	(8,528)	(28,711)	(7,507)	(7,434)	(43,644)	(11,459)	(108,163)	(2,328)	(1,456)	-	(476,956)	**(701,541)**
Government grants	(1,291)	(7,989)	-	(20,929)	(98,753)	(232,361)	(3,062)	(2,448)	(292)	(2,114)	(26,386)	(120,760)	**(516,385)**
Total Income	**(6,646)**	**(16,517)**	**(28,711)**	**(28,436)**	**(106,187)**	**(276,005)**	**(14,521)**	**(110,611)**	**(2,620)**	**(3,570)**	**(26,386)**	**(597,716)**	**(1,217,926)**
Employee expenses	14,272	14,646	1,377	15,060	80,752	2,667	12,571	24,175	6,210	1,474	1,067	8,471	**182,742**
Other operating expenses	4,355	38,168	25,602	95,116	66,112	305,534	18,463	84,040	3,933	3,051	24,092	526,813	**1,195,279**
Support Service Recharges In	14,174	4,587	3,790	7,586	7,258	6,304	4,736	25,664	3,977	434	1,227	-	**79,737**
Support Service Recharges Out	(15,776)	(39,314)	(14,473)	-	-	-	-	(10,174)	-	-	-	-	**(79,737)**
Total operating expenses	**17,025**	**18,087**	**16,296**	**117,762**	**154,122**	**314,505**	**35,770**	**123,705**	**14,120**	**4,959**	**26,386**	**535,284**	**1,378,021**
Net Cost of Services	**10,379**	**1,570**	**(12,415)**	**89,326**	**47,935**	**38,500**	**21,249**	**13,094**	**11,500**	**1,389**	**-**	**(62,432)**	**160,095**
Council Funding - RSG & Council Tax	-	-	-	-	-	-	-	-	-	-	-	(163,363)	**(163,363)**
Depreciation	25	2,625	7,882	(38)	3,292	-	37,935	2,103	38	(81)	-	(53,781)	-
Surplus(-)/Deficit	**10,404**	**4,195**	**(4,533)**	**89,288**	**51,227**	**38,500**	**59,184**	**15,197**	**11,538**	**1,308**	**-**	**(279,576)**	**(3,268)**

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement*	£000s
Cost of Services in Service Analysis	(3,268)
Adjustment of items reported to Management but held separately on the Income & Expenditure Statement	(29,570)
Inclusion of items not reported to Management to be Included in Income & Expenditure Statement	91,133
HRA not reported in service management accounts	(208,939)
Net Cost of Services in Comprehensive Income and Expenditure Statement	**(150,644)**

Reconciliation to Subjective Analysis (Single Entity)	Service Analysis £000s	Adjustment to Service Analysis £000s	Items Not In Analysis £000s	HRA Not in Analysis £000s	Net Cost of Services £000s	Total £000s
Fees, charges & other service income	(698,009)	-	-	-	**(698,009)**	**(698,009)**
Interest and investment income	(3,532)	-	-	-	**(3,532)**	**(3,532)**
Revenue Support Grant	(118,683)	-	-	-	**(118,683)**	**(118,683)**
Income from Council tax	(44,680)	-	10,438	-	**(34,242)**	**(34,242)**
Government grants and contributions	(516,385)	-	(55,307)	(18,067)	**(589,759)**	**(589,759)**
Total Income	**(1,381,289)**	-	**(44,869)**	**(18,067)**	**(1,444,225)**	**(1,444,225)**
Employee expenses	182,742	-	(690)	-	**182,052**	**182,052**
Other service expenses	1,182,301	-	8,270	(9,340)	**1,181,231**	**1,181,231**
Depreciation, amortisation and impairment	-	-	54,514	(146,257)	**(91,743)**	**(91,743)**
Interest Payments	10,242	-	-	-	**10,242**	**10,242**
Precepts & Levies	2,736	-	-	-	**2,736**	**2,736**
Contribution to Earmarked/ HRA Reserves	-	(29,570)	-	(173)	**(29,743)**	**(29,743)**
Adjustment involving the Financial Instruments Adjustment Account	-	-	(1,267)	(114)	**(1,381)**	**(1,381)**
Reversal of items relating to retirement benefits	-	-	39,617	-	**39,617**	**39,617**
Employer's pensions contributions and direct payments to pensioners payable in the year	-	-	(16,020)	-	**(16,020)**	**(16,020)**
Statutory provision for the financing of capital investment	-	-	(1,106)	2,536	**1,430**	**1,430**
Gain or Loss on Revaluation of Assets	-	-	31,160	(25,044)	**6,116**	**6,116**
Gain or Loss on Disposal of Assets	-	-	21,524	(12,480)	**9,044**	**9,044**
Total operating expenses	**1,378,021**	**(29,570)**	**136,002**	**(190,872)**	**1,293,581**	**1,293,581**
Surplus or deficit on the provision of services	**(3,268)**	**(29,570)**	**91,133**	**(208,939)**	**(150,644)**	**(150,644)**

Note 30 - ACQUIRED AND DISCONTINUED OPERATIONS

Three of the Council's schools transferred to Academy status in 2013/14. The assets and liabilities and associated reserves have been written out of the Council's accounts and transferred to the school.

As a result of the Health and Social Care Act 2012, Public Health responsibilities transfered into the Council from 1st April 2013. There was no transfer of balance sheet items and the service is fully grant funded.

The Council does not consider these transactions to be material and as such has not undertaken specific accounting required for acquired and discountined operations. These transactions have been treated as in-year entries within the Council's accounts.

Note 31 - 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.

		2012-13 £'000	2012-13 £'000	2013-14 £'000	2013-14 £'000
Learning Disabilities	Turnover	4,040		1,723	
	Expenditure	(4,056)		(1,521)	
	Surplus		(16)		202
Older and Disabled People: Westmead and and Carlton Dene Residential Services	Turnover	3,313		2,056	
	Expenditure	(3,345)		(2,253)	
	Surplus		(33)		(197)
Older and Disabled People: Sheltered Wardens DSO	Turnover	1,817		1,674	
	Expenditure	(1,772)		(1,350)	
	Surplus		45		324
Net surplus on trading operations:			**(4)**		**329**

	2012-13 £'000	2013-14 £'000
Net deficit on trading operations	(4)	329
Services to the public included in Expenditure of Continuing Operations	-	-
Support services recharged to Expenditure of Continuing Operations	-	-
Net deficit debited to Other Operating Expenditure	**(4)**	**329**

Note 32 - AGENCY SERVICES

	2012-13 £'000	2013-14 £'000
Partners In Parking	64	-
Transport for London	2,288	4,831
Inner West London Coroner's District	1,799	1,838
Collection of Mayoral CIL 4%	86	137
Thames Water	1,034	906
Net surplus arising on the agency arrangement	**5,271**	**7,712**

Transport for London

Transport for London - Contributions totalling £4.8m 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 Haymarket & Lower Regent Street, Baker Street 2 Way and Oxford Street East.

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.

Collection of Mayoral CIL 4%

The setting of a Londonwide Community Infrastructure Levy (CIL) is a power given to the Mayor under the Planning Act 2008 designed to raise money for the infrastructure needed to develop an area (Crossrail). The Levy was ratified on 29th February 2012 and applies to developments consented from 1st April 2012. The Levy is charged on most developments in Central London at the following rate:

Zone 1 boroughs - £50 per square metre: Camden, City of London, City of Westminster, Hammersmith and Fulham, Islington, Kensington and Chelsea, Richmond-upon-Thames, Wandsworth
The collection of the CIL is delegated to the relevant planning authority in each administrative area. To cover the costs of administering the CIL and its collection the planning authority is able to retain 4% of the levy collected.

Thames Water

On behalf of Thames Water, the Council charges its Housing Revenue Account tenants for water rates and collects the receipts. The amount repayable to Thames Water is reduced by a commission, void rate, arrears and bad debt provision, all at fixed percentages based on the total water charge.

Note 33 - ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

There are no road charging or workplace charging schemes that require disclosure for Westminster City Council in 2013-14.

Note 34 - POOLED BUDGETS

Pooled Budget for Adult Mental Health Services

An agreement between Westminster City Council & West London and Central London Clinical Commisisoning Group concluded on 31/03/2014. The arrangement was made in accordance with section 75 of the National Health Service Act 2006 and any surplus or deficit was shared on a risk basis. Any surplus exceeding 1% was distributed between partners in proportion to their contribution. The pooled budget was hosted by CNWL as Lead Provider on behalf of the partners privy to the agreement.

		2012-13		2013-14	
		£'000	£'000	£'000	£'000
Funding provided to the pooled budget:					
	Westminster City Council	6,602		6,984	
	Central London Clinical Commissioning Group - previously NHS Westminster	5,249		4,337	
	West London Clinical Commissioning Group	-		1,181	
			11,851		12,502
Expenditure met from the pooled budget:					
	Westminster City Council	6,404		6,155	
	Central London Clinical Commissioning Group - previously NHS Westminster	-		4,190	
	Central and North West NHS Mental Health Trust	5,249		1,181	
			11,653		11,526
Net surplus/(deficit) arising on the pooled budget during the year			198		976
Westminster City Council share of the net surplus arising on the pooled budget			**198**		**976**

Pooled Budget for residual Westminster Adults Services.

An agreement between Westminster City Council & West London and Central London Clinical Commisisoning Group concluded on 31/03/2014. The purpose of the agreement is to jointly commission adult social care services. The arrangement is made in accordance with Section 75 of the National Health Service Act 2006 and any surplus or deficit generated will be the responsibility of the respective partner who it is attributable to. The pooled budget is hosted by Westminster City Council on behalf of the other two partners in line with the agreement.

		2012-13		2013-14	
		£'000	£'000	£'000	£'000
Funding provided to the pooled budget:					
	Westminster City Council	12,035		12,885	
	Central London Clinical Commissioning Group- Previously NHS Westminster	16,761		9,101	
	West London Clinical Commissioning Group	-		100	
			28,796		22,087
Expenditure met from the pooled budget:					
	Westminster City Council	10,456		13,183	
	Central London Clinical Commissioning Group- Previously NHS Westminster	16,145		9,590	
	West London Clinical Commissioning Group	-		100	
			26,601		22,872
Net surplus/(deficit) arising on the pooled budget during the year			**2,195**		**(786)**
Westminster City Council share of the net surplus arising on the pooled budget			**1,864**		**532**

Note 35 - MEMBERS' ALLOWANCES

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

	2012-13	2013-14
	£'000	£'000
Salaries	-	-
Allowances	921	887
Expenses	-	-
Total	**921**	**887**

Note 36 - OFFICERS' REMUNERATION

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

	Notes	Salary, Fees and Allowances £	Private Health Insurance / Benefits in Kind £	Deferred Pay £	Expenses £	Compen-sation for Loss of Office £	Pension Contrib-utions £	Total £
2012-13								
Chief Executive - Mike More		200,379	-	-	412	-	-	200,791
Chief Operating Officer - Barbara Moorhouse		166,763	1,789	18,147	722	-	3,750	191,171
Strategic Director: City Management		124,851	2,808	13,872	-	-	25,405	166,936
Strategic Director: Built Environment		87,396	4,597	9,710	657	-	-	102,360
Director of Adult Social Care		-	-	-	-	-	-	-
Strategic Director: Children's & Young People		-	-	-	-	-	-	-
Strategic Director: Housing		124,851	2,808	13,872	-	-	24,201	165,732
2013-14								
Chief Executive - Mike More	1	151,787	-	56,347	126	-	-	208,260
Chief Executive - Charlie Parker	2	43,331	-	7,800	5,993	-	-	57,123
Strategic Director City Management - Leith Penny		133,341	2,808	14,011	-	-	27,978	178,138
Strategic Director Built Environment - Rosemarie MacQueen		88,269	5,214	9,808	607	-	-	103,898
Strategic Director of Housing - Ben Denton		132,341	2,808	14,011	-	-	27,488	176,648
Chief Operating Officer - Barbara Moorhouse	3	81,082	-	9,935	-	65,967	-	156,983
Acting Section 151 Officer - Anna D'Alessandro	4	74,507	893	7,841	330		15,634	99,205
Director of Public Health - Peter Brambleby	5 & 8	144,425	-	-	-	-	-	144,425
Director of Public Health - Sue Atkinson	6 & 8	63,700	-	-	-	-	-	63,700
Director of Public Health - Meradin Peachey	7 & 8	6,557	-	-	-	-	1,232	7,789

1. Part year post reported. Mike More left the Council on 31st December 2013.

2. Part year post reported. Charlie Parker was appointed on 13th January 2014.
3. Part year post reported. Barbara Moorhouse left the Council on 15th July 2013.
4. Part year post reported. Anna D'Alessandro was appointed as acting Section 151 Officer on 16th July 2013.
5. Part year post reported. Peter Brambleby occupied this role on a contract basis from 10th June 2013 to 8th December 2013.
6. Part year post reported. Sue Atkinson occupied this role on a contract basis from 4th December 2013 to 31st March 2014.
7. Part year post reported. Meradin Peachey was appointed on 10th March 2014.
8. The Director of Public Health is engaged or employed by Westminster City Council. The costs of this post are shared between the London Borough of Hammersmith & Fulham, the Royal Borough of Kensington & Chelsea and the City of Westminster. The share was 30.9 (RBKC): 29.1 (LBHF): 40.0 (COW).

9. The Tri-Borough Executive Director of Adult Social Care is employed by the London Borough of Hammersmith & Fulham. The costs of this post are shared between the London Borough of Hammersmith & Fulham, the Royal Borough of Kensington & Chelsea and the City of Westminster. The share was 21.2 (RBKC): 46.3 (LBHF): 32.5 (COW). Further details are available in the London Borough of Hammersmith & Fulham 2013/14 annual accounts which are available at: http://www.lbhf.gov.uk/Directory/Council_and_Democracy/Plans_performance_and_statistics/Performance_information/Statement_of_accounts/68526_Statement_of_accounts.asp

10. The Tri-Borough Executive Director of Children's Services is employed by the Royal Borough of Kensington & Chelsea. The costs of this post are shared between the London Borough of Hammersmith & Fulham, the Royal Borough of Kensington & Chelsea and the City of Westminster. The share was 33.3 (RBKC): 33.3 (LBHF): 33.3 (COW). Further details are available in the Royal Borough of Kensington and Chelsea's 2013/14 annual accounts which are available at: http://www.rbkc.gov.uk/Councilanddemocracy/howtheCouncilmanagesmoney.aspx#statements

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

	2012-13 No of Employees	2013-14 No of Employees
£50,000 - £54,999	116	78
£55,000 - £59,999	48	27
£60,000 - £64,999	46	35
£65,000 - £69,999	38	14
£70,000 - £74,999	24	22
£75,000 - £79,999	8	11
£80,000 - £84,999	13	10
£85,000 - £89,999	11	7
£90,000 - £94,999	5	4
£95,000 - £99,999	7	4
£100,000 - £104,999	3	2
£105,000 - £109,999	8	3
£110,000 - £114,999	-	5
£115,000 - £119,999	-	1
£120,000 - £124,999	2	-
£125,000 - £129,999	-	3
£130,000 - £134,999	1	-
£135,000 - £139,999	2	-
£140,000 - £144,999	-	1
£145,000 - £179,999	-	2
£180,000 - £184,999	-	-
£185,000 - £189,999	1	-
£195,000 - £199,999	-	-
£200,000 - £204,999	1	-
Total	**334**	**229**

Note 36 - OFFICERS' REMUNERATION - Continued

Exit Packages

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

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 - £20,000	57	51			57	51	442,542	198,507
£20,001 - £40,000	11	8			11	8	313,086	229,410
£40,001 - £60,000	7	3			7	3	350,447	155,674
£60,001 - £80,000	-	1			-	1	-	62,084
£80,001 - £100,000	3	1			3	1	272,129	94,940
£100,001 - £150,000	2	1			2	1	266,869	123,772
£150,001 - £200,000	-	-			-	-	-	-
£200,001 - £250,000	-	-			-	-	-	-
£250,001 - £300,000	-	-			-	-	-	-
Total	80	65	-	-	80	65	1,645,073	864,387

Note 37 - EXTERNAL AUDIT FEES

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

	2012-13 £'000	2013-14 £'000
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	245	245
Fees payable to KPMG for the certification of grant claims and returns for the year	46	40
Fees payable in respect of other services provided by KPMG during the year relating to objections.	33	61
Fees payable in respect of other services provided by Audit Commission (Legal advice to KPMG relating to objections)	-	5
Total	**324**	**351**

Note 38 - DEDICATED SCHOOLS GRANT

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

Details of the schools budget funded by DSG receivable for 2013-14 are as follows:

	Central Expenditure £'000	ISB £'000	Total 2013-14 £'000	Total 2012-13 £'000
A Final DSG for 2013/14 before Academy Recoupment	-	-	127,186	123,991
B Academy figure recouped for 2013/14	-	-	(39,376)	(27,856)
C Total DSG after Academy recoupment for 2013/14	-	-	87,810	96,135
D Brought forward from 2012/13	-	-	1,378	678
E Carry forward to 2014/15 agreed in advance	-	-	(1,378)	-
F Final agreed initial budgeted distribution for 2013/14	22,052	65,758	87,810	96,813
G In year adjustments	(106)	106	-	-
H Final budgeted distribution for 2013/14	21,946	65,864	87,810	96,812
I Less Actual central expenditure	(19,551)	-	(19,551)	(12,438)
J Less Actual ISB deployed to schools	-	(65,864)	(65,864)	(82,997)
K Plus Local authority contribution	-	-	-	-
L (Over)/underspend carried forward	**2,395**	**-**	**2,395**	**1,377**

Note 39 - GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013-14

	2012-13	2013-14
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	3,301	118,683
Non domestic rates	170,292	-
NNDR Safety Net	-	57,243
New Homes Bonus	-	6,380
Education Services Grant	-	1,626
Local Services Support Grant	8,677	156
Welfare Burdens -Benefit Grant	-	708
S31 - New Homes Bonus	-	669
S31 - Capital Provision Redistribution Grant	-	626
Other Grants Credited to Taxation and Non Specific Grant Income	1,652	1,927
	183,922	188,018
Credited to Services		
Council Tax Benefit Subsidy	12,220	-
Collection Allowance - NNDR & BSR	3,433	3,381
DAT Grant	1,215	-
Discretionary Housing Payments Grant	3,629	4,674
DSG Schools Grant	95,412	86,391
Early Intervention Grant	9,931	-
Health Reform Grant	5,596	-
Housing & C Tax Admin	2,831	4,273
Housing Benefits Subsidy	259,997	227,261
LSC Grant	10,981	10,593
Olympics	4,095	-
Public Health Grant	-	26,386
Public Service Transformation Grant	-	425
Pupil Premium Grant	3,831	4,783
Troubled Families Programme	214	1,527
Unlawful use of Bed&Breakfast Grant	-	280
Young Persons Learning Grant	2,402	1,145
Youth Justice Grant	524	632
Other Grants	1,774	1,676
	418,085	373,427
Grand Total	**602,007**	**561,445**

The Council has received a number of grants, contributions and donations which have conditions attached and as such have not been recognised as income as they may require monies or property to be returned to the provider if related conditions are not met. The balances at the year-end are as follows:

Capital Grants Receipts in Advance (Non-Current)	31 March 2013 £000's	31 March 2014 £000's
S106 / S278 Contributions	70,970	107,363
Transportation and Infrastructure External Funding	7,557	8,897
Transport for London Grants	645	1,062
Housing Grants	49	-
Building Schools for the Future	20,272	11,706
Childrens Standards Fund	485	485
PCT Funding	213	213
DFES Childcare Grant	1,235	1,222
Other Government Grants	1,721	2,732
	103,148	**133,681**

Deposits and Receipts in Advance (Current)		31 March 2013 £000's	31 March 2014 £000's
Central government bodies			
	Council Tax Receipts in Advance	4,566	5,991
	Other	16,483	19,600
Other local authorities		1,923	541
NHS bodies		5,586	12,695
Public corporations and trading funds		-	-
Other entities and individuals		8,557	11,461
		37,115	**50,289**

Note 40 - RELATED PARTY TRANSACTIONS

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

Central Government

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates. It provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from Government departments are set out in the subjective analysis in Note 39.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 35. During 2013/14 works and services to the value of £12,402k were commissioned from company in which 1 member had an interest. Related contracts were entered into in full compliance with the Council's standing orders. The member in question is Ian Adams (employed by Capita Business Services). Further details are recorded in the Register of Members' Interest, open to public inspection at City Hall during office hours.

Officers

No officer of the Council has a relationship or holds a position with a company that has a material commercial relationship with the Council. No officer of the Council holds a position with another public body that has a material financial relationship with the Council, apart from Ben Denton, Strategic Director of Housing, Regeneration & Property, who in this capacity is a director of Westminster Community Homes an entity which delivers the Council's housing renewal programme and wider City Council housing strategy.

Other Public bodies [subject to common control by central government]

The Council has pooled budget arrangement with Central and North West NHS Mental Health Trust for the provision of mental health services and in conjunctions with Central London Clinical Commissioning Group (previously NHS Westminster) for the provision of services relating to: Adult Learning Disabilities, Older People & Physically disabled Adults and Substance Misuse. Transactions and balances are detailed in Note 34.

The Council has entered into joint working arrangements with neighbouring local authorities: the London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea. The bulk of these combined tri-borough arrangements for Adult Social Care, Children's Services and Library services have been in place from 1st April 2012. Each of these services is headed by a single Executive Director and a shared management team. Councillors from each Council retain responsibility for the way in which the shared service is provided in their local area. As these arrangements develop, the individual boroughs will exert an influence over one another. Although the net amounts paid under these arrangements are not material, the gross payments are.

Entities Controlled or Significantly Influenced by the Authority

For the Financial Year 2013/14, Councillor Caplan is a Director and the Chairman of Westco Trading Limited (Turnover £1,927k). Officers P Carpenter and J Corkey are Directors of the Company and Officer S Parfrey is the Company Secretary.

Officer M Youkee is the Chairman of Westminster Community Homes (WCH) (Turnover £7,041k) and has a stake of 33.33%, Westminster City Council owns 33.33% and the remaining 33.33% is owned by City West Homes. WCH is a "not for profit" body so the shareholders derive no financial benefit and their rights are significantly less than in ordinary companies. WCH 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 City West Homes, Officer Ben Denton and Councillor Rigby are Board Members.

Three Members of the Council are Board Members at City West Homes (Turnover £24.5 million) - Councillor Adams, Councillor Hampson and Councillor Havery.

Note 41 - CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2012-13 £'000	2013-14 £'000
Opening Capital Financing Requirement	468,760	370,506
Capital investment		
Property, Plant and Equipment	83,905	94,859
HRA Self-Financing Settlement	-	-
Investment Properties	11,028	1,314
Intangible Assets	2,889	1,020
Statutory capital expenditure	-	-
Revenue Expenditure Funded from Capital under Statute	5,531	7,653
Corporate bonds - reinvested		
Assets acquired under PFI and finance leases	-	-
Sources of finance		
Capital Receipts	(39,688)	(3,787)
Government grants and other contributions	(34,560)	(51,827)
Sums set aside from revenue		
Direct revenue contributions	(7,567)	(2,480)
Leaseholders Contributions (HRA)	(6,025)	(6,860)
Major Repairs Allowance	(15,182)	(17,239)
Affordable Housing Fund	(331)	-
Debt repayment		
Capital Receipts applied to reduce existing Capital Financing Requirement	(96,781)	(7,515)
Minimum Revenue Provision	(1)	(531)
Minimum Revenue Provision PFI & Finance Lease	(1,472)	(1,724)
Closing Capital Financing Requirement	**370,506**	**383,389**

Explanation of movements in year

	2012-13 £'000	2013-14 £'000
Increase in underlying need to borrowing (supported by government financial assistance)	-	-
Increase in underlying need to borrowing (unsupported by government financial assistance)	-	22,653
Assets acquired under finance leases	-	-
Assets acquired under PFI/PPP contracts	-	-
Reinvestment of corporate bonds	-	-
Capital Receipts applied to reduce existing Capital Financing Requirement	(96,781)	(7,515)
Statutory provision for repayment of debt (Minimum Revenue Provision)	(1)	(531)
Statutory provision for PFI & Finance Lease debt (Minimum Revenue Provision)	(1,472)	(1,724)
Increase/(decrease) in Capital Financing Requirement	**(98,254)**	**12,883**

Note 42 - LEASES

Authority as Lessee

Finance Leases

The Council has acquired two properties under a finance lease arrangement along with the waste management fleet. The assets acquired under these leases are carried as Property, Plant & Equipment in the Balance Sheet at the following net amounts:

	31 March 2013 £'000	31 March 2014 £'000
Other Land and Buildings	15,100	14,377
Vehicles, Plant, Furniture and Equipment	7,181	5,386
	22,281	**19,763**

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 Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

		31 March 2013 £'000	31 March 2014 £'000
Finance lease liabilities (net present value of minimum lease payments):			
	payable in the coming year	4,465	4,465
	payable in future years	44,536	40,071
Minimum lease payments		**49,001**	**44,536**

The minimum lease payments will be payable over the following periods:	Minimum lease Payments		Finance	
	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
Not later than one year	4,465	4,465	3,008	2,602
Later than one year and not later than five years	13,970	10,082	6,686	4,660
Later than five years	30,566	29,989	26,341	25,765
	49,001	**44,536**	**36,035**	**33,027**

Operating Lease

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 2013 £'000	31 March 2014 £'000
Not later than one year	11,537	9,229
Later than one year and not later than five years	26,475	17,466
Later than five years	36,417	32,897
Total	**74,429**	**59,592**

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

	31 March 2013 £'000	31 March 2014 £'000
Minimum lease payments	25,297	28,711
Contingent rents	1,251	751
Sublease payments receivable	(26,664)	(28,710)
Total	**(116)**	**752**

Authority as Lessor

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:
for the provision of community services, such as sports facilities, tourism services and community centres.
for economic development purposes to provide suitable affordable accommodation for local businesses.

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

	31 March 2013 £'000	31 March 2014 £'000
Not later than one year	21,023	20,604
Later than one year and not later than five years	72,313	72,827
Later than five years	355,650	315,039
Total	**448,986**	**408,470**

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

Note 43 - PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

Under the Haven PFI scheme, the operator provided the Council 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.

Penfold Street was jointly commissioned between the Council and Notting Hill Housing Trust with the objective of providing housing for older people in the heart of London. The Council provided the operator with a site for demolition and development with a lease for 99 years and the the Council retains 100% nomination rights and therefore controls the asset. Notting Hill Housing Trust receive the income generated from the asset.

The financial position is shown net in the Council's accounts.

Date	Gross Value £'000	Accumu-lated Depre-ciation £'000	Revaluation Revision	Net Book Value £'000	PFI Liability £'000
31/03/13	12,683	5,730	2,520	9,473	8,693
31/03/14*	12,683	6,057	2,520	9,146	8,436

	2012-13 £'000	2013-14 £'000
Balance Outstanding at start of the year	8,950	8,693
Payments during the year	-	-
Capital Expenditure incurred in the year	(383)	(383)
Other movements	126	126
Balance outstanding at year-end	**8,693**	**8,436**

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
31/03/13	331
31/03/14	267

Leases expiring in	Obligations under PFI Contracts: Vehicles, Plant & Equipment £'000	Land & Buildings £'000	Total PFI Commitments £'000
in one year 2013/14	-	383	383
2014/15 to 2017/18	-	1,531	1,531
2018 Onwards	-	6,570	6,570
Total	**-**	**8,484**	**8,484**

Note 44 - IMPAIRMENT LOSSES

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%, this has resulted in impairments of £1.5m during 2013-14

The Council conducted a full revaluation on its Investment Property portfolio and 40% of the Operational stock based on value. A proportion of assets were revalued downwards and revaluation losses in excess of the Revaluation Reserve balances held against those assets which totalled £26.4m has been debitied to the cost of the Provision of Services and reversed out via the Movement in Reserves Statement, thus ensuring no impact on the General Fund balance.

Note 45 - CAPITALISATION OF BORROWING COSTS

No borrowing costs have been capitalised by the Council in 2013-14.

NOTE 46 - TERMINATION BENEFITS

The Council terminated the contracts of 67 employees in 2013/14. Of the total payment / liability of £955k (note 36 refers), £342k related to the enhancement of retirement benefits for 15 officers

NOTE 47 - PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the 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 Council 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 2013/14 the Council paid £4.3M to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £4.3M and 14.1%. There were no contributions remaining payable at the year-end. The Council 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 the note on Defined Benefit Pension Schemes. The net reduction in contributions is due to a number of schools becoming academies.

NHS Pension Scheme

Westminster staff that have transferred into the Council from the NHS as a result of the Public Health Reform effective from 1st April 2013 are entitled to retain their membership of the NHS Pension Scheme. The scheme provides these employees with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Council 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 2013/14 the Council paid £0.165M to NHS Pensions Scheme in respect of retirement benefits for WCC employees formerly employed by the NHS, representing 14% of pensionable pay. There were no contributions remaining payable at the year-end.

Note 48 - DEFINED BENEFIT PENSION SCHEMES

Accounting Policy

The accounting policy in this area has changed as a result of the Code's adoption of the 2011 amendments to IAS 19 and IAS 1. This change requires the recognition within the financial statements of a number of new classes of components of defined benefit costs - net interest on the net defined benefit liability (asset) and remeasurement of the net defined benefit liability (asset|); and where there is a material impact, new definitions or recognition criteria for termination benefits. Therefore, our reporting reflects the enhanced disclosure. The Council concludes that there is no material impact of the revised standard.
The amendments to IAS 19 have been implemented in the current year. No prior period adjustment has been made as the change was not material. Hence, the comparator year figures are presented as per the 2012/13 Annual Accounts.

Participation in Pension Schemes

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

Description of the Westminster Fund

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

Transactions Relating to Post - Employment Benefits

The Council recognises the cost of post employment benefits in the reported cost of services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge 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. During the year the following transactions have been made in the Comprehensive Income and Expenditure Statement and General Fund Balance via the Movement in Reserves Statement :

	WCC Local Government Pension Scheme		LPFA Local Government Pension	
	31 March 2013 Disclosed	31 March 2014	31 March 2013 Disclosed	31 March 2014
	£000's	£000's	£000's	£000's
Comprehensive Income and Expenditure Statement				
Cost of Services				
Service Cost Comprising:				
Current service cost	15,618	18,128	43	27
Past service cost*	-	522	-	-
(Gain)/Loss from settlements	(3,509)	(1,587)	-	-
Administration Expenses	-	498	-	29
Finance and investment income and expenditure				
Net interest expense	-	21,842	-	158
Interest on obligation	47,448	-	965	-
Expected Return on fund assets	(36,778)	-	(787)	-
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	**22,779**	**39,403**	**221**	**214**

Other Post employment benefits charged to the Comprehensive Income and Expenditure Statement

	WCC Local Government Pension Scheme		LPFA Local Government Pension	
	31 March 2013 Disclosed	31 March 2014	31 March 2013 Disclosed	31 March 2014
	£000's	£000's	£000's	£000's
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	-	(18,330)	-	(51)
Expected return on fund assets	-	-	-	-
Actuarial gains and losses arising on changes in demographic assumptions	-	(15,805)	-	436
Actuarial gains and losses arising on changes in financial assumptions	-	10,626	-	(1,419)
Other (if applicable)	-	5,127	-	(2,997)
Total actuarial Gains	-	-	-	-
Experience gain/(loss) on defined benefit obligation	-	(29,659)	-	552
Total Post Employment Benefits Charged to other Comprehensive Income and Expenditure Statement	**-**	**(48,041)**	**-**	**(3,479)**
Statement of Recognised Income and expense				
Actual return less expected return on fund assets	(39,360)	-	(880)	-
Changes in assumptions underlying the present value of the fund liabilities	60,619	-	2,799	-
Actuarial gains (losses) recognised in SORIE	**21,259**	**-**	**1,919**	**-**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	-	-	-	-
	(22,779)	**(39,403)**	**(221)**	**(214)**
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers contributions payable to scheme	**14,671**	**15,900**	**138**	**120**

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 movements 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.

Note 48 - DEFINED BENEFIT PENSION SCHEMES - (CONTINUED)

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	WCC 2012/13 Disclosed	2013/14	LPFA 2012/13 Disclosed	2013/14
	£'000	£'000	£'000	£'000
Present value of the defined benefit obligation	1,115,590	1,108,897	24,003	22,162
Fair value of plan assets	599,172	617,017	19,186	20,730
Subtotal	516,418	491,880	4,817	1,432
Present Value of unfunded obligation	2,896	2,785	4	1
Net liability arising from the defined benefit obligation	**513,522**	**489,095**	**4,813**	**1,431**

Reconciliation of the Movements in fair value of plan assets

	WCC 2012/13 Disclosed	2013/14	LPFA 2012/13 Disclosed	2013/14
	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	545,270	599,172	18,887	19,186
Interest income	-	25,330	-	599
Expected Return on fund assets	36,778	-	787	-
Remeasurement gain/(loss):				
- The return on plan assets, exluding the	-	18,330	-	51
- Other (if applicable)	-	(5,127)	-	2,997
Total actuarial gains/(losses)	39,570	-	880	-
Administration Expenses	-	(498)	-	(29)
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	14,671	15,900	138	120
Contributions from employees into the scheme	5,234	5,592	10	5
Benefits paid	(39,403)	(40,031)	(1,516)	(2,199)
- Other (if applicable)	(2,948)	(1,651)	-	-
Closing fair value of assets	**599,172**	**617,017**	**19,186**	**20,730**

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

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	WCC 2012/13 Disclosed	2013/14	LPFA 2012/13 Disclosed	2013/14
	£'000	£'000	£'000	£'000
Opening Balance at 1st April	1,032,530	1,115,590	21,702	24,003
Current Service Cost	15,618	18,128	43	27
Interest Cost	47,448	47,172	965	757
Contributions from Scheme Participants	5,234	5,592	10	5
Remeasurement (gains) and losses:				
- Actuarial gains/losses arising from changes in demographic assumptions	-	(15,805)	-	436
- Actuarial gains/losses arising from changes in financial assumptions	-	10,626	-	(1,419)
- Experience loss/(gain) on defined benefit obligation	-	(29,659)	-	552
Total actuarial losses (gains)	60,620	-	2,799	-
Past Service Cost				
Losses/(gains) on curtailment (where relevant)	703	522	-	-
Liabilities assumed on entity combinations				
Benefits Paid	(39,403)	(40,031)	(1,516)	(2,199)
Liabilites extinguished on settlements (where relevant)	(7,160)	(3,238)	-	-
Closing Balance at 31st March	**1,115,590**	**1,108,897**	**24,003**	**22,162**

Local Government Pension Scheme assets comprised:

	WCC 2012/13 £'000	%	2013/14 £'000	%
Gilts - UK	35,872	6%	8,879	1%
Gilts - Overseas	78	-	-	-
Corporate Bonds - UK	72,669	12%	58,554	9%
Corporate Bonds - Overseas	17,207	3%	9,318	2%
Listed Equities - UK	191,186	32%	122,641	20%
Listed Equities - Overseas	234,226	39%	35,802	6%
Unlisted Equities - UK	-	-	89,137	14%
Unlisted Equities - Overseas	-	-	221,270	36%
Property	23,967	4%	24,681	4%
Pooled Fixed Interest	-	-	9,632	2%
Derivatives	-	-	83	0%
Investment Debtors	-	-	5,002	1%
Cash	19,529	3%	27,355	4%
Net Currect Assets - debtors	4,621	1%	5,199	- 1%
Net Currect Assets - creditors	(183)	-	(536)	0%
Total	**599,172**	**100%**	**617,017**	**100%**

Note 48 - DEFINED BENEFIT PENSION SCHEMES - (CONTINUED)

	LPFA			
	2012/13		2013/14	
	£'000	%	£'000	%
Equities - Segregated Quoted	4,906	26%	5,492	26%
Equities - Investment Funds Quoted	328	2%	246	1%
Equities - Investment Funds Unquoted	3,425	18%	4,147	20%
Equities - Private Equity Unuoted	1,504	8%	1,408	7%
LDI	1,879	10%	1,278	6%
Target Return - Equities	249	1%	244	1%
Target Return - Corporate Bonds	370	2%	331	2%
Target Return - Government	4	0%	102	0%
Investment Funds and unit Trusts				
Equities - Quoted	197	1%	256	1%
Equities - Unquoted	17	0%	19	0%
Bonds - Quoted	1,629	8%	2,232	11%
Bonds - Unquoted	2,187	11%	2,533	12%
Cash	203	1%	264	1%
Hedge Funds - Quoted	33	0%	32	0%
Hedge Funds - Unquoted	314	2%	104	1%
Infrastructure - Quoted	55	0%	61	0%
Infrastructure - Unquoted	634	3%	666	3%
Property - Unquoted	713	4%	550	3%
Commodity Funds - Quoted	167	1%	165	1%
Commodity Funds - Unquoted	49	0%	61	0%
Cash	374	2%	475	2%
Derivatives - Futures	7	0%	-	-
Derivatives - Forwards	-58	0%	62	0%
Total	**19,186**	**100%**	**20,728**	**100%**

a - All scheme assets have quoted prices in active markets
b - The risks relating to assets in the scheme are also analysed by company size below:

Basis for Estimating Assets and Liabilities

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

	WCC			
The significant assumptions used by the actuary have been:	31 March 2013		31 March 2014	
	£000	%	£000	%
Long-term expected rate of return on assets in the scheme:				
Equity Investments	425,412	71%	468,933	76%
Gilts	35,950	6%	18,510	3%
Other Bonds	89,876	15%	67,872	11%
Property	23,967	4%	24,681	4%
Cash	23,967	4%	37,021	6%
LDI/Cashflow matching	-	-	-	-
Target Return Portfolio	-	-	-	-
Infrastructure	-	-	-	-
Commodities	-	-	-	-
Total	599,172	100%	617,017	100%

	LPFA			
	31 March 2013		31 March 2014	
	£000	%	£000	%
Long-term expected rate of return on assets in the scheme:				
Equity Investments	2,686	14%	10,987	53%
Gilts	-	-	-	-
Other Bonds	-	-	-	-
Property	-	-	622	3%
Cash	192	1%	622	3%
LDI/Cashflow matching	5,948	31%	1,244	6%
Target Return Portfolio	10,360	54%	6,219	30%
Infrastructure	-	-	829	4%
Commodities	-	-	205	1%
Total	19,186	100%	20,728	100%

		WCC		LPFA	
		31 March 2013	31 March 2014	31 March 2013	31 March 2014
Mortality assumptions:					
Longevity at 65 for current Pensioners (years)					
	Men	22.5	22.0	19.8	21.1
	Women	24.6	25.1	23.0	24.1
Longevity at 65 for future Pensioners (years)					
	Men	24.3	24.1	21.8	23.5
	Women	26.6	27.4	24.9	26.4
Rate of Inflation (RPI)		3.3%	3.6%	3.1%	3.4%
Rate of Inflation (CPI)		2.5%	2.8%	2.3%	2.6%
Rate of Increase in salaries		4.7%	4.6%	4.0%	4.4%
Rate of increase in pensions		2.5%	2.8%	2.3%	2.6%
Rate for discounting scheme liabilities		4.3%	4.4%	3.3%	4.1%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2012/13.

Note 48 - DEFINED BENEFIT PENSION SCHEMES - (CONTINUED)

	Impact on the Defined Benefit Obilgation in the Scheme	
	WCC	WCC
	Increase in Assumption	Decrease in Assumption
	£000	£000
Longevity (increase or decrease in 1 year)	39,743	(40,124)
Rate of inflation (increase or decrease by 0.1%)	(17,484)	17,177
Rate of increase in salaries (increase or decrease by 0.1%)	(2,090)	2,076
Rate of increase in pensions (increase or decrease by 0.1%)	(17,484)	17,177
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	18,943	(19,290)

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the Scheme's actuary, Barnett Waddingham, to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.
The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.
The Council anticipated to pay £16.096m employer contributions to the scheme in 2014/2015.
The weighted average duration of the defined benefit obligation for the WCC scheme members is 18 years, 2013/14 (19 years 2012/13).
The weighted average duration of the defined benefit obligation for the LPFA scheme members is 13 years, 2013/14 (11 years 2012/13).

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

- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

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

Note 49 - CONTINGENT LIABILITIES

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 balance on the Paddington LTVA bank account as at 31st March 2014 is £1.38m. The main construction contract and scheme has been completed but there are a number of issues which have arisen resulting in a delay in closing the Paddington LTVA 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 explored by the Council and its external advisors. Closure can only be achieved through a settlement of the claim or if 12 years have passed from the date of the submission of the claim without it being referred to an arbitrator, this position is expected to be reached at the end of 2018.

In addition to Westminster City Council, a number of other bodies participate in the Pension Fund by virtue of their eligibility under the Regulations or as a result of acquiring Admission Body Status. Where such bodies do not have an external guarantor of appropriate covenant, they represent a contingent risk to Westminster City Council because, in the event of the failure of such bodies, the responsibility for making good any funding shortfall would primarily fall back on Westminster City Council as the main employer in the Fund.

Westminster City Council, in its capacity as Administering Authority, has introduced a number of measures to manage and mitigate these risks. The measures include seeking appropriate external guarantors, establishing appropriate funding targets for employing bodies, conducting risk assessments prior to the admission of new employers, balancing affordability and solvency considerations in agreeing employer funding strategies with the Pension Fund Actuary and, where appropriate, the requirement for insurance bonds to guarantee the performance of financial obligations.

Note 50 - CONTINGENT ASSETS

In connection with the sale of Dolphin Square, a company – the Dolphin Square Company – was setup to manage tenants' rights. The Company was part funded by a proportion of the Council's proceeds. Any unexpended amount will be returned – inclusive of interest – to the Council on the event of the winding up of the Company or when the relevant number of tenants with protected rights falls below twenty.

Note 51 - NATURE AND EXTENT OF RISK

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

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

The exposure at 31st March 2014 by credit rating in respect of financial assets held by the Council are detailed below:

Counterparty	Country	Fitch Long Term Rating	Moody Long Term Rating	S&P Long Term Rating	Lending Limit £m	Investment £m
Barclays Bank plc	UK	A	A2	A	30	29
Falkirk Council	UK	NA	NA	NA	50	5
Federated InvestorsMoney Market Fund **	UK	AAA	Aaa	AAA	50	28
Federated Investors Cash Plus Fund**	UK	NA	NA	AAA	30	10
Fife Council	UK	NA	NA	NA	50	5
HSBC	UK	AA	Aa3	AA-	50	49
Ignis Money Market Fund	ROI	AAA	NA	AAA	50	40
Lloyds Bank*	UK	A	A2	A	30	45
Morgan Stanley Money Market Fund	Lux	AAA	Aaa	AAA	50	18
Network Rail Infrastructure	UK	AA+	Aa1	NA	100	22
Payden Sterling Reserve Fund **	UK	NA	NA	AAA	30	16
RBS plc	UK	A	Baa1	A	50	49
Svenska Handelsbanken	Sweden	AA-	Aa3	AA-	25	25
Scottish Widows Money Market Fund**	ROI	AAA	Aaa	AAA	50	40
Transport for London	UK	AA	Aa2	AA+	20	10
UK Government Gilts	UK	AA+	Aa1	AAA	Unlimited	25
UK Treasury Bills	UK	AA+	Aa1	AAA	Unlimited	196
World Bank (IBRD)	USA	AAA	Aaa	AAA	100	16
						628

* Lloyds lending limit was reduced from £50m to £30m after the government sold a tranche of shares. Where possible investments were repaid. The investment balance of £49m represents legacy fixed deposits that were invested into prior to the action and these will be repaid at maturity.
** the investments in the six managed funds include indirect exposures to various counterparties, but the funds have their own AAA (optimum) rating and the investment policy of the funds meet the Council's criteria.

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 Council's maximum exposure to credit risk in relation to its investments in banks and money market funds of £628m 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 Council's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

Note 51 - NATURE AND EXTENT OF RISK (CONTINUED)

The following analysis summarises the Council'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 31 March 2014 £'000	Historical experience of %	Historical experience adjusted 31 March 2014 %	Estimated maximum 31 March 2014 £'000	Estimated maximum 31 March 2013 £'000
	A	*B*	*C*	*(AxC)*	
Deposits with banks and other financial institutions	628,301	-	-	-	-
Bonds	-	-	-	-	-
Customers	-	-	-	-	-
				-	-

The figures above exclude balances for soft loans.
The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for customers, such that £4m of the £16m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2013 £'000	31 March 2014 £'000
Less than three months	11,714	13,785
Three to six months	928	877
Six months to one year	716	385
More than one year	1,500	1,145
	14,858	**16,192**

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has 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 Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council 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 2013 £'000	31 March 2014 £'000
Less than one year	493	1,344
Between one and two years	30,536	31,788
Between two and five years	33,508	30,247
Maturing in five to ten years	71,353	40,629
Maturing in more than ten years	200,845	180,646
	336,734	**284,654**

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 or Deficit on the Provision of Services will rise respectively.

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 interest rate risk, through asset management within the portfolio.

The Council 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 2014, 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	(2,811)
Increase in government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	**(2,805)**
Share of overall impact debited to the HRA	**(1,227)**

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

Foreign Exchange Risk

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

Note 52 - TRUST FUNDS

The Council acts as trustee for other funds shown below, which are not included in these accounts.

	31 March 2013 £'000	Expenditure £'000	Income £'000	31 March 2014 £'000
City of Westminster Charitable Trust (note 1)	(38)	19	(38)	(57)
Sir John Hunt's Gift (note 2)	(31)	2	(1)	(30)
Harvist Fund (note 3)	(117)	62	(66)	(121)
Arundel Street Trust (note 3)	(12)	-	-	(12)
Education Trust Funds (note 4)	(78)	-	(3)	(81)
Other Funds	(13)	-	-	(13)
Total (note 5)	**(289)**	**83**	**(108)**	**(314)**

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 Westminster Council.
3. These funds are used for one-off grants (not exceeding £5,000 per grant) to voluntary organisations.
4. The Education Trust Funds are used for prize giving purposes by schools. No applications for assistance were received during the year.
5. These Trust Funds are not audited by the Council's Appointed Auditor, but are audited under separate arrangements.

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE

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 £10,384k has been allocated across the various activities within the Housing Revenue Account.

		2012-13 £'000	2013-14 £'000
HRA Income			
Dwellings Rents(gross)	General needs housing, Temporary accommodation	(70,437)	(72,796)
Non-dwellings Rents (gross)	Commercial property, sheds and garages	(9,313)	(8,899)
Tenants' Charges for Services and Facilities	Service charges and Heating charges	(9,783)	(8,254)
Leaseholders' Charges for Services and Facilities		(9,769)	(10,127)
Other Charges for Services and Facilities	Community Centres and Public Houses	-	-
Contributions Towards Expenditure	Collection Allowances and Other Income	(10,417)	(2,359)
HRA Subsidy Receivable	Includes Major Repairs Allowance	-	-
Sums directed by the Secretary of State that are income in accordance with The Code		-	-
Total HRA Income		**(109,719)**	**(102,436)**
Repairs and Maintenance	Responsive and Planned	17,916	17,273
Supervision and Management	Policy and Management, Right - to - buy administration and managing tenancies	35,127	36,741
Special Services	Communal heating and lighting, Lifts, Caretaking and cleaning and Other special services	9,529	9,172
Rents, Rates, Taxes and Other Charges	Rates, taxes and insurance cost	1,294	1,401
Subsidy limitation Transfer to the GF		-	-
Transfer of HRA Surplus to the General Ledger		-	-
HRA Subsidy Payable		441	-
Increase/(decrease) in Provision for Bad or Doubtful Debts		867	(1,079)
Depreciation and Impairment of Fixed Assets		19,484	(146,265)
Amortisation of Deferred Charges and Intangible Assets		149	-
Debt Management Cost		147	138
Sums directed by the Secretary of State that are expenditure in accordance with The Code		-	-
Total HRA Expenditure		**84,954**	**(82,618)**
Net Cost of HRA services as included in the whole-authority Income and Expenditure Account		**(24,765)**	**(185,054)**
HRA services share of Corporate and Democratic Core	Regulatory audit, committee support and bank charges	-	-
HRA share of other amounts included in the whole-authority Net Cost of Serviced but not allocated to specific services		-	-
Net Cost of HRA services including HRA share of costs not allocated to specific services		**(24,765)**	**(185,054)**
Gain or loss on sale of HRA non-current assets	Capital receipts less value of assets sold	(5,171)	(9,944)
HRA share of interest payable and similar charges including amortisation of premiums and discounts		14,959	13,570
HRA share of pensions interest cost and expected return on pensions assets		-	-
HRA Investment Income	Interest on HRA and MRR balances and mortgage interest	(18,007)	(26,700)
Capital Grants Applied		(1,831)	(812)
Surplus or deficit for the year on HRA Income and Expenditure Account		**(34,815)**	**(208,939)**

STATEMENT OF MOVEMENT ON THE HRA BALANCE

Increase in the Housing Revenue Account Balance comprising:

	2012-13 £'000	2013-14 £'000
Surplus or deficit for the year on the HRA Income and Expenditure Account	(34,815)	(208,939)
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	-	-
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)	120	114
Gain or loss on sale of HRA non-current assets	5,171	9,944
HRA share of contributions to/from the pensions Reserve	-	-
Capital expenditure funded by the Housing Revene Account	13,592	9,340
HRA share of the Minimum Revenue Provision	-	-
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	-	-
Net Increase/decrease before transfers to/from reserves	**(15,932)**	**(189,541)**
Transfer to/from Housing Major Repairs Reserve	(4,302)	(4,206)
Transfer to/from the Capital Adjustment Account	19,006	193,574
Transfer to/from Housing Repairs Account	-	-
Transfer to/from Other Earmarked Reserves	-	-
Increase/(decrease) in the HRA Balance for the year	**(1,228)**	**(173)**
HRA Balance Brought Forward	(91,833)	(93,061)
HRA Balance Carried Forward	**(93,061)**	**(93,234)**

NOTES TO THE HOUSING REVENUE ACCOUNT

HRA 1 - Housing Assets Valuation

	01 April 2013 £'000	31 March 2014 £'000
Council Dwellings		
a) Tenanted dwellings - vacant possession value	3,791,493	4,456,916
b) Less reduction for use as Social Housing (note 3b)	2,841,818	3,342,687
c) Tenanted dwellings - Social Housing value	**949,675**	**1,114,229**
Other Land and Buildings	42,100	41,403
	42,100	**41,403**
Vehicles, plant, furniture and equipment	-	-
	-	-
Infrastructure and Community assets	-	-
	-	-
Assets under construction	13,941	22,459
	13,941	**22,459**
Surplus assets not held for sale	-	-
	-	-
Investment properties	130,410	156,085
	130,410	**156,085**
Assets held for sale	-	-
	-	-
Total Property Assets	**1,136,126**	**1,334,176**

HRA 2 - Housing Stock

	01 April 2013	31 March 2014
Rented Houses	735	744
Rented Flats	11,398	11,347
Shared Ownership	58	58
Leasehold Properties	8,957	9,047
Temporary Accommodation	56	-
Total stock	**21,204**	**21,196**

HRA 3 - Housing Assets Valuation Notes

a) The vacant possession value of HRA tenanted dwellings is £4.457m (Note

b) 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 (25% of Market Value) to the vacant possession value.

c) Revenue Expenditure funded from Capital under Statute (REFCUS) 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 2013/14, no REFCUS was incurred within the HRA.

HRA 4 - HRA SUBSIDY

	2012-13 £'000	2013-14 £'000
Allowance for management		
Allowance for maintenance	-	-
Allowance for major repairs	-	-
ALMO allowance	-	-
Charges for capital	-	-
Rental constraint allowance	-	-
Other items of reckonable expenditure	-	-
Adjustment for previous year	(441)	-
	(441)	
Less guideline rent income	-	-
Less interest on receipts	-	-
Total HRA Subsidy	(441)	-

The Government ended HRA Subsidy from 1 April 2013. From then onwards, each authority's HRA is self financing.
This means that it does receive or pay any money from or to the Government.

HRA 5 - Analysis of Capital Funding

Analysis of Payments

	2012-13 £'000	2013-14 £'000
HRA Major Works	19,205	17,338
Regeneration Renewal	12,773	8,518
Non-delegated		3,782
Self financing	-	380
	31,978	**30,018**

Funding

	2012-13 £'000	2013-14 £'000
Borrowing	-	-
Usable Capital Receipts	-	2,619
Capital Grants	1,095	12
Revenue Contributions	13,592	9,340
Major Repairs Reserve	15,181	17,247
Government Grants - LDA	280	-
Section 106	1,831	800
	31,978	**30,018**

HRA 6 - Impairment

Impairments
The aquisition and discounting of dwellings was treated as an impairment

	2012-13 £'000	2013-14 £'000
Property acquisition	-	1,482
Total	**-**	**1,482**

HRA 7 - 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.

	2012-13 £'000	2013-14 £'000
HRA Interest Payable	14,959	13,570
Less:		
Impairment	-	1,482
Deferred Charges	-	-
Capital Asset Charges Accounting Adjustment	**14,959**	**12,088**

HRA 8 - Depreciation charges

	2012-13 £'000	2013-14 £'000
Council Dwellings	17,318	19,282
Other land and buildings	1,545	2,171
Vehicles, plant, furniture and equipment	621	-
Infrastructure and community assets	-	-
Assets under construction	-	-
Surplus assets not held for sale	-	-
Investment properties	-	-
Assets held for sale	-	-
	19,484	**21,453**

HRA 9 - Rent Arrears

	2012-13 £'000	2013-14 £'000
Rent Arrears	3,138	3,057
Bad Debt Provision	2,235	2,168
Lessee Major Works BDP	3,229	2,451
Rechargeable Repairs Insurance Claims	115	115
	8,716	**7,791**

COLLECTION FUND

	2012-13 £'000	2012-13 £'000	2013-14 £'000	2013-14 £'000
INCOME				
Council Tax Collectable	80,190		83,905	
Add: Council Tax Benefits	12,014		-	
		92,204		83,905
Business Rates Collectable	1,652,020		1,735,368	
Business Rate Supplement	66,924		66,991	
Transitional Protection Payments	-		14,484	
		1,718,944		1,816,843
Contributions to Fund Deficit		405		
Total Income		**1,811,553**		**1,900,748**
EXPENDITURE				
Council Tax				
Distribution of previous years estimated surplus	-		550	
Precepts	40,306		35,814	
Montpellier Sq Precept	28		33	
Demand	49,646		44,648	
		89,980		81,045
B & D Debts:				
Written off	1,219		1,098	
Increase/(Reduction) in provision	700		1,300	
		1,919		2,398
		91,899		83,443
Business Rates				
Precept - Central Government (CLG)			784,569	
Precept - Greater London Authority (GLA)			313,828	
Demand			470,742	
Paid to National Pool	1,634,090			
BRS	66,330		64,703	
BRS Refunds	-		1,703	
Transitional Protection Payments	-		37,466	
Cost of Collection	3,207		3,180	
BRS Cost of Collection	227		200	
		1,703,854		1,676,391
Bad & Doubtful Debts:				
Written off	14,077		11,115	
BRS Written off	367		385	
Increase/(Reduction) in Appeals provision	-		163,185	
Increase/(Reduction) in provision	645		1,420	
		15,089		176,105
		1,718,943		**1,852,496**
Total Expenditure		**1,810,842**		**1,935,939**
Addition/(Reduction) to Fund Balance		**711**		**(35,191)**
Council Tax				
Balance b/fwd (Deficit)	(286)		425	
Surplus / (Deficit) for year	711		462	
		425		887
Business Rates				
Balance b/fwd (Deficit)	-		-	
Surplus / (Deficit) for year	-		(35,653)	
		-		(35,653)
Balance c/fwd Surplus / (Deficit)		**425**		**(34,766)**
Surplus / (Deficit) Allocated				
Council Tax				
Westminster	235		492	
GLA	190		395	
		425		887
Business Rates				
Westminster	-		(10,696)	
GLA	-		(7,131)	
Central Government (CLG)	-		(17,826)	
		-		(35,653)
Total Surplus / (Deficit) c/f		**425**		**(34,766)**

NOTES TO THE COLLECTION FUND

COLL 1 - Income from Business Rates

NNDR is organised and administered on a national basis. The Council collects non-domestic rates for its area that are based on local rateable values multiplied by a uniform rate (set by the Government).

The Council is responsible for collecting rates due from ratepayers in its area but until 31 March 2013 it paid the proceeds into an NNDR pool administered by the Government. The Government redistributed the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of the population. On 1 April 2014 the Government introduced a new local government funding regime, the Business Rates Retention Scheme. This removed the national pool and instead allows Councils to retain a set proportion of business rates collected (reflected as a precept) subject to set baselines and limits. The remainder of business rates collected are paid as precepts to the Government (CLG) and the Greater London Authority (GLA).

The Council is also required to collect a Business Rate Supplement (BRS) from NNDR taxpayers. This BRS is then paid over to Greater London Authority (GLA) who have responsibility for applying it to the Crossrail project

The amounts included in the accounts were calculated as follows:

Non Domestic Rateable Value - total approximately £4.2 billion in 2013/14 as per NNDR1 Return 2013/14
Multiplied by uniform business rate 46p in 2013/14

COLL 2 - Council Tax Base

The Council Tax base was calculated as follows:

	2012-13 Distribution of Properties by Band £'000	2012-13 Equivalent Band D Properties No.	2013-14 Distribution of Properties £'000	2013-14 Equivalent Band D Properties No.
Band A	1,741	927	1,740	954
Band B	6,835	4,115	6,774	4,142
Band C	15,892	11,647	15,820	11,847
Band D	22,439	18,938	22,548	19,381
Band E	22,098	22,982	22,303	23,631
Band F	16,715	20,728	16,887	21,430
Band G	21,672	31,257	21,731	32,402
Band H	14,341	25,817	14,506	27,084
	121,733	**136,411**	**122,309**	**140,871**

The equivalent Band D properties calculation is after allowing for relevant discounts and applying the multiplier.

The 2013/14 Council Tax base after allowing for adjustments for non collection and a contribution for Ministry of Defence dwellings, was 118,197 Band D equivalents (2012/13 - 131,409).

COLL 3 - Council Tax Requirement

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.

	2012-13 £'000	2013-14 £'000
City of Westminster	49,646	44,648
Greater London Authority	40,306	35,814
Total	**89,952**	**80,462**

COLL 4 - Council Tax Bands

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

Band	Range of property values	Multiplier	2012-13 £'000	2013-14 £'000
A	Up to £40,000	6/9	456	454
B	£40,001 to £52,000	7/9	532	530
C	£52,001 to £68,000	8/9	608	605
D	£68,001 to £88,000	1	685	681
E	£88,001 to £120,000	11/9	837	832
F	£120,001 to £160,000	13/9	989	983
G	£160,001 to £320,000	15/9	1,141	1,135
H	Over £320,000	18/9	1,369	1,362

For properties in Montpelier Square, the Band D Council Tax for 2013/14 was £1,018 (i.e. £681 plus £337 for their Garden Committee requirements) (2012/13 £987 i.e. £685 plus £302).

COLL 5 - 2013/14 Surplus

The net surplus at 31 March 2014 is to be shared between Westminster, Central Government (CLG) and the Greater London Authority as follows:

	31 March 2013 £'000	31 March 2014 £'000	Movement £'000
Council Tax			
Westminster	235	492	257
GLA	190	395	205
Total Surplus / (Deficit) c/f	**425**	**887**	**462**

ALLOCATIONS	Westminster £'000	GLA £'000	Total £'000
Demand / Precepts for 2013/14	46,567	37,338	83,905
Allocations of 2012/13 Surplus	235	190	425

	31 March 2013 £'000	31 March 2014 £'000	Movement £'000
Business Rates			
Westminster	-	(10,696)	(10,696)
GLA	-	(7,131)	(7,131)
Central Government (CLG)	-	(17,826)	(17,826)
Total Surplus / (Deficit) c/f	**-**	**(35,653)**	**(35,653)**

COLL 6 - Business Rate Supplement

The Business Rate Supplement position at 31 March 2014 is a Net Debtor of £914k.

	31 March 2013 £'000	31 March 2014 £'000	Movement £'000
Business Rate Supplement	**652**	**914**	**262**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2012-13 Gross Expenditure (£'000)	2012-13 Gross Income (£'000)	2012-13 Net Expenditure (£'000)			2013-14 Gross Expenditure (£'000)	2013-14 Gross Income (£'000)	2013-14 Net Expenditure (£'000)
101,151	(47,401)	53,750	Central services to the public		98,950	(33,331)	65,619
22,904	(4,687)	18,217	Cultural and related services		20,945	(5,781)	15,164
63,376	(26,885)	36,491	Environmental and regulatory services		58,077	(23,433)	34,644
18,082	(8,853)	9,229	Planning services		20,198	(12,577)	7,621
177,069	(127,017)	50,052	Education and children services		142,400	(104,004)	38,396
125,398	(91,374)	34,024	Highways and transport services		107,007	(81,679)	25,328
90,088	(114,521)	(24,433)	Local authority housing (HRA) *		(76,482)	(108,293)	(184,775)
395,811	(308,094)	87,717	Other housing services		326,409	(272,040)	54,369
147,737	(56,845)	90,892	Adult social care		133,905	(40,333)	93,572
-	-	-	Public Health **		26,412	(26,386)	26
12,426	-	12,426	Corporate and democratic core		11,940	-	11,940
42	-	42	Non distributed costs		42	-	42
-	-	-	Material items of income and expenditure		-	-	-
1,154,084	(785,677)	368,407	**Cost of services**		869,803	(707,857)	161,946
		(33,704)	Other operating expenditure	*Note 9*			12,472
		(50,578)	Financing & investment income & expenditure	*Note 10*			(4,848)
		-	(Surplus) or deficit of discontinued Operations				-
		(274,919)	Taxation and non -specific grant Income	*Note 11*			(315,293)
		9,206	**(Surplus)/Deficit on Provision of Services**				(145,723)
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(199,891)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets				(42,161)
		-	Impairment losses on non-current assets charged to the Revaluation Reserve				-
		19,942	Actuarial gains/losses on pension assets and liabilities ***				
			Remeasurement of the net defined benefit liability (assets) ***				(53,443)
		(170,743)					(241,327)
			Items that will be reclassified to the (Surplus) or Deficit on the Provision of Services				
		-	(Surplus)/deficit on revaluation of financial assets (Available for sale)				127
		-	Other Comprehensive Income and Expenditure				-
		(170,743)	Comprehensive Income & Expenditure Total				**(241,200)**

* HRA Gross Expenditure includes £85.1m of service expenditure and a reversal of prior year impairment of £167.2m.
** Public Health responsibilities were transferred to local government from the NHS on 1 April 2013.
***The accounting policy has changed as a result of the Code's adoption of the 2011 amendments to IAS 19 and IAS 1. The amendments to IAS 19 have been implemented in the current year. No prior period adjustment has been made as the change was not material. Hence, the comparator year figures are presented as per the 2012/13 Annual Accounts.

GROUP MOVEMENT IN RESERVES STATEMENT

The Group Movement in Reserves shows the consolidated financial position of the Council and its interest in City West Homes Ltd, Westminster Community Homes and Westco Ltd.

	Revenue Reserves						Capital Reserves			Unusable Reserves									Group	
	General Fund Balance	Ear-marked GF Reserves	Housing Revenue Account	Ear-marked HRA Reserves	DSO Surpluses Account	Schools Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Capital Adjust- ment Account	Revaluation Reserves	Collection Fund Adjust- ment Account	Financial Instrument Adjustment Account	Available For Sale Financial Instruments Reserve	Accumulated Absences Account	Deferred Capital Receipts	Pensions Reserve	Unusable Reserves	Group Entities	Total Group Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 31 March 2012	22,054	38,361	91,833	-	804	8,474	1,956	5,716	169,198	1,355,667	91,598	(152)	(1,542)	-	(3,049)	2,504	(489,865)	955,161	(21,821)	1,102,538
Movement in reserves during 2012/13																				
Surplus or (deficit) on provision of services (accounting basis)	4,461	-	34,815	-	-	-	-	-	39,276	-	-	-	-	-	-	-	-	-	(48,483)	(9,207)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	199,891	-	-	-	-	-	(23,178)	176,713	3,236	178,636
Total Comprehensive Income and Expenditure	**4,461**	**-**	**34,815**	**-**	**-**	**-**	**-**	**-**	**39,276**	**-**	**199,891**	**-**	**-**	**-**	**-**	**-**	**(23,178)**	**176,713**	**(45,247)**	**170,742**
Adjustments between accounting basis & funding basis under regulations	25,889	-	(33,587)	-	-	-	6,527	4,924	3,753	14,597	(10,807)	386	(8,013)	-	572	7,704	(8,192)	(3,753)	-	-
Net Increase / Decrease before Transfers to Earmarked Reserves	30,350	-	1,228	-	-	-	6,527	4,924	43,029	14,597	189,084	386	(8,013)	-	572	7,704	(31,370)	172,960	(45,247)	170,742
Transfers to / from Earmarked Reserves	(20,377)	21,930	-	-	-	(1,553)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase / Decrease In Year	9,973	21,930	1,228	-	-	(1,553)	6,527	4,924	43,029	14,597	189,084	386	(8,013)	-	572	7,704	(31,370)	172,960	(45,247)	170,742
Balance at 31 March 2013 carried forward	**32,027**	**60,291**	**93,061**	**-**	**804**	**6,921**	**8,483**	**10,640**	**212,227**	**1,370,264**	**280,682**	**234**	**(9,555)**	**-**	**(2,477)**	**10,208**	**(521,235)**	**1,128,121**	**(67,068)**	**1,273,280**
Movement in reserves during 2013/14																				
Surplus or (deficit) on provision of services (accounting basis)	(58,296)	-	208,939	-	-	-	-	-	150,643	-	-	-	-	-	-	-	-	-	(4,920)	145,723
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	42,161	-	-	(127)	-	-	51,520	93,554	1,923	95,477
Total Comprehensive Income and Expenditure	**(58,296)**	**-**	**208,939**	**-**	**-**	**-**	**-**	**-**	**150,643**	**-**	**42,161**	**-**	**-**	**(127)**	**-**	**-**	**51,520**	**93,554**	**(2,997)**	**241,200**
Adjustments between accounting basis & funding basis under regulations	91,134	-	(208,766)	-	-	-	13,093	1,613	(102,926)	157,960	(17,945)	(10,438)	1,381	-	690	(5,126)	(23,596)	102,926	-	-
Net Increase / Decrease before Transfers to Earmarked Reserves	32,838	-	173	-	-	-	13,093	1,613	47,717	157,960	24,216	(10,438)	1,381	(127)	690	(5,126)	27,924	196,480	(2,997)	241,200
Transfers to / from Earmarked Reserves	(29,570)	30,554	-	-	-	(984)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase / Decrease In Year	3,268	30,554	173	-	-	(984)	13,093	1,613	47,717	157,960	24,216	(10,438)	1,381	(127)	690	(5,126)	27,924	196,480	(2,997)	241,200
Balance at 31 March 2014 carried forward	**35,295**	**90,845**	**93,234**	**-**	**804**	**5,937**	**21,576**	**12,253**	**259,944**	**1,528,224**	**304,898**	**(10,204)**	**(8,174)**	**(127)**	**(1,787)**	**5,082**	**(493,311)**	**1,324,601**	**(70,065)**	**1,514,480**

* Further breakdown of the Usable Reserves is presented in Note 7, further breakdown of Unusable Reserves is presented in Note 25 and Earmarked Reserves are detailed is in Note 8

GROUP BALANCE SHEET

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

	Note	31 March 2013 £'000	31 March 2014 £'000
ASSETS			
Non-current			
Property, Plant and Equipment		1,694,076	1,853,726
Heritage Assets		27,000	42,746
Investment property		322,379	340,419
Intangible Assets		6,284	4,699
Long -term Investments		38,017	39,105
Other capitalised expenditure		2,286	2,286
Long -term debtors		23,610	11,154
Total long term assets		2,113,652	2,294,135
Current			
Short-term investments		205,180	437,172
Inventories		207	332
Short-term debtors		65,139	87,143
Cash and other cash equivalents		245,366	170,023
Assets held for sale		-	-
Current assets		515,892	694,670
LIABILITIES			
Short-term borrowing		34,395	1,344
Short-term creditors		225,281	324,566
Revenue - Receipts in Advance		37,115	50,289
Current Liabilities		296,791	376,199
Long-term creditors		24,144	18,021
Provisions		37,391	82,672
		-	
Long-term borrowing		284,951	283,310
Other long-term liabilities		536,856	507,316
Donated Assets Account		-	-
Capital - Receipts in Advance		176,131	206,807
Long-term liabilities		1,059,473	1,098,126
Net assets		**1,273,280**	**1,514,480**
Total Usable Reserves		212,226	259,944
Total Unusable Reserves		1,128,120	1,324,602
Group Reserves		(67,066)	(70,066)
Total Reserves		**1,273,280**	**1,514,480**

GROUP CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of both the authority and the group during the reporting period.
The Statement shows how the authority/group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority/group are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing by the authority/to and from the group.)

	2012-13 £'000	2013-14 £'000
Net surplus or (deficit) on the provision of services	(9,207)	145,723
Adjustment to surplus or deficit on the provision of services for non-cash movements	308,862	58,173
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(198,693)	(106,992)
Net Cash flows from operating activities	**100,962**	**96,904**
Net Cash flows from Investing Activities	(26,881)	(227,724)
Net Cash flows from Financing Activities	(63,307)	55,479
Net increase or decrease in cash and cash equivalents	**10,774**	**(75,342)**
Cash and cash equivalents at the beginning of the reporting period	234,592	245,366
Cash and cash equivalents at the end of the reporting period *	**245,366**	**170,024**

* Cash and Cash Equivalents held by the group are as per the Westminster Council entity (see note 20) plus Group entities Cash and Cash Equivalents – all of which is held in instant access accounts except for £500k on three-month notice (deemed near-cash in accordance with Westminster Community Homes accounting policies and audited accounts).

FUND ACCOUNT

	Notes	2012/13 £000	2013/14 £000
Dealings with members, employers and others directly involved in the fund			
Contributions			
From Employers	6	24,576	52,381
From Members	6	7,068	7,583
Transfers in from other pension funds		3,991	3,677
Other income		-	-
		35,635	**63,641**
Benefits			
Pensions	7	(36,941)	(38,244)
Commutation and lump sum retirement benefits	7	(6,146)	(5,349)
Payments to and on account of leavers			
Individual Transfers Out to other Pension Funds		(4,250)	(3,162)
Refunds to members leaving service		-	(81)
Other Expenditure	7	(941)	(1,642)
Administration expenses	8	(694)	(671)
		(48,972)	**(49,149)**
Net additions/(withdrawals) from dealings with members		**(13,337)**	**14,492**
Returns on investments			
Investment income	9	17,779	16,071
Other income		8	2
Taxes on income	9	(745)	(736)
Profit and loss on disposal of investments and changes in the market value of investments			
Realised		28,844	110,919
Unrealised		69,487	(16,120)
	12	98,331	94,799
Investment in management expenses	10	(2,013)	(3,107)
Net return on investments		**113,360**	**107,029**
Net increase/(decrease) in the net assets available for benefits during the year		**100,023**	**121,521**
Opening Net Assets of the Scheme		**774,153**	**874,176**
Closing Net Assets of the Scheme		**874,176**	**995,697**

NET ASSETS STATEMENT FOR THE YEAR ENDED 31 MARCH 2014 *

	Notes	2012/13 £000	2013/14 £000
Investment assets			
Fixed Interest Securities	13	160,912	128,343
Equities	13	172,424	208,296
Pooled investment vehicles	13	506,299	585,990
Derivative contracts	13	130	137
Cash	13	29,648	23,979
Other investment balances:			
income due	12	3,411	2,981
cash deposits	12	(161)	14,604
Derivative contracts:			
Forwards	13	159	90
		872,822	**964,420**
Investment liabilities	13		
Derivative contracts:			
- Futures	13	(45)	
Net value of investment assets		**872,777**	**964,420**
Borrowings		-	-
Current assets			
Contributions due - employers	20	1,441	1,621
Contributions due - employees	20	604	638
Sundry debtors	20	304	189
Current liabilities			
Sundry creditors	21	(630)	(1,237)
Cash balances		(320)	30,066
Net assets of the fund available to fund benefits at the period end		**874,176**	**995,697**

** 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 CITY OF WESTMINSTER PENSION FUND

a) General

The Pension Fund (the 'Fund') is part of the Local Government Pension Scheme (LGPS) and is administered by the City of Westminster. It is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the City of Westminster and the admitted and scheduled bodies in the Fund.

These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. From 1st April 2014, revised regulations will be effective changing the scheme from a final salary scheme to a career average revalued earnings based scheme. All benefits payable on service from 1st April 2014 onwards will be based on the average of each year of salary revalued in line with the Consumer Price Index.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from interest and dividends on the Fund's investments.

The Fund is governed by the Superannuation Act 1972 and is administered in accordance with the following secondary legislation: the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended), the LGPS (Administration) Regulations 2008 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2009 (as amended). The regulations are updated on a regular basis by central government.

b) Superannuation Committee

The Council has delegated the investment arrangements of the scheme to the Superannuation Committee (the 'Committee') who decide on the investment policy most suitable to meet the liabilities of the fund and have the ultimate responsibility for the investment policy. The Committee is made up of six Members of the Council, including one opposition party Member, each of whom has voting rights.

The Committee reports to the full Council and has full delegated authority to make investment decisions. The Committee considers views from the Director of Corporate Finance & Investment, and obtains, as necessary, advice from the Fund's appointed investment advisors, managers and actuary.

c) Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) (Amended) Regulations 1999 require administering authorities to prepare and review from time to time a written statement recording the investment policy of the Pension Fund. The purpose of this document is to satisfy the requirements of the regulations, to 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 2012 by the Superannuation Committee and outlines the broad investment principles governing the investment policy of the City of Westminster Pension 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
https://www.westminster.gov.uk/council-pension-fund

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 employers.

The 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.

d) Membership

In July 2013, the City of Westminster implemented the Auto-Enrolment procedures for its pension fund whereby employees not in the fund are automatically enrolled. Should employees not wish to remain in the fund, they can elect to be withdrawn from the fund. Where this election occurs within three months of their auto-enrolment, the employee is refunded their employee contributions; where that election is more than three months after their auto-enrolment, the contributions paid remain in the fund. The in year increase in fund membership is largely due to the auto-enrolment process.

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

The following table summarises the membership numbers of the scheme:

	31st March 2013	31st March 2014
Active members	3,391	3,862
Pensioners receiving benefits	5,230	5,307
Deferred Pensioners	6,173	6,335
Total	**14,794**	**15,504**

Details of the scheduled and admitted bodies in the scheme are shown in Note 6 (Contributions Receivable) and Note 7 (Benefits Payable).

e) Tri-Borough Working

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 have joined together has been the Treasury and Pension teams of the three boroughs.

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

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

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Statement of Accounts summarise the Fund's transactions for 2013/14 and its position at year end as at 31st March 2014. They have been prepared in accordance with International Accounting Standard 26 (IAS26): 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.

The accounts have been prepared on an accrual basis in accordance with the Code, apart from transfer values which have been accounted for on a cash basis also in accordance with the Code.

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 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

a) Contribution Income

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

b) Transfers to and from other schemes

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

c) Investment Income

Investment Income is recognised on the following basis:
- Dividends from quoted securities are accounted for when the security is declared ex-div.
- Interest income 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”.

Fund Account – Expense Items

d) Benefits Payable

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

e) Taxation

The Fund is an exempt approved fund under 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. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

f) 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. All staff costs of the pension administration team are charged direct to the Fund.

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.

Net Assets Statement

h) Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. 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 2014 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) Financial Liabilities

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

m) Actuarial present value of promised retirement benefits

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.

n) Additional Voluntary Contributions

Additional Voluntary Contributions for the defined benefit scheme are not included within the accounts in accordance with the relevant regulations 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.

o) Recharges from the General Fund

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund on the basis of actual time spent on Pension Fund business. Costs incurred in the management and administration of the fund is set out separately.

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING PRACTICES

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.

a) Pension Fund Liability

The Pension Fund liability is calculated triennially by the appointed actuary as permitted under IAS 26. The most recent triennial valuation was as at 31st March 2013 so the next one is due as at 31st March 2016 and is expected to be completed by March 2017. 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 2014 and the Triennial Valuation as at 31 March 2013 that can be found on the Council's website.

b) Unquoted Private Equity Investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equity assets are valued by the investment managers in accordance with industry standards.

NOTE 5 – EVENTS AFTER THE BALANCE SHEET

The £30M payment received from the Housing and Communities Agency on the 31st March 2014 was invested in the fund during April 2014.
As at 31st May 2014 the Fund's investments have changed in value to £1.009B compared to the value placed on the net assets statement as at the reporting date of 31 March 2014. This mainly reflects a combination of general asset market movements and the actual inflow of funds.

NOTE 6 – CONTRIBUTIONS RECEIVABLE

	2012/13 £'000				2013/14 £'000			
	Employees Normal	Employers Normal	Deficit	Early Retirement	Employees Normal	Employers Normal	Deficit	Early Retirement
Adminstering body								
WESTMINSTER CITY COUNCIL	4,865	12,678	-	433	5,194	14,011	-	350
ST MARYLEBONE SCHOOL	-	-	66	-	-	-	-	-
ST AUGUSTINES SCHOOL	29	81	-	-	34	100	-	-
COLLEGE PARK SCHOOL	16	44	-	-	2	4	-	-
GREYCOAT SCHOOL	10	27	-	-	-	-	-	-
HALLFIELDS SCHOOL	33	95	-	-	38	115	-	-
QUINTON KYNASTON	-	-	111	-	-	-	-	-
WESTMINSTER CITY SCHOOL	8	23	-	-	-	-	-	-
SOHO PARISH SCHOOL	4	13	-	-	6	19	-	-
GEORGE ELLIOT SCHOOL	13	37	-	-	22	66	-	-
BURDETT COUTTS C OF E SCHOOL	16	49	-	-	18	55	-	-
PADDINGTON GREEN JMI SCHOOL	13	38	-	-	17	52	-	-
PORTMAN EARLY CHILDHOOD CENTRE	19	53	-	-	29	85	-	-
QUEENS PARK PRIMARY	16	48	-	-	18	56	-	-
ROBINSFIELD INFANTS SCHOOL	10	30	-	-	19	35	-	-
ST BARNABAS C OF E SCHOOL	7	21	-	-	5	15	-	-
ST GABRIEL'S C OF E SCHOOL	8	22	-	-	9	26	-	-
ST MARY BRYANTSTON SCHOOL	12	35	-	-	14	43	-	-
ST MARY MAGDALENE C OF E SCHOOL	8	24	-	-	13	40	-	-
ST MATTHEW'S C OF E SCHOOL	10	30	-	-	11	34	-	-
EDWARD WILSON JMI SCHOOL	13	38	-	-	13	40	-	-
ESSENDINE PRIMARY SCHOOL	22	67	-	-	32	98	-	-
ST PETER'S C OF E SCHOOL	12	35	-	-	13	40	-	-
WILBERFORCE SCHOOL	18	53	-	-	9	24	-	-
ST JAMES' & ST MICHAEL'S SCHOOL	11	39	-	-	13	37	-	-
CHURCHILL GARDENS SCHOOL	19	57	-	-	9	28	-	-
ST CLEMENT DANES SCHOOL	11	32	-	-	15	45	-	-
ST LUKES SCHOOL	7	26	-	-	9	27	-	-
ALL SOULS SCHOOL	9	17	-	-	11	33	-	-
ST PETERS EATON SQUARE SCHOOL	7	19	-	-	8	25	-	-
GATEWAY SCHOOL	-	-	-	-	5	17	-	-
Subtotal of Westminster Employers	**5,226**	**13,731**	**177**	**433**	**5,586**	**15,170**	**0**	**350**
Scheduled bodies								
WESTMINSTER ACADEMY	36	58	-	34	35	47	-	-
PADDINGTON ACADEMY	91	109	-	-	75	135	-	-
KING SOLOMON ACADEMY	28	30	-	-	39	43	-	-
PIMLICO ACADEMY	98	139	-	-	90	128	-	8
ARK ATWOOD PRIMARY ACADEMY	8	10	-	-	10	13	-	-
QUINTON KYNASTON ACADEMY	68	122	-	-	76	139	-	-
ST MARYLEBONE SCHOOL ACADEMY	44	78	-	-	52	93	-	-
GREYCOAT HOSPITAL ACADEMY	30	68	45	-	43	93	-	-
MILLBANK PRIMARY ACADEMY	11	26	15	-	20	45	27	-
ST GEORGES MAIDA VALE ACADEMY	2	6	7	-	32	111	-	-
WESTMINSTER CITY ACADEMY	26	48	35	-	32	61	-	-
GATEWAY ACADEMY	-	-	-	-	10	23	-	-
WILBERFORCE ACADEMY	-	-	-	-	14	43	-	-
CHURCHHILL GARDENS ACADEMY	-	-	-	-	15	49	-	-
PIMLICO FREE SCHOOL	-	-	-	-	1	3	-	-
Subtotal of Scheduled bodies	**442**	**694**	**102**	**34**	**544**	**1,026**	**27**	**8**
Admitted bodies								
TENANT SERVICES AUTHORITY	441	651	-	206	382	566	-	-
AGE CONCERN	-	- 2	320	-	-	- 1	8	-
INDEPENDENT HOUSING OMBUDSMAN	123	355	110	86	126	369	116	-
HOUSING 21	8	85	191	-	2	10	201	-
CITY WEST HOMES	504	788	361	52	610	929	381	-
HOUSING AND COMMUNITIES AGENCY	310	426	5,651	65	299	415	32,702	-
RAMESYS	12	55	-	-	12	45	-	-
AMEY	-	-	-	-	5	20	-	-
CREATIVE EDUCATION TRUST	-	-	-	-	14	26	-	-
ALLIED HEALTHCARE	2	5	-	-	3	13	-	-
Subtotal of Admitted bodies	**1,400**	**2,363**	**6,633**	**409**	**1,453**	**2,392**	**33,408**	**-**
TOTAL CONTRIBUTIONS	**7,068**	**16,788**	**6,912**	**876**	**7,583**	**18,588**	**33,435**	**358**
TOTAL BY GROUP	**7,068**	**24,576**			**7,583**	**52,381**		

The increased employer contributions in 2013-14 was due to a payment of £30M from the Housing and Communities Agency. This was in respect of deficits in the Fund following a decision to close down the Tenant Services Authority and transfer some of its operations to the Housing and Communities Agency.

NOTE 7 – BENEFITS PAYABLE

	2012/13 £'000	2013/14 £'000
By category		
Pensions	(36,941)	(38,244)
Commutation and lump sum retirement benefits	(6,146)	(5,349)
Lump sum death benefits	(941)	(1,642)
	(44,028)	**(45,235)**

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	(32,154)	(33,332)
Scheduled bodies	(40)	(50)
Admitted bodies	(4,747)	(4,862)
	(36,941)	**(38,244)**

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	(32,154)	(33,332)
Scheduled bodies		
Westminster Academy	(36)	(37)
Paddington Academy	(4)	(4)
St Marylebone School Academy	0	(9)
Admitted bodies		
Tenant Services Authority	(445)	(469)
Age Concern	(18)	(19)
Independent Housing Ombudsman	(58)	(59)
Housing 21	(348)	(353)
City West Homes	(329)	(344)
Housing And Communties Agency	(470)	(482)
Elonex Ltd	(16)	(16)
Capital Careers Ltd	(62)	(63)
Association of Local Government	(82)	(116)
Housing Corporation	(2,855)	(2,874)
Institute Of Public Finance	(27)	(29)
Queens Park FSU	(37)	(38)
	(36,941)	**(38,244)**

Note: The admitted and scheduled bodies listed here differs slightly to that given in Note 6 (contributions receivable) due to the membership profile of the employer. Some employers no longer have any active members in the scheme, only pensioners.

NOTE 8 – ADMINISTRATIVE EXPENSES

	2012/13 £'000	2013/14 £'000
Provision of Pension Administration	(248)	(261)
Support services including IT	(364)	(318)
External audit fees	(21)	(21)
Actuarial fees	(5)	(26)
Other Fees	(56)	(45)
	(694)	**(671)**

NOTE 9 - INVESTMENT INCOME

	2012/13 £'000	2013/14 £'000
Fixed interest securities	7,076	6,533
Equity dividends	8,894	7,400
Pooled investments - unit trust and other managed funds	1,642	2,050
Interest and cash deposits	167	88
Total before taxes	**17,779**	**16,071**
Taxes on income	(745)	(736)
	17,034	**15,335**

NOTE 10 – INVESTMENT EXPENSES

	2012/13 £'000	2013/14 £'000
Management fees	(1,828)	(1,670)
Management fees related to performance	(40)	(1,250)
Custody fees	(85)	(79)
Investment consultancy	(60)	(71)
Other fees	-	(37)
	(2,013)	**(3,107)**

NOTE 11 – INVESTMENT STRATEGY

As at 31 March 2014, the investment portfolio was managed by eight external managers who are Hermes Investment Managers (Property), Standard Life (Property), Insight Investment Managers (fixed income), Majedie Investment Managers (active UK equity), Ballie Gifford (active global equities), Legal and General Investment Management (LGIM) (passive global equity), State Street Global Advisers UK (passive UK equities) and State Street Global Advisers International (passive global equities).

All managers have discretion to buy and sell investments within the constraints set by the Council's Superannuation Committee and their Investment Management Agreements.

The change in ratio of equities invested in UK and global investment strategies follows a decision taken by the Superannuation Committee in September 2012, which noted that the segregation is sub-optimal for investment choices, and introduces an artificial barrier.

The market value and proportion of investments managed by each fund manager at 31 March 2014 was as follows:

Fund Manager	Mandate	31 March 2013 Market Value (£M)	%	31 March 2014 Market Value (£M)	%
Majedie	UK Equity (Active)	196.93	22.94%	239.39	24.83%
State Street Global Advisors (UK)	UK Equity (Passive)	115.73	13.48%	0.01	0.00%
UK Equity	**Sub-Total**	**312.66**	**36.43%**	**239.4**	**24.83%**
Baille Gifford	Global Equity (Active)	-	-	130.15	13.50%
LGIM	World Equity (Passive)	158.79	18.50%	348.68	36.17%
State Street Global Advisors (Int'l)	Global Equity (Passive)	162.69	18.96%	-	0.00%
Global Equity	**Sub-Total**	**321.48**	**37.46%**	**478.83**	**49.67%**
Insight	Fixed Interest Gilts	47.57	5.54%	16.75	1.74%
Insight	Sterling non-Gilts	138	16.08%	141.87	14.71%
Bonds	**Sub-Total**	**185.57**	**21.62%**	**158.62**	**16.45%**
Hermes	Property	38.57	4.49%	43.45	4.50%
Standard Life	Property	-	-	43.83	4.55%
Property	**Sub-Total**	**38.57**	**4.49%**	**87.28**	**9.05%**
	Total	**858.28**	**100.00%**	**964.13**	**100.00%**
Other (cash deposits)		14.49		0.29	
	Total	**872.77**		**964.42**	

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 diversify further the current asset mix with an increased weighting towards alternative investments and active global equity.

NOTE 12 – RECONCILIATION IN MOVEMENT IN INVESTMENTS

Period 2013/14	Market value 1st April 2013 £'000	Purchases during the year and	Sales during the year and	Change in market value during the	Market value 31st March 2014 £'000
Fixed interest securities	160,912	48,978	(76,597)	(4,950)	128,343
Equities	172,424	118,983	(115,424)	32,313	208,296
Pooled investments	506,299	325,655	(313,161)	67,197	585,990
Derivatives	85	1,025	(679)	(294)	137
Cash Instruments	29,648	231,563	(237,233)	1	23,979
Subtotal	869,368	726,204	(743,094)	94,267	946,745
Derivative Forward Foreign Exchange	159	388	(1,130)	673	90
Cash deposits	(161)	16,955	(2,055)	(135)	14,604
Outstanding dividends & recoverable withholding tax	3,411	160	(581)	(9)	2,981
Net investment assets	**872,777**	**743,707**	**(746,860)**	**94,796**	**964,420**

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £600K in 2013/14 (2012/13: £801K).

Period 2012/13	Market value 1st April 2012 £'000	Purchases during the year and	Sales during the year and	Change in market value during the	Market value 31st March 2013 £'000
Fixed interest securities	128,353	134,116	(110,097)	8,540	160,912
Equities	278,241	117,812	(251,611)	27,982	172,424
Pooled investments	267,067	358,290	(176,953)	57,895	506,299
Derivatives	(20)	1,436	(1,464)	133	85
Cash Instruments	24,962	282,486	(277,806)	6	29,648
Subtotal	698,604	894,140	(817,931)	94,555	869,368
Derivative Forward Foreign Exchange	756	4,138	(5,987)	1,252	159
Cash deposits	1,371	-	(1,643)	111	(161)
Outstanding dividends & recoverable withholding tax	3,805	-	(392)	(2)	3,411
Net investment assets	**704,536**	**898,278**	**(825,953)**	**95,916**	**872,777**

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £801K in 2012/13 (2011/12: £660K).

NOTE 13 - CLASSIFICATION OF FINANCIAL INSTRUMENTS (EXCLUDING DERIVATIVE CONTRACTS)

	31st March 2013 £'000	31st March 2014 £'000
Fixed interest securities		
UK Public sector quoted	49,821	15,680
UK Corporate quoted	102,359	96,202
Overseas Corporate quoted	8,733	16,461
	160,912	**128,343**
Equities		
UK Quoted	144,551	147,614
Overseas Quoted	27,872	60,682
	172,424	**208,296**
Pooled funds - investment vehicles		
UK Managed Funds Other	131,900	21,960
UK Unit Trusts Property	35,787	82,508
Overseas Managed	338,612	481,522
	506,299	**585,990**
Cash Instruments		
UK	29,588	23,979
Overseas	60	-
	29,648	**23,979**
Total	**869,283**	**946,608**

The largest 10 holdings of the Fund as at 31st March 2014 were:

Holding	Market Value £'000	% Holding
Word Equity Index - GBP Hedged	185,466	19.23%
Baille Gifford Life Global Alpha Pension FD CLS S	130,150	13.50%
Standard Life Long Lease PPTY FUN	43,832	4.54%
Hermes Property Unit Trust PPTY UNIT TR	38,676	4.01%
Majedie Asset Management Special Sits INV B ACC NAV	21,960	2.28%
Royal Dutch Shell PLC B SHS	21,137	2.19%
BP PLC Ord USD0.25	17,928	1.86%
Glaxo Smithkline Ord GBP0.25	13,671	1.42%
Astrazeneca ORD USD0.25	9,778	1.01%
Vodafone Group Ord USD0.11428571	9,553	0.99%
Total	**492,152**	**51.03**
Total Value of Investments	**964,420**	

Excluding the fund's segregated mandates that are given in Note 1 Description of the Fund, no other single investment exceeds either 5% of the net assets available for benefits or 5% of any class or type of security except for some pooled investment vehicles as detailed above. These pooled investment vehicles are made up of underlying assets w hich w ill each represent substantially less than 5%.

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 2013 £'000s	31st March 2014 £'000s
Futures contracts	**85**	**137**

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	78	100
EURO-BOBL FUTURE (EUX)	less than 1 year	-	2
EURO-BUND FUTURE (EUX)	less than 1 year	52	-
US 10 YR TREAS NTS FUTURE (CBT)	less than 1 year	-	35
		130	137

		31st March 2013 £'000s	31st March 2014 £'000s
Liabilities			
EURO-BOBL 30 YR BOND FUT (EUX)	less than 1 year	(20)	-
EURO-SCHATZ FUTURE (EUX)	less than 1 year	(1)	-
US 2YR TREAS NTS FUT (CBT)	less than 1 year	-	-
US 10 YR TREAS NTS FUTURE (CBT)	less than 1 year	(25)	-
		(45)	-
Net futures		**85**	**137**

Forward foreign exchange contracts - Over-the-Counter Contracts:

	31st March 2013 £'000s	31st March 2014 £'000s
Insight Investment Management	159	90
	159	**90**

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS AND LIABILITIES

	31st March 2013		31st March 2014	
	Market Value £'000	Book Costs £'000	Market Value £'000	Book Costs £'000
Investment assets	869,368	751,733	946,745	845,145
Cash deposits	(2)	(2)	14,694	14,694
Income due	3,411	3,411	2,981	2,981
Total Value of Investments	**872,777**	**755,142**	**964,420**	**862,820**

NOTE 15 – CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31 March 2014, the Fund has no contingent liabilities or contractual commitments.

NOTE 16 – STOCK LENDING

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

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 optimise 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. (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.

Per IFRS 7 Financial Instruments, the financial instruments within the Fund which are carried at fair value are all categorized as Level 1 – quoted prices on active markets.

a) 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.

Price Risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to price risk. This arises from investments held by the fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments (with the exception of derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed Interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Superannuation Committee recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits.

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 Superannuation Committee recognises that a strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits.

b) 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.

c) Liquidity Risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The 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 (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 latest triennial valuation was signed by the Actuary, Barnett Waddingham, on 28th March 2014. It provided a position of the Pension Fund as of 31st March 2013, together with the view of the Actuary of the deficit based on certain assumptions. This showed there was a shortfall of £297.3M at 31st March 2013 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% (2010: 74%).

Full details of the 2013 actuarial valuation report and the funding strategy statement can be found on the Council's website at https://www.westminster.gov.uk/council-pension-fund

The market value of the scheme's assets at 31 March 2013 was £866.9M and the Actuary assessed the present value of the funded obligation at £1,164M resulting in the net shortfall of £297.3M. Under IAS19 the Actuary has assessed the value of the assets to be £874.1M, the present value of the funded obligation to be £1,418.6M, resulting in a shortfall of £544.4M. The Fund has chosen to disclose under Option C of the regulations which means that the IAS26 report is in a separate document.

The aggregate employer contribution rate required to restore the funding ratio to 100%, using a recovery period of 25 years from 1 April 2014 is calculated to be 29.8% of Pensionable Pay (2010 over 30 years:20.4%) assuming membership numbers remain broadly stable and Pensionable Pay increases in line with the then actuary's assumptions. The common future service contribution rate for the Fund was set at 13.3% of Pensionable Pay (2010: 12.4%).

The triennial valuation also sets out the individual contribution rate to be paid by each Employer from 1st April 2014 to 31st March 2017. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report, on the Council's website.

The contributions receivable disclosed in these accounts are based on the actuarial valuation as at 31st March 2010 which set contribution rates for the period 1st April 2011 to 31st March 2014.

The actuarial valuation as at 31st March 2013 was carried out using the projected unit method for employers remaining open to new entrants, whereas employers who did not allow new entrants to join were valued using the Attained Age Method. The valuation is based on economic and statistical assumptions, the main ones being:

i. The rate of accumulation of income and capital on new investments over the long-term and the increase from time to time of income from existing investments.

ii. Future rises in pensionable pay due to inflation and pension increases.

iii. Withdrawals from membership due to mortality, ill health and ordinary retirement.

iv. Progression of pensionable pay due to promotion.

The detail of the key financial assumption is shown in the table below:

Discount Rate (Scheduled Bodies) Pre retirement Post retirement	 5.9% per annum 5.9% per annum
Discount Rate (Admitted Bodies) In Service Left Service	 4.9% per annum 3.5% per annum
Rate of increases in pay	4.5% per annum (1% for the 3 years to 31st March 2016)
Rate of Increases to pensions in payment	2.7% per annum

The contribution rate for the Council is set on the basis of the cost of future benefit accrual, increased to bring the funding level back to 100 per cent over a period of 25 years, as set out in the Funding Strategy Statement. It is set to be sufficient to meet the additional annual accrual of benefits allowing for future pay increases and increases to pension in payment when these fall due, plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100 per cent of their liabilities in the Fund in respect of service to the valuation date.

The next actuarial valuation of the Fund will be as at 31 March 2016 and will be published in 2017.

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 2013, as permitted under IAS26 option C. The actuarial present value is calculated on assumptions set in accordance with IAS19.

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 2013 and 31st March 2010. Service related benefits were valued based on service completed to the date of calculations only.

The key assumptions adopted for the 2013 valuation in accordance with IAS19 were as follows:

	31st Mar 13 (% p.a.)	31st Mar 10 (% p.a.)
Financial Assumptions		
Discount rate	4.1	5.5
RPI Inflation	3.5	3.9
CPI Inflation	2.7	3.0
Rate of increase to pensions in payment	2.7	3.9
Rate of increase to deferred pensions	2.7	3.9
Rate of general increase in salaries *	4.5	5.4
Mortality Assumptions		
Longevity at 65 for current pensioners (aged 65):		
Male	21.9	22.1
Female	25.0	24.3
Longevity at 65 for future pensioners (aged 45):		
Male	24.0	24.0
Female	27.3	26.3

* The long term salary increase is shown. In addition the actuary has allowed for a short term overlay from 31st March 2013 to 31st March 2016 for salaries to rise at 1.0% per annum.

NOTE 20 – CURRENT ASSETS

Debtors	31st March 2013 £'000	31st March 2014 £'000
Contributions due - employers	1,441	1,621
Contributions due - employees	604	638
Sundry debtors	304	189
	2,349	**2,448**

Analysis of debtors

	31st March 2013 £'000	31st March 2014 £'000
Central government bodies	-	-
Other entities and individuals	2,349	2,448
	2,349	**2,448**

NOTE 21– CURRENT LIABILITIES

	31st March 2013 £'000	31st March 2014 £'000
Sundry creditors	(477)	(872)
Benefits payable	(153)	(365)
	(630)	**(1,237)**

Analysis of creditors

	31st March 2013 £'000	31st March 2014 £'000
Central government bodies	-	-
Other entities and individuals	(630)	(1,237)
	(630)	**(1,237)**

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 and 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 2014 the value of these AVCs was £1.7M (2012/13 £1.5M). Additional voluntary contributions of £0.1M were paid directly to Aegon during the year (2012/13: £0.1M).

	Market Value 31st March 2013 £'000	Market Value 31st March 2014 £'000
AEGON	1,091	1,258
EQUITABLE LIFE	464	457
	1,555	**1,715**

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 Pension Fund is administered by Westminster City Council. The Council incurred costs of £0.32M in the period 2013/14 (2012/13 £0.36M) 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 £14.4M in employer contributions and £0.35M in respect of early retirement capital costs (2012/13 £13.1M and £0.43M).

The Council has significant interest in one admitted body (City West Homes) who are within the Fund and it received £1.3M in employer contributions, deficit and early retirement costs from this body.

NOTE 24 – CONTINGENT ASSETS

Funds in respect of the Age Concern Westminster deficit have now been recovered and there are no new contingent assets for 2013/14.

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.

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.

IMPAIREMENT
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.

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 Chief Operating Officer.

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.

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).

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

CONTACTS FOR FURTHER INFORMATION & TRANSLATION SERVICE

This document gives details of Westminster City Council's Annual Accounts and is available on the Council's website at www.westminster.gov.uk.

FOR FURTHER DETAILS PLEASE CONTACT:

John Ogden
Head of Financial Management and Control
Strategic Finance
City Hall
Victoria Street
London
SW1E 6QP

Telephone 0207 641 2743

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City of Westminster Committee Report

Meeting:	Audit and Performance Committee
Date:	30th June 2014
Classification:	General Release
Title:	Final Statement of Accounts – Objection update 2013/14
Wards Affected:	All
Financial Summary:	N/A
Report of:	Anna D'Alessandro, Acting Chief Finance and Section 151 Officer.
Author:	John Ogden, jogden@westminster.gov.uk 2743

1. Executive Summary

1.1 The attached report from KPMG summarises the current status of objections to the accounts. At the start of the year seven objections were outstanding, a further objection was received in year, six objections have been decided, and work is ongoing on the two remaining objections.

2. Recommendations

2.1 That the Committee note the current status of objections.

3. Reasons for Decision

3.1 In accordance with the Accounts and Audit Regulations 2011 a Committee of the Council is required to approve the final audited 2013-14 Statements before 30th September 2014. Because of the outstanding objections the annual accounts for 2008/09 onwards cannot be certified. This report identifies the current position and what needs to be done to bring these objections to a close.

4. Background, including Policy Context

4.1 The final, KPMG Objection Update 2013-14 Report is attached for the Committee's consideration.

5. Financial Implications

5.1 There are no direct financial obligations arising from this report.

6. Legal Implications

6.1 The Accounts and Audit Regulations 2011 require the Council's accounts for 2013-14 to be signed off by the responsible financial officer so that public inspection and audit may commence no later than 30th June. The Regulations further require that a Committee of the Council approve the final, audited 2013-14 Statements for publication (post re-certification by the responsible financial officer) by 30th September 2014. The Audit and Performance Committee is the designated Committee.

6.2 Under the Regulations, the final audited Statement of Accounts is to be signed by the Chairman of the Committee to demonstrate that the Council has approved the accounts.

6.3 The accounts are in International Financial Reporting Standards (IFRS) format. The presentation and content of the Council's Accounts are set out in the Statement of Recommended Practice (SORP) a document which is updated annually by the Local Authorities Accounting Joint Committee in accordance with the Accounting Standards Board.

6.4 The Statement of Accounts were available for Public Inspection between the 19th May 2014 and the 16th June 2014. No member of the public took the opportunity to inspect the accounts; therefore the KPMG Engagement Partner has not received any questions or objections arising from this inspection.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

John Ogden at jogden@westminster.gov.uk or 0207 641 2743

BACKGROUND PAPERS

1. KPMG Objection Update 2013-14 Report

KPMG

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Objection update 2013/14

City of Westminster Council

30 June 2014

Contents

The contact at KPMG in connection with this report are:

Andrew Sayers
Partner
KPMG LLP (UK)

Tel: 0207 694 8981
andrew.sayers@kpmg.co.uk

Sally-Anne Eldridge
Senior Manager
KPMG LLP (UK)

Tel: 0207 311 2146
sally-anne.eldridge@kpmg.co.uk

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public 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.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Sayers, the appointed engagement lead to the Authority. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their contact number is 0303 444 8330.

Introduction

This document summarises the objections decided in 2013/14 and the progress made with the remaining two objections.

Scope of this report

This report summarises the objections completed during 2013/14. At the start of the year we had seven objections outstanding relating to the Authority's accounts from 2008/09 to 2011/12. We received a further objection during the course of the year. We have decided six of the eight objections. Work is on-going on the two remaining objections.

Completed objections

A summary of the completed objections is shown over page. In all cases the auditor has decided not to issue a Public Interest Report or apply to the Courts for a declaration that an item of account is contrary to law. However some weaknesses were identified from our work on the objections and these are reported to bring them to Members' attention.

Action taken to address the weaknesses identified

We are aware that the Council has taken action to improve its procurement function. This includes a number of new appointments to strengthen the team and the implementation of the 'Procurement and Commercial Foundations Programme. Additionally in January 2014 a new Tri-borough procurement solution called capitalEsourcing was launched which should improve contract management, the management of the procurement pipeline and help ensure a consistent improved approach to procurement.

Impact on the VFM conclusion

When completing our work on the VFM conclusion, we are required to consider matters coming to our attention having regard to our Code responsibilities. In isolation the weaknesses identified by our work on the objections are not significant enough as to impact on our value for money conclusion and many are historic. However, taken together they demonstrate weaknesses in the Authority's arrangements for managing risks and maintaining a sound system of internal control in respect of procurement. This was noted in our VfM conclusion in 2012/13 through inclusion of a Report by Exception. Whilst we note that the Authority has made improvements in this area, there is still further work required to embed the improvements across all areas of procurement activity. Consequently our audit report in 2013/14 will continue to include a Report by Exception highlighting these weaknesses.

On-going objections

There are two on-going objections relating to the pay by phone contract and the debt recovery contract. The auditor has provided his provisional views on the pay by phone contract but the objector provided additional information in May 2014 which is currently being analysed.

On the debt recovery contract, we have been seeking to understand fully the focus of the objection. The objector provided further documents on 28 April 2014 clarifying his objection and providing a number of supporting documents, which are currently being analysed.

Previous year recommendations relating to objections

Previous ISA 260 reports have included a recommendation that the Authority review its arrangements for responding to auditor challenge enquiries. Last year we noted that whilst the arrangements had been reviewed , delays in providing full responses to audit queries continued. We have seen some improvement in the quality and timeliness of responses to auditor challenge enquiries. It is important that this continues as timely and thorough responses are essential to enable us to decide the objections within reasonable timescales and in a cost effective manner.

Summary of completed objections 2013/14

This schedule provides a summary of the objections decided in 2013/14 and the weaknesses identified.

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Brief description of the objection	Decision	Findings / Weaknesses identified
Liberata contract – no notice of award published in the OJEU in breach of EU law. Objection was accepted by previous auditor (Audit Commission) on 22 October 2012 and relates to 2011/12.	Objection decided 9 December 2013. Auditor did not issue a public interest report.	Our work in this area confirmed a breach of Regulation 32 of the Public Contract Regulations 2006.
Extension of Sharpe Pritchard contract – contract extended beyond that allowed for within the provisions of the contract. Objection was accepted by previous auditor (Audit Commission) on 22 October 2012 and relates to 2011/12.	Objection decided 16 January 2014. Auditor did not issue a public interest report.	Our work in this area highlighted that the transparency of reporting to Members could be clearer. The Cabinet Member Report dated 30 June 2011 is titled, 'Variation and extension of contract with Sharpe Pritchard for the provision of contract formation'. However this was essentially a new contract with Sharpe Pritchard. The Council was also unable to locate the Deed extending the contract.

Summary of completed objections 2013/14

This schedule provides a summary of the objections decided in 2013/14 and the weaknesses identified.

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Brief description of the objection	Decision	Findings / Weaknesses identified
Approval of budget virements – objector has asked for a PIR on the basis that budget movements (virements) in 2010/11 were not approved by a Cabinet member and that officers breached the Council's governance procedures in not seeking political approval. Objection was accepted by previous auditor (Audit Commission) on 22 October 2012 and relates to 2010/11.	Objection decided 21 January 2014. Auditor did not issue a public interest report.	Auditor decided that the matter raised with him was not of such significance to warrant a public interest report and that there was no value in investigating the matter further, considering that the costs of such investigations falls upon the Council's tax payers.
Objection relating to the expenditure in relation to the licensing of sex shops. Objection was accepted in January 2014 and relates to 2010/11, 2011/12 and 2012/13.	Objection decided 21 January 2014. Auditor did not issue a public interest report or make an application to the courts.	The Auditor decided that it was not appropriate for him to carry out any further work in this area. The factors considered in reaching this decision included whether there was a wider public interest in the issues raised, the costs of dealing with the matter, and that there has been detailed consideration of this Council function by the Courts and that broad guidelines had been set down for the future. The Auditor concluded that KPMG's further involvement was not warranted in terms of the public interest arising from these matters, particularly given the costs involved in pursuing this.

Summary of completed objections 2013/14

This schedule provides a summary of the objections decided in 2013/14 and the weaknesses identified.

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Brief description of the objection	Decision	Findings / Weaknesses identified
Hays contract – no legal deed of extension exists. Objection was accepted by previous auditor (Audit Commission) on 22 October 2012 and relates to 2011/12.	Objection decided 14 February 2014. Auditor did not issue a public interest report or make an application to the courts.	Our work in this area found that there were excessive delays in formalising the contract documentation and that the contract had been extended beyond that allowed for in the original contract.
Parking enforcement contract – approval of expenditure and invoicing for items not in the contract. Objection accepted by previous auditor (Audit Commission) on 20 June 2012. Objection relates to 2010/11.	Objection decided 19 February 2014. Auditor did not issue a public interest report or make an application to the courts.	Our work on this objection identified weaknesses with the decision making process and the transparency of reporting to Members. The Council confirmed that under its internal procedures, officers had discretion to agree an interim variation to the contract but did not do so. Moreover it is not clear why the eventual reports to Members did not clarify that the additional resources had already been deployed. Additionally it would have been better if there had been a formal report to Gate, or a peer review meeting, with a resulting recommendation to the Strategic Director before the Strategic Director decision to extend the ramp down.

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City of Westminster Committee Report

Meeting:	Audit and Performance Committee
Date:	30th June 2014
Classification:	General Release
Title:	Final Statement of Accounts – ISA 260 Report from KPMG
Wards Affected:	All
Financial Summary:	N/A
Report of:	Anna D'Alessandro, Acting Chief Finance and Section 151 Officer.
Author:	John Ogden, jogden@westminster.gov.uk 0207 641 2743

1. Executive Summary

1.1 The attached report from KPMG summarises the key findings arising from:

a. Their audit work in relation to the Council's 2013/14 financial statements and those of the Local Government pension Scheme it administers.

2. Recommendations

2.1 That the Committee consider the ISA 260 report from KPMG, and accept the recommendations and note the Council's response.

3. Reasons for Decision

3.1 In accordance with the Accounts and Audit Regulations 2011 a Committee of the Council is required to approve the final audited 2013-14 Statements before 30th September 2014. This report informs the related review and approval process.

4. Background, including Policy Context

4.1 The KPMG Report to those charged with governance (ISA 260) 2013/14 is attached for the Committee's consideration.

5. Financial Implications

5.1 There are no direct financial obligations arising from this report.

6. Legal Implications

6.1 The Accounts and Audit Regulations 2011 require the Council's accounts for 2013-14 to be signed off by the responsible financial officer so that public inspection and audit may commence no later than 30th June. The Regulations further require that a Committee of the Council approve the final, audited 2013-14 Statements for publication (post re-certification by the responsible financial officer) by 30th September 2014. The Audit and Performance Committee is the designated Committee.

6.2 Under the Regulations, the final audited Statement of Accounts is to be signed by the Chairman of the Committee to demonstrate that the Council has approved the accounts.

6.3 The accounts are in International Financial Reporting Standards (IFRS) format. The presentation and content of the Council's Accounts are set out in the Statement of Recommended Practice (SORP) a document which is updated annually by the Local Authorities Accounting Joint Committee in accordance with the Accounting Standards Board.

6.4 The Statement of Accounts were available for Public Inspection between the 19th May 2014 and the 16th June 2014. No member of the public took the opportunity to inspect the accounts; therefore the KPMG Engagement Partner has not received any questions or objections arising from this inspection.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

John Ogden at jogden@westminster.gov.uk or 0207 641 2743

BACKGROUND PAPERS

1. KPMG Report to those charged with governance (ISA 260) 2013/14.

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Report to those charged with governance (ISA 260) 2013/14

City of Westminster Council

30 June 2014

Contents

The contacts at KPMG in connection with this report are:

Andrew Sayers
Partner
KPMG LLP (UK)

Tel: 0207 694 8981
andrew.sayers@kpmg.co.uk

Sally-Anne Eldridge
Senior Manager
KPMG LLP (UK)

Tel: 0207 311 2146
sally-anne.eldridge@kpmg.co.uk

Grant Slessor
Pension Fund Manager
KPMG LLP (UK)

Tel: 0207 311 3849
grant.slessor@kpmg.co.uk

Richard Hewes
Assistant Manager
KPMG LLP (UK)

Tel: 0207 694 2519
richard.hewes@kpmg.co.uk

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Section one

Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for both the Authority and its Pension Fund; and**
- **our assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources.**

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Scope of this report

This report summarises the key findings arising from:

- our audit work at City of Westminster Council ('the Authority') in relation to the Authority's 2013/14 financial statements and those of the Local Government Pension Scheme it administers ('the Fund'); and
- our work to support our 2013/14 value for money (VFM) conclusion.

Financial statements

Our *External Audit Plan 2013/14*, presented to you in February 2014, set out the four stages of our financial statements audit process.

This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place during April 2014 (interim audit) and June 2014 (year end audit) for work relating to the Authority, and in June 2014 for work relating to the Fund.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2013/14 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2013/14 financial statements of the Authority and the Fund.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior year recommendations and this is detailed in Appendix 2.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Headlines

This table summarises the headline messages for the Authority and the Fund. Sections three and four of this report provide further details on each area.

Completion	At the date of this report our audit of the financial statements is substantially complete with the exception of our Auditor closing procedures. Before we can issue our opinion we require a signed management representation letter, which covers the financial statements of both the Authority and the Fund. We will also complete the final manager and partner review and closedown procedures in advance of issuing our opinion. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's and the Fund's financial statements.
Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements shortly after the approval of the financial statements by the Audit and Performance Committee on 30 June 2014. We will also report that the wording of your Annual Governance Statement accords with our understanding. We also anticipate issuing an unqualified audit opinion in relation to the Fund's financial statements in the Authority's Statement of Accounts. The Pension Fund Annual Report is not currently available for review, however Pension Fund Regulations do not require the Pension Fund Annual Report to be published before 1 December 2014.
Accounts production and audit process	The Authority worked to an accelerated closedown timetable this year with the aim of having an audited set of accounts by 30 June 2014. We agreed with officers that a draft set of financial statements would be made available for audit on 19 May 2014 and that the draft financial statements would be made available for public inspection at the same time. Draft financial statements were provided to audit on 19 May 2014, but officers advised that they would be making changes to a number of notes and that we were to expect revised draft financial statements later in the week. At this time officers identified and corrected a number of errors in the following notes: ▪ Note 7 Adjustments between accounting basis and funding basis under regulations, in particular capital grants unapplied and the capital receipts reserve; ▪ Note 12 PPE; ▪ Note 25 Unusable reserves; and ▪ Note 41 Capital expenditure and capital financing. The Authority provided a second version of the draft financial statements on 22 May 2014 and it is on this version that we started the audit. We have identified a higher number of errors in the accounts than in previous years and the Authority also identified a significant number of further errors. A key contributor to this was the accelerated timetable which resulted in a reduced level and robustness of quality assurance over the draft financial statements.

Headlines

This table summarises the headline messages. The remainder of this report provides further details on each area.

Audit adjustments	Our audit identified a total of seven audit adjustments with a total value of £93 million, detailed in Appendix 3. In addition we identified seven presentational adjustments, detailed in Appendix 4. The Authority identified a total of c150 adjustments during the course of the final audit process. The impact of the adjustments is: ■ No impact on the balance of the general fund account as at 31 March 2014; ■ Increase in the surplus on provision of services for the year by £148 million; and ■ Decrease the net worth of the Authority as at 31 March 2014 by £17.7 million. We have included a full list of significant audit adjustments at Appendix 3. All of these were adjusted by the Authority.
Key financial statements audit risks	We have worked with officers throughout the year to discuss specific risk areas. The changes to the Code that affected accounting for NDR were not appropriately accounted for by the Authority in the draft accounts and we therefore added this as a significant risk area for the audit. Detail of the amendments required is included in Appendix 3.
Control environment	The Authority's organisational control environment is effective overall and we have not identified any significant weaknesses in controls over key financial systems. We have raised a number of recommendations in relation to the year end process highlighted above, which are summarised in Appendix 1. There are two high risk recommendations, one which relates to the quality assurance processes prior to submitting the draft financial statements for audit and one which relates to reviewing changes in the Code and errors from prior years. The Authority has implemented all of the recommendations in our *ISA 260 Report 2012/13.*
VFM conclusion and risk areas	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. However compliance with the Procurement Code and internal financial regulations continues to require improvement, with the identification of weaknesses (in particular for contract letting, extensions and formalising contract documentation). These emerged from our work considering objections to the Authority's accounts for the 2008/09 to 2011/12 financial years. Whilst we note that the Authority has made improvements in this area, there is still further work required to embed the improvements across all areas of procurement activity. Our audit report will therefore include a Report by Exception highlighting these weaknesses.

Proposed opinion and audit differences

Our audit of the Authority's financial statements identified a total of seven audit adjustments and seven presentational adjustments. In addition the Authority identified c150 adjustments during the course of the final audit process.

The impact of these adjustments is:

- **No movement on the balance on the general fund and HRA accounts as at 31 March 2014;**
- **Increase in the surplus on the provision of services for the year by £148 million; and**
- **Decrease the net worth of the Authority as at 31 March 2014 by £17.7 million.**

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Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit and Performance Committee on 30 June 2014.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Our audit identified a total of seven significant audit differences, which we set out in Appendix 3. These have been adjusted in the final version of the financial statements.

The most significant audit difference in monetary value are:

- Non Domestic Rates (NDR): Reduction in gross income and expenditure in central services in the CIES of £444.3m, with no net impact on the CIES. Reduction in short term debtors of £19.3m, a reduction in short term creditors of £68.2m and an increase of £49m in provisions.
- Increase in HRA gross expenditure in the CIES of £82.6m. The figure was omitted in the second version of the draft financial statements meaning gross expenditure in the CIES did not cast. There was no impact on the net surplus.
- Upwards revaluation of council dwellings of £167.7m incorrectly taken to revaluation reserve, which should have gone through the I&E Statement to reverse a previous impairment. There was no impact on the General Fund or HRA balances.
- Three schools became Academies during the year. Two of these transfers were not accounted for initially. When the accounting transactions were processed they were processed incorrectly as revaluations as opposed to a disposal at nil proceeds.

The following tables reflect the aggregate of the Audit adjustments as set out in Appendix 3 and the adjustments identified by the Authority.

Movements on the General Fund 2013/14

£m	Pre-audit	Post-audit
Surplus on the provision of services	£2.7m	£150.6m
Adjustments between accounting basis & funding basis under Regulations	£30.3m	(£117.6m)
Transfers to/ from earmarked reserves	(£29.6m)	(£29.6m)
No movement on General Fund & HRA balances	**£3.4m**	**£3.4m**

Balance Sheet as at 31 March 2014

£m	Pre-audit	Post-audit
Property, plant and equipment	£1,850m	£1,830m
Other long term assets	£445m	£445m
Current assets	£703m	£684m
Current liabilities	£432m	£363m
Long term liabilities	£964m	£1,011m
Net worth	**£1,602m**	**£1,585m**
General Fund	£35m	£35m
Other usable reserves	£223m	£225m
Unusable reserves	£1,344m	£1,325m
Total reserves	**£1,602m**	**£1,585m**

Proposed opinion and audit differences

Pension Fund

We anticipate issuing an unqualified audit opinion in relation to the Fund's financial statements.

Annual Governance Statement

The wording of your Annual Governance Statement accords with our understanding of the Authority.

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In addition the Authority identified a number of further amendments.

The tables on page 5 show the total impact of all adjustments on the Authority's movements on the General Fund and HRA for the year and the balance sheet as at 31 March 2014.

In addition, we identified a number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2013/14 ('the Code')*. These are shown at Appendix 4. The Authority addressed all of the issues identified in the final version of the financial statements.

Pension fund audit

Our audit of the Fund did not identify any material misstatements.

We anticipate issuing an unqualified audit opinion following approval of the Statement of Accounts by the Audit and Performance Committee on 30 June 2014.

We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code*.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

We have made a number of comments in respect of its format and content which the Authority has amended.

Pension Fund Annual Report

The Pension Fund Annual Report has not been prepared yet and we are yet to confirm that:

- it complies with the requirements of the Local Government Pension Scheme (Administration) Regulations 2008; and
- the financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.

The statutory deadline for publishing the document is 1 December 2014. The Pension Fund Annual Report is not yet available for review. Once we have reviewed the Pension Fund Annual Report we will need to complete additional work in respect of subsequent events to cover the period between signing our opinion on the Statement of Accounts and Pension Fund Annual Report. We will then issue an opinion in relation to the Fund's financial statements contained within the Pension Fund Annual Report .

Key areas of audit focus

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the majority of the issues appropriately.

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In our *External Audit Plan 2013/14*, presented to you in February, we identified the key areas of audit focus affecting the Authority's and the Fund's 2013/14 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the areas of audit focus that are specific to the Authority.

Additionally, we considered the risk of management override of controls, which is a standard risk for all organisations.

Our controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual, did not identify any issues.

Key area of audit focus	Issue	Findings
Property, Plant and Equipment and Investment Properties	The Authority has a significant asset base primarily relating to Council dwellings and Investment properties. The potential for impairment/valuation changes makes these balances inherently risky due to the high level of judgement and estimation uncertainty.	The Authority has undertaken a valuation exercise using the external valuation firm Lambert Smith Hampton, which has involved the valuation of the Authority's operational and investment properties. We have reviewed the accounting treatment following the revaluation and have not identified any issues. The Authority has also correctly followed the new Code guidance on revaluations of land and buildings. We also reviewed the professional valuation of the Authority's Council Dwellings. We did not identify any issues relating to the accounting treatment for the valuation.
Cash	Cash has a pervasive impact on the financial statements and provides comfort for other areas of the financial statements.	We have sought external bank confirmations and reviewed the controls over bank reconciliations. We are satisfied that these controls have operated throughout the year and that the cash figure in the financial statements is materially accurate. We also followed up on the one recommendation from 2012/13 relating to bank reconciliations and found that the recommendation had been implemented appropriately. Details of prior year recommendations are included in Appendix 2.

Key areas of audit focus

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the majority of issues appropriately.

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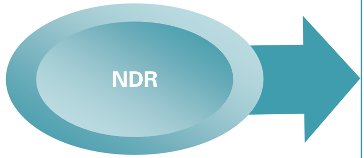
Key audit risk	Issue	Findings
Pension costs and liabilities	Pension valuations require a significant level of expertise, judgement and estimation and are therefore more susceptible to error. This is also a very complex accounting area increasing the risk of misstatement.	We have confirmed that the pensions costs and liabilities recognised in the accounts were accurately drawn from the report from the actuary. We have reviewed the accounting treatment for associated balances and transactions in order to confirm that it was in line with the requirements of the CIPFA code. We have not identified any issues to report.
LGPS triennial valuation	During the year, the Pension Fund has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The share of pensions assets and liabilities for each admitted body is determined in detail, and a large volume of data is provided to the actuary to support this triennial valuation. The IAS 19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data. There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts.	We reviewed the data provided to the actuary and confirmed that it was consistent with underlying records. We did not identify any issues to report.

Significant audit risks

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the majority of issues appropriately.

We did identify issues with the treatment of NDR which was not treated in line with the new requirements of the Code.

Key audit risk	Issue	Findings
	Due to the introduction of Business Rate Localisation, with effect from 1st April 2013, there were significant changes in the requirements for the disclosure of NDR balances and transactions, as per the CIPFA Code. Furthermore, there were significant variances in the balance sheet and the CIES as a result of the change of accounting treatment. These factors meant that non-domestic rates were reassessed as a risk area for the audit and therefore have been included as a key financial statement audit risk.	Upon receipt of the draft financial statements, we identified unexpected material variances relating to NDR. We reassessed our approach to NDR and treated it as a significant risk. We identified that the new accounting requirements were not appropriately followed. As a result, several audit misstatements were identified and subsequently amended by the Council. These have been outlined in Appendix 3.

We have noted a deterioration in the quality of the draft financial statements and the supporting working papers as a result of the compressed accounts timetable.

Officers dealt with queries as they arose, however the volume of adjustments and issues identified made this a labour intensive process for both the Authority and the audit team.

The Authority has implemented all of the recommendations in our *ISA 260 Report 2012/13*.

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Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has produced accounts in a compressed timescale compared to previous years. This has resulted in a deterioration in the quality of the financial statements. In addition, two key members of the finance team are new to their roles this year. At the interim visit the trial balance could not be easily reconciled to the accounts. The Authority reviewed this in advance of the final accounts audit and addressed the issues identified. We have raised a recommendation on this in Appendix 1. There is scope to improve the quality of the draft financial statements by building in a robust quality assurance process prior to submitting the accounts for audit. We have raised a recommendation on this in Appendix 1.
Pension fund audit	The audit of the Fund was completed alongside the main audit. There are no specific matters to bring to your attention.
Response to audit queries	Officers resolved the majority of audit queries in a reasonable time, although not within the 24 hour turnaround that had been agreed as part of the compressed accounts production and audit timeline.

Element	Commentary
Completeness of draft accounts	We received a complete set of draft accounts on 19 May 2014 which were also made available for public inspection. We received a second version of the draft financial statements on 22 May 2014. The Authority has made a number of adjustments to its draft financial statements throughout the audit. A schedule providing Members with detail of the c150 amendments has been included in the papers for the Audit and Performance Committee.
Quality of supporting working papers	Our *Accounts Audit Protocol*, which we issued on 11 February 2014 and discussed with the Head of Financial Management and Control, set out our working paper requirements for the audit. The quality of working papers was generally of a good standard, in line with the standards specified in our *Accounts Audit Protocol*. However, not all working papers were provided at the outset of the audit and we did experience some delays in the turnaround of queries towards the end of the audit process.
Group audit	To gain assurance over the Authority's group accounts, we placed reliance on work completed by: • PwC on the financial statements of City West Homes Ltd; and • Jones Avens (auditor) on the financial statements of Westminster Community Homes Ltd. There are no specific matters to report relating to the group audit.

The Authority has implemented all of the recommendations in our *ISA 260 Report 2012/13*.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

The Authority has implemented all of the recommendations in our *ISA 260 Report 2012/13.*

Appendix 2 provides further details.

Organisational control environment

Your organisational control environment is effective overall.

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Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit.

We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls

We review the outcome of internal audit's work on the financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy.

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Key findings

We consider that your organisational controls are effective.

Aspect	Assessment
Organisational controls:	
Management's philosophy and operating style	3
Culture of honesty and ethical behaviour	3
Oversight by those charged with governance	3
Risk assessment process	3
Communications	3
Monitoring of controls	3

Key:
- 1 Significant gaps in the control environment.
- 2 Deficiencies in respect of individual controls.
- 3 Generally sound control environment.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's and the Fund's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter.*

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of City of Westminster Council and City of Westminster Council Pension Fund for the year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and City of Westminster Council and City of Westminster Council Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Chair of the Audit and Performance Committee and the Acting S151 Officer for approval by the Audit and Performance Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest' that arise from the audit of the financial statements.

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report.

Concluding the audit

The audit cannot be formally concluded and an audit certificate issued, as we are considering two objections relating to 2008/09, 2009/10, 2010/11 and 2011/12. At the start of the year we had seven objections relating to parking and other procurement issues. We have decided five of these and the findings and weaknesses identified are included in a separate paper for this committee. We received an additional objection during the year relating to the licensing of sex shops which has also been decided. Our work is on-going with regard to two objections (pay by phone and the debt recovery contract).

As a result of the on-going objections, we will issue our opinion on the financial statements and the VFM conclusion but without the certificate. We will re-visit and finalise our audit report when the objections are decided and we are able to certify the audit as closed.

As a result of the early audit work completed this year, we have not yet audited the Whole of Government (WGA) return or the Pension Fund Annual Report. We will provide an update on progress with this work at the next Audit and Performance Committee.

VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

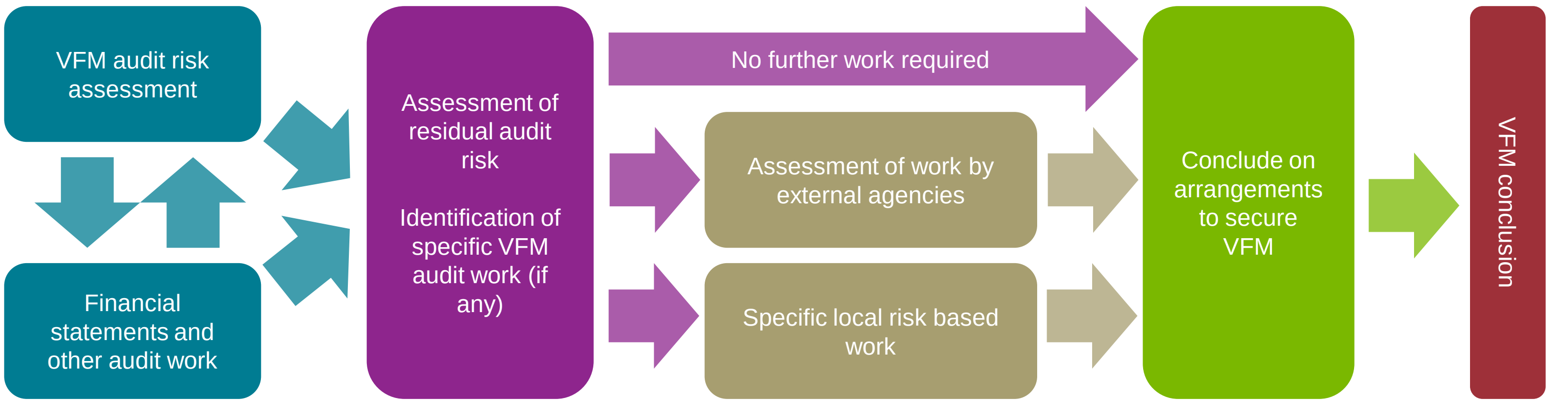
The following page includes further details of our VFM risk assessment and our specific risk-based work.

Conclusion

Our work in this area is substantially complete. Subject to the completion of closure procedures we anticipate concluding that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

However compliance with the Procurement Code and internal financial regulations continues to require improvement, with the identification of weaknesses (in particular for contract letting, extensions and formalising contract documentation). These emerged from our work considering objections to the Authority's accounts for the 2008/09 to 2011/12 financial years. Whilst we note that the Authority has made improvements in this area, there is still further work required to embed the improvements across all areas of procurement activity. Our audit report will therefore include a Report by Exception highlighting these weaknesses.

The impact of objections on our VFM conclusion is considered further at page 16.



Specific VFM risks

We identified one specific VFM risk.

We are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to this risk area are adequate.

Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and
- considered the results of relevant work by the Authority, other inspectorates and review agencies in relation to these risk areas.

Key findings

Below we set out the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We concluded that we did not need to carry out additional work for these risks as there was sufficient relevant work that had completed by the Authority, other inspectorates and review agencies in relation to these risk areas.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	Based on the current medium term financial plan, which covers the period 2015/16 – 2017/18, there is a significant savings requirement over the three year period (£23m per annum). This is on top of the £84m of savings achieved in 2011/12 and 2012/13. The savings required for 2013/14 of £12m have been identified and early indications – including the 2012/13 achievements are positive. A further £19m of savings will be required in 2014/15. Many of these savings requirements are due to be delivered via the Tri borough working arrangements. However, finding additional savings year after year will be a challenge. The Authority will need to continue to manage its savings plans to secure longer term financial and operational sustainability and ensure that any related liabilities are accounted for in its 2013/14 financial statements as appropriate.	Our main accounts work has confirmed that the Authority has met its £12m savings targets for 2013/14. As part of our Value for Money work we have reviewed the Authority's processes for delivery of its savings plans and consider that robust, achievable plans are in place. The Authority has a current medium term financial plan in place which gives due consideration to potential funding reductions. Based on its assumptions there will be further funding reductions of £19m in 2014/15 and £23m per annum for the following three years. Provisional service level savings plans have already been identified for 2014/15. The Authority is refreshing its medium term financial plan. Service and Corporate Areas have been tasked with identifying £100m of savings, with £56m already identified. Detailed proposals are to be presented to Cabinet in the autumn with the objective of agreeing a two year budget – for 2015/16 and 2016/17 onwards.

VFM conclusion

A number of weaknesses have emerged from our work considering the objections to the Authority's accounts from 2008-09 to 2011-12. Our audit report will include a Report by Exception highlighting these weaknesses.

Objections

During the year we have considered and decided a number of objections relating to the Authority's accounts from 2008-09 to 2011-12. A number of examples of non-compliance with the proper procedures required by the Council's Procurement Code and internal financial regulations have been identified, in particular:

- contract letting, where the Council failed to publish a contract award notice;
- formalising contract documentation, with excessive delays and missing documentation;
- extending contracts beyond that allowed in the original contract, and
- instances where reporting to Members could have been clearer.

We are aware that the Council has taken action to improve its procurement function. This includes a number of new appointments to strengthen the team, including a permanent role of Chief Procurement Officer. The 'Procurement and Commercial Foundations Programme' has also been implemented. This programme is a platform for improving procurement and corporate contracts management with a more professional and commercial focus.

Additionally in January 2014 a new Tri-borough procurement solution called capitalEsourcing was launched which should improve contract management, the management of the procurement pipeline and help ensure compliance with the Procurement Code. However, we recognise that it will take time for these initiatives to become embedded across the organisation to ensure a consistent improved approach to procurement.

We are required to consider matters coming to our attention having regard to our Code responsibilities. In isolation the weaknesses identified by our work on the objections are not significant enough as to impact on our value for money conclusion and many are historic. However, taken together they demonstrate weaknesses in the Authority's arrangements for managing risks and maintaining a sound system of internal control in respect of procurement. Our audit report will therefore include a Report by Exception highlighting these weaknesses.

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations		
❶ ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❶	**Quality assurance process and closedown** We acknowledge that the financial statements were prepared in a much reduced time period for the first time this year. This presented inevitable challenges in preparing a robust set of draft financial statements for audit. There is a risk that in preparing the draft financial statements in a much shorter timeframe that the Quality Assurance processes get reduced or do not happen at all. This would appear to be the case this year, with a marked deterioration in the quality of the draft financial statements and the Annual Governance Statement which has resulted in a number of adjustments and other amendments. The Authority should review its accounts preparation timetable for future years and ensure that it includes sufficient time for a robust quality assurance process prior to submitting the draft accounts for audit. The Authority may also want to re-consider its plan to bring the timetable forward further next year, focusing instead on improving the quality of the draft financial statements provided for audit. The Authority should also commit to a hard close at month nine at which point audit will be able to review both CIES and balance sheet entries, reducing the burden at year end.	**Accepted** Due date: 31 March 2014 Full management response is included in Appendix 7.

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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No.	Risk	Issue and recommendation	Management response / responsible officer / due date
2	❶	**Review of the Code and prior year errors** (i) Our review of the accounting treatment for NDR identified that the changes in the Code that impact NDR accounting entries were not implemented appropriately in the draft financial statements, which led to a number of material adjustments as detailed in Appendix 3. (ii) Our testing of financial instruments and the Movement in Reserves Statement identified a number of errors including the omission of cash and intercompany debtors in the financial instruments note and misclassifications in reserves. We identified similar errors in both notes in the prior year audit which were corrected as part of the audit process. It is disappointing that these issues were not addressed in the 2013/14 draft financial statements. (iii) The identification of errors, processing of amendments and the tracking of amendments increases the resources needed for the audit, takes officer time and has potential implications for the audit fee. (iv) The Authority should ensure that in preparing draft financial statements, any new requirements of the Code are accounted for appropriately and the errors made in prior years are reviewed and not repeated.	**Accepted** Due date: 31 March 2015 Full management response is included in Appendix 7.

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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No.	Risk	Issue and recommendation	Management response / responsible officer / due date
3	2	**Mapping of the trial balance to the financial statements** The trial balance can not be easily reconciled to the financial statements for income and expenditure and is overly reliant upon manual adjustments. This resulted in a number of classification errors in the SeRCOP that were identified during our testing at the interim audit. We acknowledge the improvement in the process of reconciling the trial balance to the financial statements made by the Authority between the interim and final accounts audits. Whilst this has been an issue for many years, it is exacerbated as the closedown time frame is reduced and processes need to be as efficient as possible. The Authority is aware of this and is in the process of implementing a new financial ledger system, although recent discussions suggest that officers are unclear about whether this will address the problem and mean that less manual intervention is required. In not being able to easily reconcile the trial balance to the financial statements and having to rely upon manual adjustments, there is a risk that the Authority does not include all of the transactions that have occurred in a financial year in its financial statements. We recommend the trial balance is reformatted for 2014/15 so that it can easily be reconciled to the financial statements by filtering relevant subjective codes.	**Accepted** Due date: 31 March 2015 Full management response is included in Appendix 7.

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

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No.	Risk	Issue and recommendation	Management response / responsible officer / due date
4	2	**Closedown for 2014/15** We are aware the Authority plans to produce draft financial statements for audit in 2014/15 working to a more compressed timescale than was followed for 2013/14. There is a risk that in focusing on reducing the closedown period, the quality of the draft financial statements will reduce further as resource is committed to achieving an earlier closedown rather than ensuring the quality of the draft financial statements presented to audit. To achieve the reduced timescale, the Authority will need to produce and implement a robust timetable for the whole of the 2014/15 financial year. This should involve the presentation of auditable figures for all primary statements to audit in advance of the year end, which will require a move away from the current process of allowing a significant number of transactions to be posted in months twelve and thirteen. For example, this will require a change in the way Property, Plant and Equipment (PPE) is accounted for at the Authority (where currently the majority of transactions are reflected in the Fixed Asset Register at the year end) and will require a fundamental change in the approach of business partners.	**Accepted** Due date: 31 March 2015 Full management response is included in Appendix 7.

Appendix 2: Follow up of prior year recommendations

The Authority has implemented all of the recommendations in our *ISA 260 Report 2012/13.*

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This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2012/13* and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	2
Implemented in year	2
Remain outstanding	0

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at 30 June 2014
1	2	**Revaluation of Investment Property** **Issue** The Code requires investment properties to be revalued annually. During 2011-12 the Authority made a conscious decision not to revalue all investment properties due to resource constraints. While it was not the intent to repeat this for 2012-13, our work in this area noted that 16 investment properties with a value of £9.9m had not been subject to revaluation in year. **Risk** Not revaluing investment properties on an annual basis is contrary to the requirements of the *CIPFA Code of Practice*. Furthermore there is a risk that not revaluing all investment properties results in a material over or understatement of the Council's asset values. We have extrapolated the potential impact of this issue and are satisfied that this is not material to the 2012-13 financial statements. **Recommendation** Ensure that all investment properties are subject to revaluation as at 31 March 2014, and annually thereafter.	**Responsible Officer** Head of Financial Management & Control and Strategic Director of Housing Regeneration and Property **Due Date** 31 March 2014	**Implemented**

Appendix 2: Follow up of prior year recommendations

The Authority has implemented all of the recommendations in our *ISA 260 Report 2012/13.*

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at 30 June 2014
2	3	**Bank Reconciliation** **Issue** Our review of the Council's bank reconciliation noted that while there is a thorough understanding of the nature of the Council's cash position, at the date of audit this reconciliation includes 1,798 items over six months old with a net value of £15,997.86 which should be cleared down to ensure that this key control retains focus on current matters. **Risk** A high volume of older items within the bank reconciliation creates a risk that items remain un-reconciled and are not properly accounted for and this document becomes confusing and ultimately that users lose focus on current relevant matters. **Recommendation** The Council should work with its shared service provider to clean up older items within the bank reconciliation to ensure that this remains an effective and efficient control focused on current matters.	**Responsible Officer** Head of Financial Management & Control **Due Date** 31 January 2014	**Implemented**

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Appendix 3: Audit differences

This appendix sets out the significant audit differences.

A number of further amendments were identified by the Authority during the audit. A full schedule of all amendments has been provided to the Audit and Performance Committee by the S151 Officer.

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We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit and Performance Committee). There are no uncorrected misstatements. We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences – Authority

The following table sets out the significant audit differences identified by our audit of City of Westminster Council's financial statements for the year ended 31 March 2014.

	Impact					
No.	Income and Expenditure Statement	Movement in Reserves Statement	Assets	Liabilities	Reserves	Basis of audit difference
1	Dr gross income for central services to the public £444,253K Cr gross expenditure for central services to the public £444,253K					The business rates retained by the Council and the tariff payable to Central Government were recognised as gross income and expenditure, respectively, in the central services to the public line of the SERCOP. In accordance with the Code, only the net income should have been recognised and this should have been presented as taxation and non-specific grant income.
2			Cr short-term debtors £19,250K	Dr short-term creditors £68,205K Cr provisions £48,955k		The year-end balances with regards to NDR collections were not disclosed in line with the Code, which has been updated since 2012/13 due to the introduction of Business Rate Localisation, effective from 1 April 2013.

Appendix 3: Audit differences

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No.	Impact: Income and Expenditure Statement	Impact: Movement in Reserves Statement	Impact: Assets	Impact: Liabilities	Impact: Reserves	Basis of audit difference
3	Dr HRA Gross Expenditure £82,618k	Cr HRA £82,618k				HRA expenditure was excluded from version two of the draft financial statements. We acknowledge that this was included in the original draft accounts received on 19 May 2014. The error resulted in gross expenditure in the CIES not casting, however there was no impact on the net surplus as the error was a consequence of the balance not being transferred correctly from a supporting schedule.
4	Cr Net cost of services £167,718k	Dr General fund £167,718k			Dr Revaluation Reserve £167,718k Cr Capital Adjustment Account £167,718k	The value of the Authority's Council dwellings increased in 2013/14. There was a reduction in value in 2010/11 following a change in the social housing factor from 37% to 25%. The upward revaluation in 2013/14 was not matched to the impairment that was taken through I&E in 2010/11 and was incorrectly taken to the revaluation reserve.

Appendix 3: Audit differences

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A number of further amendments were identified by the Authority during the audit. A full schedule of all amendments has been provided to the Audit and Performance Committee by the S151 Officer.

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	Impact					
No.	**Income and Expenditure Statement**	**Movement in Reserves Statement**	**Assets**	**Liabilities**	**Reserves**	**Basis of audit difference**
5	Dr Net Cost of Services £2,485k Cr Other operating expenditure £2,485k					The Authority received some overage monies during the year. They were initially misclassified in Net Cost of Service. An adjustment was made to correctly include this income as a gain on disposal.
6	Cr Net cost of services £12,705k Dr Other operating expenditure £24,009k	Cr General fund £11,304k				Three schools became Academies during the year. These transactions were incorrectly processed as revaluations. The correct accounting treatment is to account for the transfers as disposals, in line with how they were accounted for in the previous year.
7	Dr Net cost of services £3,653k Cr Taxation and non specific grant income £3,653k					Third party enhancements to Council assets as part of planning agreements were accounted for as general income. The correct accounting treatment is to recognise such amounts as grants without conditions.
	Cr £73,796k	**Dr £73,796k**	**Cr £19,250k**	**Dr £19,250k**	**-**	**Total impact of audit adjustments**

Appendix 4: Presentation differences identified by audit

This appendix sets out the significant presentational differences identified by audit.

A number of further amendments were identified by the Authority during the audit. A full schedule of all amendments has been provided to the Audit and Performance Committee by the S151 Officer.

	Impact		
No.	**Note number**	**Note description**	**Description of presentational adjustment**
1	AGS	Annual Governance Statement	We identified one material inconsistency between the AGS and the draft financial statements. The draft AGS referred to the Authority's annual capital programme as being 'just over £30 million'. This did not agree with the financial statements and was amended to disclose the capital programme as being 'just over £100 million'.
2	MiRS and note 7	Movement in Reserves Statement Adjustments between accounting basis and funding basis under regulations	We identified a number of classification errors internal to the Movement in Reserves Statement and in the adjustments between accounting basis and funding basis under regulations note. The errors did not impact the balance of reserves. Similar errors were also identified by audit in the previous year. We have raised a recommendation regarding the follow up of prior year errors in Appendix A.
3	16	Financial instruments	We identified two errors in the Financial Assets Loans and Receivables balance whereby cash had been excluded from the total balance and two intercompany loans had been incorrectly included. This led to an adjustment of £153 million and led to the correction of a follow through error in the Fair Value analysis. The Authority had also incorrectly reflected Financial Instrument Creditors in Note 16. PFI commitments and Finance Lease liabilities were incorrectly included as long term creditors in Note 16 and capital creditors had been incorrectly excluded. Correction of this led to an adjustment of £52m. The corrections to the Financial Instruments note had no impact on the primary financial statements.
4	27	Cash flows from investing activities	The Authority incorrectly classified £16.2 million as purchase of short-term and long-term investments as opposed to proceeds from short and long term investments. The required adjustment had no impact on the Total Cash Flows from Operating Activities line or on the Cash Flow Statement.

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	Impact		
No.	**Note number**	**Note description**	**Description of presentational adjustment**
5	36	Officer's remuneration	A number of changes were required to the Senior Officer Remuneration note.
6	HRA CIES	Housing Revenue Account Income and Expenditure Comprehensive Income and Expenditure Statement	In the draft financial statements, the total income and expenditure in the CIES did not reconcile to the HRA. This was the result of inconsistent treatment between the two preparers of the statements and a number of trivial errors which required amendment so that the statements would reconcile.
7	Collection Fund	Collection Fund	The Collection Fund did not include the Business Rates Supplement refunds and associated income. The refunds totalled £1.7m which was matched by £1.7m income. The error resulted in income and expenditure being grossed up by the same amount, so there was no impact on the Collection Fund deficit.

Appendix 5: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

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Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's *Standing Guidance for Local Government Auditors* ('Audit Commission Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit and Performance Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 5: Declaration of independence and objectivity

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail. There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to members of the Audit and Performance Committee.

Auditor declaration

In relation to the audit of the financial statements of City of Westminster Council City of Westminster Council Pension Fund for the financial year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and City of Westminster Council City of Westminster Council Pension Fund , its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

Appendix 6: Materiality and reporting of audit differences

For 2013/14 our materiality is £22 million for the Authority's accounts. For the Pension Fund it is £17.5 million.

We have reported all audit differences over £1.1 million for the Authority's accounts and £0.9 million for the Audit Pension Fund to the Audit and Performance Committee.

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Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We reassessed materiality for the single entity and the group at the start of the final accounts audit. We reduced materiality from £31 million as reported in the Audit Plan in February 2014 to £22 million. In part our reassessment reflected the more compressed timetable for the year end accounts production.

Materiality for the Council's accounts was set at £22 million for the Authority's single entity accounts which equates to around 2 percent of gross revenue. Materiality for the group accounts was also set at £22 million.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit and Performance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Performance Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.1m.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Performance Committee to assist it in fulfilling its governance responsibilities.

Materiality – pension fund audit

The same principles apply in setting materiality for the Pension Fund audit. Materiality for the Pension Fund was set at £17.5 million which is approximately 2 percent of gross assets.

We design our procedures to detect errors at a lower level of precision, set at £0.9 million for 2013/14.

Appendix 7: Management response to audit recommendations

Management has responded to the four recommendations that we have made in Appendix 1.

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Recommendation 1- Quality assurance process and closedown

Management response:

The decision to adopt an accelerated closedown timetable for 13/14 was taken in early 2014. Officers within Corporate Finance acted promptly to prepare a detailed closure timetable concluding in publication of the accounts on 30th June 2014, a three month improvement on prior years. This timetable included the adoption of a hard-close for Period 10 (January 2014) with transactions for periods 1 to 10 providing a sound basis for the interim audit.

Whilst the Council recognises that there were a number of areas which can inevitably be improved in future years and which the Council is already working on. The benefits of the accelerated closure programme are very considerable and more than outweigh the challenges that have been faced.

The early closure of accounts is a significant driver of efficiency and therefore in the value that Finance can bring. In terms of efficiency, the early release of finance staff from the closedown process ie the 30 June rather than the 30 September means the team is freed up to concentrate on other financial issues such as the MTP and further improving and refining financial management processes.

The early closure of accounts also brings with it the following benefits:

- Embedded and refined project management skills. The closure of accounts is a significant project involving third parties, officers around the Council and the auditors. Project management methodology will continue to be developed for 2014/15.
- It focuses attention on developing and improving systems to further improve efficiency and streamlining financial reporting.
- The process drives continuous review and improvement.
- Staff experience, motivation and career development is enhanced.
- It is also the case that the reputation of Westminster Council finance will be improved by these significant developments.
- Pride in the job is promoted.
- The early programme builds in capacity to address emerging issues in a timely manner should they arise.
- It sets a standard of quality, aspiration and timeliness which is then applied to other financial work

The Government via the CLG has a drive on improving local accountability to the public and the presentation of early audited financial information is a key part of this. The CLG has consulted recently on accelerating local authority closure of accounts timetables and is currently out to consultation again. It is likely that the 30 September date will be brought forward to 31 July from 2017/18 for all Councils. By acting as it is Westminster will be at the forefront of this issue and will be well placed to meet its then statutory requirements.

In order to continue to obtain the benefits noted above and to further enhance them for 2014/15 the Council will publish its annual accounts earlier again. To enable this, and to reduce the significant volume of fixed asset, grant, provision and related transactions which currently occur in periods twelve and thirteen it will hold a number of hard-closes through the year.

This initiative will be supported by an improvement plan which Corporate Finance will draft following a robust and timely review of the accounts preparation and audit process in July 2014. This will be informed by Corporate Finance's own experience as well as information provided by external audit. The improvement plan will be implemented during 2014/15 and will result in continuous programme management of the Council's accounts and ultimately the statement of accounts throughout the financial year.

Appendix 7: Management response to audit recommendations

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Recommendation 2- Review of the Code and prior year errors

Management response:

(i) As is indicated above this is the first year of accounting for the changes to NDR. Although the Council has discussed and agreed an approach which it considered reasonable, following further investigation and discussion with audit it concluded that the position recorded in its accounts should reflect the net exposure only.

(ii) The errors in the financial instruments note are primarily due to a lack of continuity in the key members of staff who prepare the accounts and its related working papers. As has been done in the last two years Corporate Finance will lead a review of the year-end process – including input from external audit – in order to agree upon an improvement plan which will be implemented during 14/15. The MIRS issue related to the Council's interpretation of how revaluation transactions should have been recognised. This issue was discussed with audit and a revised treatment agreed.

(iii) Noted. In order to monitor changes, and maintain version control Strategic Finance already have a detailed tracking process in place, it will look to further enhance in future years.

(iv) The improvement plan referred to earlier will incorporate known issues. Where new requirements are identified by the Code these will be monitored, investigated and accounting treatment agreed in a timely manner. This approach will be reinforced by proactive engagement and coordination with Tri-Borough colleagues.

Recommendation 3- Mapping of the trial balance to the financial statements

Management response:

As KPMG note this is not a new issue. The specification for managed services includes this requirement which will ensure a more automated mapping of the trial balance to the core financial statements, and is to be tested over the summer. As stated above, Strategic Finance will hold a number of hard-closes over the year as part of the planned programme of accounting improvements which will support a more robust control framework, the reconciliation and mapping of SeRCOP will be an integral part of this process.

Appendix 7: Management response to audit recommendations

Management has responded to the four recommendations that we have made in Appendix 1.

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Recommendation 4- Closedown for 2014/15

Management response:

The point of the early close is only partly about the timeliness of the production of the financial information, quality and transformation are also paramount in the Council's plans. An early close does not lead to a reduction in quality rather it is the reverse and the Council is committed to the highest quality financial statements

By way of example this approach will bring about a series of improvements which will include:

- Early planning – timetable review as soon as the previous year's accounts have been closed, early and continuous identification of risks and mitigating actions and the early identification of technical requirements
- Ongoing programme of technical activity through our technical groups
- Earlier assurance gained from advance closedowns
- Early completion of work where possible eg recharges and smoothing of workloads throughout the year
- Close and regular liaison at a strategic and operational level with KPMG
- Technical expertise development – identification of key individuals with support where necessary
- Refined quality assurance processes

The Council is committed to an earlier production of its financial statements. In order to facilitate this it will embed – via regular hard-closes - more complete in-year accounting including a more timely recognition of: fixed asset additions & disposals and recognition of capital grant income, combined with more effective and ongoing management and accounting for balance sheet items within its service areas. As officers become more familiar with these transactions, understanding and accuracy will improve which will be reflected in the financial statements. More effective controls and accurate accounting will be facilitated by the new accounting system – and related disciplines e.g. no purchase order no pay - which is to be provided via the managed services agreement which goes live on 1st September 2014.

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